



# CITY OF MORRO BAY CITY COUNCIL AGENDA

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*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.*

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## Regular Meeting Tuesday, August 22, 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=aWZpTzcwTHIRtk9xaTlmWVNWRFUQT09>  
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](mailto:council@morrobayca.gov) prior to the meeting. Agenda Correspondence received at [council@morrobayca.gov](mailto: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 – NONE

### 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 AUGUST 8, 2023, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE AUGUST 8, 2023, CITY COUNCIL MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

A-3 FOURTH QUARTER INVESTMENT REPORT (PERIOD ENDING JUNE 30, 2023) FOR FISCAL YEAR (FY) 2022-23; (ADMINISTRATIVE SERVICES DEPARTMENT)

**RECOMMENDATION: Receive the attached Fourth Quarter Investment Report (period ending June 30, 2023) for FY 2022-23.**

A-4 DETERMINATION OF PUBLIC CONVENIENCE OR NECESSITY FOR ABC LICENSE – 295 ATASCADERO RD., HAMPTON INN (ESCAPE HOSPITALITY, LLC); (COMMUNITY DEVELOPMENT DEPARTMENT)

**RECOMMENDATION: Staff recommends the City Council make the Determination of Public Convenience or Necessity to approve the request to allow sales of alcohol for off sale beer and wine type 20 license for Hampton Inn at 295 Atascadero Rd.; and direct staff to provide the applicant with a letter of support.**

A-5 DESIGNATION OF VOTING DELEGATE AND ALTERNATE AT LEAGUE OF CALIFORNIA CITIES 2023 ANNUAL CONFERENCE BUSINESS MEETING; (CITY CLERK)

**RECOMMENDATION: Staff recommends the City Council:**

**1. Select Council Member Barton, as the voting delegate, and Council Members Edwards and Landrum, as the alternate voting delegates, for the upcoming annual business meeting to be held at the League of California Cities Annual Conference; and 2. Authorize City Clerk to sign the League of California Cities' form affirming the selection of the voting delegate and the alternate voting delegates (page 4 of Attachment 1)**

A-6 HARBOR DIRECTOR FINANCIAL SUSTAINABILITY REVIEW OF HARBOR DEPARTMENT LEASE MANAGEMENT POLICY; (HARBOR DEPARTMENT)

**RECOMMENDATION: Staff recommends Council review and approve the proposal for Harbor Director review of the current Harbor Department Lease Management Policy for financial sustainability.**

A-7 2023 ZERO EMISSION BUS (ZEB) ROLLOUT PLAN; (PUBLIC WORKS DEPARTMENT)

**RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 53-23 approving the 2023 ZEB Rollout Plan.**

B. PUBLIC HEARING ITEMS - NONE

C. BUSINESS ITEMS

C-1 CONSIDERATION OF FIFTY PERCENT FEE REDUCTION REQUEST FOR PERMIT FEES ASSOCIATED WITH PROPERTIES DAMAGED BY THE 2023 WINTER STORMS; (COMMUNITY DEVELOPMENT DEPARTMENT)

**RECOMMENDATION: Staff recommends the City Council approve Resolution No. 54-23 temporarily reducing Building and Planning Permit fees by fifty percent for properties damaged by the 2023 winter storms. The fee reduction would run through the end of 2023 and be available to those that can demonstrate that other sources of recovery dollars (FEMA, Homeowners insurance) are insufficient to cover costs of repair and permitting.**

C-2 REVIEW AND COMMENT ON FISCAL YEAR 2023 QUARTER 4 WRF QUARTERLY REPORT; (PUBLIC WORKS DEPARTMENT)

**RECOMMENDATION: Staff recommends the City Council review and provide input on the Fiscal Year 2023 4<sup>th</sup> Quarter WRF Quarterly Report.**

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, September 12, 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.

MINUTES - MORRO BAY CITY COUNCIL  
SPECIAL CLOSED SESSION MEETING –  
AUGUST 8, 2023 – 3:00 P.M.  
CITY HALL CONFERENCE ROOM

AGENDA NO: A-1  
MEETING DATE: August 22, 2023

PRESENT: Carla Wixom Mayor  
Laurel Barton Council Member  
Cyndee Edwards Council Member  
Jennifer Ford Council Member  
Zara Landrum Council Member

ABSENT: None

STAFF: Greg Carpenter Interim City Manager  
Chris Neumeyer City Attorney  
Lona Laymon Assistant City Attorney  
Ted Schiafone Harbor Director  
Janeen Burlingame Management Analyst

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Wixom called the meeting to order at 3:00 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.

Todd Baston, Morro Bay Paddle Sports, agreed with the current form of the Consent of Landowner, noted concept plans had been submitted, and was eager to move forward with the project.

Tamara Baston, Morro Bay Paddle Sports, shared she was excited to make that area of the Embarcadero more inviting.

The public comment period was closed.

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

**CS-1 CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Significant exposure to litigation pursuant to Government Code subdivision 54956.9(d)(2)

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

Property: Lease Site 102/102W, 1001 Front Street, Giovanni's Central Coast Seafoods  
Property Negotiators: Giovanni DeGarimore and Giovanni Comin  
Agency Negotiators: Ted Schiafone, Harbor Director; Greg Carpenter, Interim City Manager; and Chris Neumeyer, City Attorney  
Negotiation: Price and Terms of Payment

**CS-3 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8**

Property: Lease Site 105.1W & 105.2W, 1001 Front Street, Central Coast Fuel and Ice  
Property Negotiators: Giovanni DeGarimore and Giovanni Comin  
Agency Negotiators: Ted Schiafone, Harbor Director; Greg Carpenter, Interim City Manager; and Chris Neumeyer, City Attorney  
Negotiation: Price and Terms of Payment

**CS-4 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8**

Property: Lease Site 69-70/69W-70W, 595 Embarcadero  
Property Negotiators: Chuck Nettnin, Three Stacks and a Rock Brewing Co. LLC  
Agency Negotiators: Ted Schiafone, Harbor Director; Greg Carpenter, Interim City Manager; and Chris Neumeyer, City Attorney

Negotiation: Price and Terms of Payment

**CS-5 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8**

Property: Lease Site 86/86W, 801 Embarcadero, The Libertine Pub

Property Negotiators: Eric Newton

Agency Negotiators: Ted Schiafone, Harbor Director; Greg Carpenter, Interim City Manager; and Chris Neumeyer, City Attorney

Negotiation: Price and Terms of Payment

**CS-6 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8**

Property: Lease Site 62/62W, 551 Embarcadero, Morro Bay Paddle Sports

Property Negotiators: Todd and Tamara Baston

Agency Negotiators: Ted Schiafone, Harbor Director; Greg Carpenter, Interim City Manager; 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 5:09 p.m.

Recorded by:

Dana Swanson  
City Clerk

PRESENT: Carla Wixom Mayor  
Laurel Barton Council Member  
Cyndee Edwards Council Member  
Jennifer Ford Council Member  
Zara Landrum Council Member

ABSENT: None

STAFF: Greg Carpenter Interim City Manager  
Chris Neumeyer City Attorney  
Lona Laymon Assistant City Attorney  
Dana Swanson City Clerk  
Sarah Johnson-Rios Assistant City Manager/Admin Services Dir.  
Greg Kwolek Public Works Director  
Scot Graham Community Development Director  
Daniel McCrain Fire Chief  
Amy Watkins Police Chief  
Ted Schiafone Harbor Director  
Janeen Burlingame Management Analyst

#### ESTABLISH QUORUM AND CALL TO ORDER

Mayor Wixom called the meeting to order at 5:34 p.m. with all members present.

#### MOMENT OF SILENCE

#### PLEDGE OF ALLEGIANCE

RECOGNITION – None

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/0lOdeUUyXdQ?t=99>

#### CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

<https://youtu.be/0lOdeUUyXdQ?t=344>

#### PRESENTATIONS

<https://youtu.be/0lOdeUUyXdQ?t=1030>

- A Certificate of Appreciation for his service as Interim City Manager was presented to Greg Carpenter
- Morro Bay Chamber of Commerce Quarterly Update

#### PUBLIC COMMENT

<https://youtu.be/0lOdeUUyXdQ?t=2116>

Judy Salamacha, Morro Bay, announced the arrival of the San Salvador arrived today.

Linda Winters, Morro Bay, spoke as an advocate for mobile home park residents.

Gloria Zion, Morro Bay, spoke in support of the Morro Bay Chamber of Commerce.

Terry Simons, Morro Bay, spoke regarding Item C-1, suggesting there be a clear delineation between the services provided under direction of the Chamber Board vs. the services provided under the City's economic development contract.

Betty Winholtz, Morro Bay, asked that an overhead projector be provided with audio/video upgrades and encouraged Council Members to respond to emails submitted by community members.

Betsy Gaudette-Cross, Morro Bay, thanked residents who signed the initiative petition circulated by Citizens for Estero Bay Preservation and shared the QR code for a video on lithium battery fire.

Jeff Eckles, Morro Bay resident and San Luis Obispo Housing Trust Fund CEO commented on Regional Housing and Infrastructure Plan approved by the San Luis Obispo County Board of Supervisors and opportunity for collaboration with other SLO county cities on efforts to support affordable housing.

Susan Stewart, Morro Bay business owner, announced South Bay Blvd will be closed 7:00 pm – 6:00 am Sunday, August 13, through Tuesday, August 15, and expressed concern the City had not moved forward with a Historic Preservation Ordinance.

James Worthy, SLOCOG, provided an update on regional transportation funding efforts and challenges and encouraged members of the public to visit [www.localroadsfirst.com](http://www.localroadsfirst.com) for more information.

Mayor Wixom closed public comment.

A. CONSENT AGENDA  
<https://youtu.be/0lOdeUUyXdQ?t=3661>

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 JUNE 13, 2023, CITY COUNCIL MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE JUNE 27, 2023, CITY COUNCIL SPECIAL MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

A-3 APPROVAL OF MINUTES FOR THE JUNE 27, 2023, CITY COUNCIL MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

A-4 APPROVAL OF MINUTES FOR THE JUNE 28, 2023, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (CITY CLERK)

**RECOMMENDATION: Approve as submitted.**

- A-5 DETERMINATION OF PUBLIC CONVENIENCE OR NECESSITY FOR ABC LICENSE – 833 EMBARCADERO RD., SUITE C AND SUITE F; (POLICE DEPARTMENT)

**RECOMMENDATION:** Staff recommends the City Council make the Determination of Public Convenience or Necessity to approve the request to allow sales of alcohol for off sale beer and wine type 20 license for HarborWalk Convenience at 833 Embarcadero Rd., Suite C; and for alcohol sales type 47 license at Umi Seafood Grill at 833 Embarcadero Rd., Suite F, and direct staff to provide the applicant with a letter of support.

- A-6 CONSIDERATION OF SPONSORSHIP FOR THE BRAIDING WATER PROJECT PRESENTED BY R.A.C.E. MATTERS SLO; (MAYOR PRO TEM/INTERIM CITY MANAGER)

**RECOMMENDATION:** Approve the sponsorship request submitted by R.A.C.E. (Responsibility, Action, Culture, Education) Matters SLO and adopt Resolution No. 48-23 allocating \$1,000 from Fiscal Year (FY) 23-24 Community Grant Funds to sponsor “Braiding Water,” a multi-location Art & Cultural Festival and experience exploring and expanding our connections with water on the Central Coast.

- A-7 ADOPTION OF RESOLUTION NO. 49-23 APPROVING A 2-YEAR LEASE AGREEMENT WITH LET’S GET TUNED, LLC FOR PROPERTY LOCATED AT 781 MARKET STREET; (COMMUNITY DEVELOPMENT DEPARTMENT)

**RECOMMENDATION:** Staff recommends the City Council adopt Resolution No. 49-23 (Attachment 1), approving a 2-year Lease Agreement for the City property located at 781 Market Street (APN: 066-321-027).

- A-8 APPROVE AMENDMENT NO. 2 TO THE CONSULTANT SERVICES CONTRACT BETWEEN THE CITY OF MORRO BAY AND MICHAEL BRANNAGAN, DOING BUSINESS AS TERRA SOLUTIONS, TO PROVIDE GEOGRAPHIC INFORMATION SYSTEM (GIS) SERVICES TO THE CITY OF MORRO BAY FOR AN ADDITIONAL TWO YEARS; (COMMUNITY DEVELOPMENT DEPARTMENT)

**RECOMMENDATION:** Staff recommends the City Council Authorize the City Manager to execute Amendment No. 2 (Amendment 2) to the Agreement with Michael Brannagan, doing business as (DBA) Terra Solutions, to provide GIS services to the City for the next two years for an additional not-to-exceed amount of \$120,000.00.

- A-9 ADOPTION OF RESOLUTION NO. 50-23 APPROVING AMENDMENT NO. 1 TO THE 2022-2024 MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MORRO BAY AND THE MORRO BAY FIREFIGHTERS ASSOCIATION (MBFFA), IAFF LOCAL 3725, CHANGING FIREFIGHTER PROBATION REQUIREMENTS AND DURATION; (FIRE DEPARTMENT/HUMAN RESOURCES)

**RECOMMENDATION:** Staff recommends the City Council adopt Resolution No. 50-23 approving Amendment No. 1 to the Memorandum of Understanding between the City of Morro Bay and the MBFFA Local 3725 (“MBFFA MOU 2022-2024”) reducing the entry level firefighter probationary period to twelve (12) months and removing the requirement to promote to Engineer as part of the probation process.

Mayor Wixom opened public comment for the Consent Agenda.  
<https://youtu.be/0IOdeUUyXdQ?t=3661>

John Nowaczyk and Natalie Teichmann, spoke regarding Item A-7 expressing their excitement to open a sound bath and yoga studio in Morro Bay.

Betty Winholtz, Morro Bay, commented on Item A-3, encouraging the Council to take a re-vote on the Hwy 41 / Hwy 1 / Main St. intersection improvements to provide clear direction on this controversial item.

Terry Simons, Morro Bay, concurred with Ms. Winholtz, noting from a pro-roundabout perspective, he wished to be sure there is no question it was a 3-2 vote.

The public comment period was closed.

Council Member Landrum pulled Item A-3.

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

A-3 APPROVAL OF MINUTES FOR THE JUNE 27, 2023, CITY COUNCIL MEETING; (CITY CLERK)  
<https://youtu.be/0IOdeUUyXdQ?t=3973>

Council Member Landrum was in support of bringing back the Hwy 41 / Hwy 1 / Main Street intersection improvements item for discussion and another vote but did not receive support from a majority of Council to do so.

MOTION: Mayor Wixom moved approval of Item A-3. The motion was seconded by Council Member Ford and carried 5-0.

## B. PUBLIC HEARINGS – NONE

The Council took a brief recess at 6:47 p.m. The meeting reconvened at 7:01 p.m. with all members present.

## C. BUSINESS ITEMS

C-1 REVIEW AND COMMENT ON SCOPE OF WORK FOR FISCAL YEAR (FY) 23-24 ECONOMIC DEVELOPMENT SERVICES CONTRACT WITH THE MORRO BAY CHAMBER OF COMMERCE; (INTERIM CITY MANAGER)  
<https://youtu.be/0IOdeUUyXdQ?t=5239>

Council Member Ford recused herself out of an abundance of caution due to a potential conflict of interest based on business and financial interests. She left the dais at 7:02 p.m.

Interim City Manager Carpenter provided the report and responded to Council inquiries.

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

Terry Simons, Morro Bay, felt it was inappropriate to contract with the Chamber's representative for the economic development services.

Betty Winholtz, Morro Bay, would like responses to questions raised in agenda correspondence and expressed concern with vagueness of items listed.

Cherise Hansson, Vice Chair of the Chamber Board of Directors and Co-Chair of its Governmental Affairs Committee, spoke in support of the revised scope of work and shared her appreciation for the tools and services Erica provides to new businesses, and guidance and facts during COVID.

Judy Salamacha, Morro Bay resident and member of the Chamber Board of Directors, respectfully requested the Council support the proposed scope of work.

Jeff Eckles, Morro Bay, appreciated the collaborative discussion of the scope of work and felt it was a mutually beneficial arrangement that benefits the City and business owners.

Michael Wambolt, Executive Director Visit Morro Bay, offered his support for the revised scope of work.

Susan Stewart, Morro Bay business owner, spoke in support of the item and noted the Governmental Affairs Committee does not support any program, business or take sides but rather takes a deep dive into issues and provides information that City staff, the Council and Commissioners can use.

Erica Crawford, Morro Bay Chamber of Commerce, clarified the legislative platform for the Chamber of Commerce sits apart from this scope of work.

Laura Lasko spoke representing the lodging community and was supportive of the continued scope of work.

Judy Setting, Morro Bay, suggested the Council request itemized invoices, was concerned businesses are represented at City meetings while residents are not, and suggested the contract amount could be decreased.

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

The Mayor and Council Members offered individual comments and suggested minor edits to the Scope of Work.

The Council did not take any formal action on this item.

Council Member Ford returned to the dais at 7:53 p.m.

C-2 INFORMATION ITEM TO REVIEW MORRO BAY GARBAGE SERVICE PROPOSED INCREASE TO THE MAXIMUM RATE SCHEDULE AND PROPOSITION 218 PROCEDURES; (PUBLIC WORKS DEPARTMENT)  
<https://youtu.be/0lOdeUUyXdQ?t=8429>

Public Works Director Kwolek introduced the item and handed it over to Management Analyst Burlingame who provided the report and responded to Council inquiries.

Jordan Muratsuchi, Senior Project Analyst from R3 Consulting presented rate review analysis.

Assistant City Attorney Lona Laymon presented the Proposition 218 process.

All responded to Council inquiries.

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

Betty Winholtz, Morro Bay, disputed the percentage of the most recent rate increase, raised various questions and felt it was deceiving to say it's a 20% increase when there's an additional 18% for 9 months.

Terry Simons, Morro Bay, asked when residents would see the numbers indicating the next rate increase for water/sewer rates and questioned whether weekly garbage service was necessary.

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

Staff responded to questions raised during public comment.

The Council expressed concern the Prop 218 notice would be prepared in English only.

No action was taken by the City Council.

- C-3 RESOLUTIONS AUTHORIZING THE CITY MANAGER TO APPLY FOR STATE REVOLVING FUND FINANCIAL ASSISTANCE, EXECUTE SUCH AGREEMENTS, AND PERFORM ANY OTHER ACTION REQUIRED FOR THE PURPOSES OF OBTAINING THE CLEAN WATER AND DRINKING WATER STATE REVOLVING FUND GRANTS TO EVALUATE POTENTIAL CONSOLIDATION OF THE CITY AND RANCHO COLINA MUTUAL WATER COMPANY'S WATER AND WASTEWATER UTILITIES; (PUBLIC WORKS DEPARTMENT)  
<https://youtu.be/0lOdeUUyXdQ?t=10566>

Public Works Director Kwolek and Dan Heimel, Confluence Engineering, provided the report and responded to Council inquiries.

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

Terry Simons, Morro Bay, was supportive and suggested the Council establish a blue ribbon committee to work with staff and Council on this issue.

Betty Winholtz, Morro Bay, raised several questions regarding the proposed project.

Jim asked about the timing of the project and whether it would interfere with the roundabout.

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

MOTION: Council Member Barton moved to adopt Resolutions No. 51-23 and 52-23 authorizing the City Manager to apply for State Revolving Fund Financial Assistance, execution of such Agreements, and any other action required for the purposes of the Clean Water and Drinking Water State Revolving Fund Grants to evaluate potential consolidation of the City and Rancho Colina Mutual Water Company's water and wastewater utilities. The motion was seconded by Council Member Edwards and carried 5-0.

- D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS  
<https://youtu.be/0lOdeUUyXdQ?t=12669>

Mayor Wixom requested and received majority support to have Harbor Director Schiafone bring back an agenda report on potential updates to the Harbor Lease Management Policy, with a focus on financial sustainability, and direct him to use resources from the

Harbor Advisory Board and Citizens Finance Advisory Committee as he deems appropriate for preparing the report.

Council Member Landrum requested and received majority support for consideration of having the Planning Commission and the Harbor Advisory Board conduct a short series of joint sessions to review an approach on addressing the City's future needs around the Embarcadero, power plant and associated waterfront facilities, and those that affect them. The initial phase would address issues around overlap and gaps between the two committees and the best approach to address issues around the planning process and eventually updating the waterfront master plan.

Council Member Landrum was aware of several short-term rentals (STR's) were being removed from the list for non-compliance and, before any permits are given to those on the waiting list, would like the Council to consider a moratorium or "pause" on issuing new permits until the Downtown Design District Committee has the chance to weigh in on this issue. There was full support for consideration at a future meeting.

E. ADJOURNMENT

The meeting adjourned at 9:08 p.m.

Recorded by:

Dana Swanson  
City Clerk

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in municipal investments to ensure ongoing maximization of interest revenues within the confines of State law and local investment policies.

**CONCLUSION**

Staff recommends that the City Council receive the Fourth Quarter Investment Report (period ending June 30, 2023) for Fiscal Year 2022-23.

**ATTACHMENT**

1. Fourth Quarter Investment Report for FY 2022-23 (period ending June 30, 2023)

Prepared By: EC

Dept Review: SJR

City Manager Review: YK

City Attorney Review: CFN

**CITY OF MORRO BAY  
QUARTERLY PORTFOLIO PERFORMANCE  
6/30/2023**

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
<b>POOLED MONEY INVESTMENT ACCOUNT:</b>						
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 41,515,996	3.15%	DAILY	DAILY	1
<b>MONEY MARKET ACCOUNT:</b>						
MM	MECHANICS BANK - MONEY MARKET	14,388,845	4.59%	DAILY	DAILY	1
SWEEP	MECHANICS BANK - SWEEP	<u>3,069,252</u>	0.01%	DAILY	DAILY	1
<b>SUBTOTAL LIQUID INSTRUMENTS:</b>		<b>58,974,093</b>				
<b>CERTIFICATES OF DEPOSIT:</b>						
3090683803	US BANK (FORMERLY STATE FARM BANK)	250,435	3.050%	10/21/2013	10/24/2023	116
61690UDL1	ZIONS BANK - Morgan Stanley Bk NA	246,000	3.100%	1/24/2019	1/24/2024	208
90307LAB0	ZIONS BANK - Uncle Cr Union Livermore CA	248,000	5.000%	1/25/2023	1/25/2024	209
1731202F5	ZIONS BANK - Citibank NA	246,000	3.200%	1/25/2019	1/25/2024	209
052392BM8	ZIONS BANK - Austin Telco Fed. Cred. Union Tex	249,000	3.400%	8/12/2022	8/12/2024	409
33715LFH8	ZIONS BANK - First Technology FCU	248,000	5.050%	5/26/2023	5/27/2025	697
53052LAT6	ZIONS BANK - Liberty FCU Evansville	248,000	5.000%	5/24/2023	5/27/2025	697
795451BQ5	ZIONS BANK - Sallie Mae	245,000	3.400%	7/6/2022	7/7/2025	738
20825WAZ3	ZIONS BANK - Connexus Cred. Union	249,000	3.400%	8/15/2022	8/15/2025	777
27002YFE1	ZIONS BANK - Eaglebank - Bethesda	249,000	3.300%	8/18/2022	8/18/2025	780
90352RDA0	ZIONS BANK - US Alliance FCU Rye NY	249,000	4.700%	5/26/2023	5/26/2026	1,061
39573LEC8	ZIONS BANK - Greenstate Credit Unions	248,000	4.900%	5/31/2023	6/1/2026	1,067
254673Q33	ZIONS BANK - Discover Bank Greenwood	245,000	3.350%	8/16/2022	8/17/2026	1,144
856285G21	ZIONS BANK - State Bank of India NY	250,000	1.750%	2/9/2022	2/9/2027	1,320
02589ABQ4	ZIONS BANK - American Express Natl	247,000	2.000%	3/9/2022	3/9/2027	1,348
14042TFJ1	ZIONS BANK - Capital One	<u>246,000</u>	2.700%	4/6/2022	4/13/2027	1,383
		3,963,435				
<b>U.S. OBLIGATIONS</b>						
3130AV3G5	Federal Home Loan Banks	401,974	5.125%	3/20/2023	2/23/2024	238
3130ARHG9	Federal Home Loan Banks	<u>3,590,680</u>	2.125%	3/27/2023	2/28/2024	243
		3,992,654				
<b>U.S. TREASURY BILLS</b>						
91282CFQ9	US Treasury Bills	2,998,673	4.580%	4/26/2023	3/21/2024	265
<b>U.S. TREASURY NOTES &amp; BONDS</b>						
91282CFQ9	US Treasury Notes	996,718	4.375%	10/31/2022	10/31/2024	489
<b>SUBTOTAL NON-LIQUID INSTRUMENTS:</b>		<b>11,951,480</b>				
<b>TOTAL INVESTMENTS: \$</b>		<b>70,925,572</b>				

RECORDED INTEREST AS OF 6/30/2023	% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
1,331,728	83.149%	3.367%	75

**PUBLIC AGENCY RETIREMENT SERVICES (PARS) - LEAGALLY RESTRICTED INVESTMENTS EXCLUDED FROM WEIGHTED PORTFOLIO**

PARS OPEB	Public Agency Retirement Services	2,179,355	4.64%	DAILY	DAILY	1
PARS Pension Trust	Public Agency Retirement Services	<u>1,082,343</u>	3.71%	DAILY	DAILY	1
		3,261,698				

Portfolio holdings as of the quarter ended June 30, 2023, are in compliance with the current Investment Policy. With **83.149%** of the portfolio held in liquid instruments, allowing the City to meet cash flow needs for at least six months, in compliance with the investment policy approved by the City Council in June 2023. The investment policy will be updated annually as required by state law.

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**AGENDA NO: A-4**

**MEETING DATE: August 22, 2023**

# Staff Report

**TO: Honorable Mayor and City Council**

**DATE: August 10, 2023**

**FROM: Scot Graham, Community Development Director**

**SUBJECT: Determination of Public Convenience or Necessity for ABC License – 295 Atascadero Rd., Hampton Inn (Escape Hospitality, LLC)**

## **RECOMMENDATION**

Staff recommends the City Council make the Determination of Public Convenience or Necessity to approve the request to allow sales of alcohol for off sale beer and wine type 20 license for Hampton Inn at 295 Atascadero Rd.; and direct staff to provide the applicant with a letter of support.

## **ALTERNATIVES**

City Council may choose to not make the Determination of Public Convenience or Necessity and reject the request to allow sales of alcohol for off sale beer and wine type 20 license at 295 Atascadero Rd.

## **FISCAL IMPACT**

None

## **BACKGROUND/DISCUSSION**

In July 2023, Escape Hospitality LLC (Hampton Inn) the property owner of the property located at 295 Atascadero Rd., requested a letter of support from the City of Morro Bay for approval from California Alcohol and Beverage Control (ABC) to allow alcohol sales at the location listed above. The intent of the Hampton Inn is to make available the sale of beer and wine to hotel guests within the gift store in the hotel.

ABC has identified this area of the City as having an over concentration of alcohol sales licenses triggering a requirement for the applicant to obtain a letter of support from the City in favor of a Determination of Public Convenience and Necessity for issuance of the ABC license in this location.

## **CONCLUSION**

The hotel use serves visitors to Morro Bay and the request to allow the sale of beer and wine at the hotel is a reasonable ancillary use to the hotel. Both the Police and Community Development Departments have reviewed the request and found no reason to deny the sale of alcohol at this location. Staff has provided a letter of support (See Attachment 1) and recommends the City Council direct the Community Development Director to sign and provide the applicant with the attached letter.

## **ATTACHMENT**

1. Draft public convenience or necessity support letter

Prepared By: SG

Dept Review: \_\_\_\_\_

City Manager Review: YK

City Attorney Review: CFN



**CITY OF MORRO BAY**  
COMMUNITY DEVELOPMENT DEPARTMENT  
955 Shasta Avenue  
Morro Bay, CA 93442

August 23, 2023

Hemant and Jalpa Patel  
Hampton Inn (Escape Hospitality, LLC)  
295 Atascadero Rd  
Morro Bay CA 93442

RE: Public Convenience or Necessity

Dear Mr. and Mrs. Patel,

This letter provides City's support for you, the property owners, applying for alcohol sales as follows:

1. Support for off sale beer and wine type 20 license.  
Hampton Inn  
295 Atascadero Rd.

I reviewed the documents and I support the application of alcohol sales and license type for the above location. The Community Development Department has no concerns or issues to express. According to California Business Section Code 23824 the City of Morro Bay is requesting that this property be given the ability to sell alcohol because it benefits the public and the area. The site is located in a visitor serving area of the City that will attract more guests and meet the needs of the public. The Morro Bay City Council reviewed the request and authorized the issuance of this letter on August 22, 2023.

Sincerely,

Scot Graham  
Community Development Director  
City of Morro Bay  
(805) 772-6291



AGENDA NO: A-5  
MEETING DATE: August 22, 2023

# Staff Report

**TO:** Honorable Mayor and City Council                      **DATE:** August 15, 2023  
**FROM:** Dana Swanson, City Clerk  
**SUBJECT:** Designation of Voting Delegate and Alternate at League of California Cities  
2023 Annual Conference Business Meeting

## RECOMMENDATION

Staff recommends the City Council:

1. Select Council Member Barton, as the voting delegate, and Council Members Edwards and Landrum, as the alternate voting delegates, for the upcoming annual business meeting to be held at the League of California Cities Annual Conference; and
2. Authorize City Clerk to sign the League of California Cities' form affirming the selection of the voting delegate and the alternate voting delegates (page 4 of Attachment 1)

## ALTERNATIVES

The Council may choose not to select any delegates; however, the City would not have voting rights at the annual business meeting.

## BACKGROUND

In order to conduct the annual League of California Cities' business meeting, held in conjunction with the League of California Cities Annual Conference, every represented city must have its city council designate a voting representative who will be registered at the conference and present at the annual business meeting (the General Assembly). Each member city may also appoint up to two alternates, one of whom may vote in the event the designated voting delegate is unable to serve in that capacity.

Conference attendance provides an exceptional opportunity for elected officials to hear from leading experts, expand their knowledge regarding municipal government, and view innovative resources that could benefit the delivery of services, enhance resources, and strengthen the City.

## DISCUSSION

The League of California Cities 2023 Annual Conference and Expo is being held September 20-22, 2023, in Sacramento, California. The Opening General Session is tentatively scheduled at 1:30 p.m. on Wednesday, September 20, with education sessions Wednesday afternoon through noon Friday. The League's Annual Business Meeting and General Assembly will be held at 8:30 a.m. on Friday, September 22. The delegates in attendance at the General Assembly are typically asked to vote on resolution(s) submitted by member agencies and developed for the Assembly's consideration. If adopted, then the resolutions are used to set League policy or to provide direction for the League's work efforts in the coming year. At this time, no resolutions have been offered for membership consideration; however, the voting delegate must be designated by action of the City

Prepared By:   DS                        Dept Review:     
City Manager Review:   \_YK                City Attorney Review:   \_CFN\_

Council and submitted to the Cal Cities office no later than Monday, August 28<sup>th</sup>, hence the need for making the selection at this meeting. Should resolutions be published before the September 12<sup>th</sup> Regular Council Meeting, they will be placed on the Consent Agenda for Council consideration and public review.

In order to vote at the League of California Cities 2023 Annual Conference Business Meeting, the City Council must select a voting delegate. In the event the designated voting delegate is unable to serve in this capacity, the City Council may appoint up to two alternate voting delegates. The voting delegate must be registered to attend the conference; however, they may register for Friday only. Currently, Council Members Barton, Edwards and Landrum are registered to attend the League of California Cities Annual Conference.

**CONCLUSION**

Staff recommends the City Council select Council Member Barton as the voting delegate, and Council Members Edwards and Landrum, as the alternate voting delegates, for the upcoming annual business meeting to be held at the League of California Cities Annual Conference.

**ATTACHMENT(S)**

1. Informational materials from the League of California Cities regarding designation of voting delegate and alternate(s).



**Council Action Advised by August 28, 2023**

**DATE: Wednesday, June 21, 2023**

**TO: Mayors, Council Members, City Clerks, and City Managers**

**RE: DESIGNATION OF VOTING DELEGATES AND ALTERNATES  
League of California Cities Annual Conference and Expo, Sept. 20-22, 2023,  
Sacramento SAFE Credit Union Convention Center**

Every year, the League of California Cities convenes a member-driven General Assembly at the [Cal Cities Annual Conference and Expo](#). The General Assembly is an important opportunity where city officials can directly participate in the development of Cal Cities policy.

Taking place on Sept. 22, the General Assembly is comprised of voting delegates appointed by each member city; every city has one voting delegate. Your appointed voting delegate plays an important role during the General Assembly by representing your city and voting on resolutions.

To cast a vote during the General Assembly, your city must designate a voting delegate and up to two alternate voting delegates, one of whom may vote if the designated voting delegate is unable to serve in that capacity. Voting delegates may either be an elected or appointed official.

**Please complete the attached voting delegate form and email it to Cal Cities office no later than Monday, August 28.**

**New this year, we will host a pre-conference information session for voting delegates to explain their role.** Submitting your voting delegate form by the deadline will allow us time to establish voting delegate/alternate records prior to the conference and provide pre-conference communications with voting delegates.

Please view Cal Cities' [event and meeting policy](#) in advance of the conference.

**Action by Council Required.** Consistent with Cal Cities bylaws, a city's voting delegate and up to two alternates must be designated by the city council. When completing the attached Voting Delegate form, please attach either a copy of the council resolution that reflects the council action taken or have your city clerk or mayor sign the form affirming that the names provided are those selected by the city council.

Please note that designating the voting delegate and alternates **must** be done by city council action and cannot be accomplished by individual action of the mayor or city manager alone.



**Conference Registration Required.** The voting delegate and alternates must be registered to attend the conference. They need not register for the entire conference; they may register for Friday only. Conference registration is open on the [Cal Cities](https://calcities.org) website.

For a city to cast a vote, one voter must be present at the General Assembly and in possession of the voting delegate card and voting tool. Voting delegates and alternates need to pick up their conference badges before signing in and picking up the voting delegate card at the voting delegate desk. This will enable them to receive the special sticker on their name badges that will admit the voting delegate into the voting area during the General Assembly.

**Transferring Voting Card to Non-Designated Individuals Not Allowed.** The voting delegate card may be transferred freely between the voting delegate and alternates, but *only* between the voting delegate and alternates. If the voting delegate and alternates find themselves unable to attend the General Assembly, they may *not* transfer the voting card to another city official.

**Seating Protocol during General Assembly.** At the General Assembly, individuals with a voting card will sit in a designated area. Admission to the voting area will be limited to the individual in possession of the voting card and with a special sticker on their name badge identifying them as a voting delegate.

The voting delegate desk, located in the conference registration area of the SAFE Credit Union Convention Center in Sacramento, will be open at the following times: Wednesday, Sept. 20, 8:00 a.m.- 6:00 p.m. and Thursday, Sept. 21, 7:30 a.m.- 4:00 p.m. On Friday, Sept. 22, the voting delegate desk will be open at the General Assembly, starting at 7:30 a.m., but will be closed during roll calls and voting.

The voting procedures that will be used at the conference are attached to this memo. Please share these procedures and this memo with your council and especially with the individuals that your council designates as your city's voting delegate and alternates.

Once again, thank you for completing the voting delegate and alternate form and returning it to Cal Cities office by Monday, Aug. 28. If you have questions, please contact Zach Seals at [zseals@calcities.org](mailto:zseals@calcities.org).

Attachments:

- General Assembly Voting Guidelines
- Voting Delegate/Alternate Form
- Information Sheet: Cal Cities Resolutions and the General Assembly



## General Assembly Voting Guidelines

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to Cal Cities policy.
2. **Designating a City Voting Representative.** Prior to the Cal Cities Annual Conference and Expo, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the voting delegate form provided to the Cal Cities Credentials Committee.
3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the voting delegate desk in the conference registration area. Voting delegates and alternates must sign in at the voting delegate desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the General Assembly.
4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the credentials committee at the voting delegate desk, may sign petitions to initiate a resolution.
5. **Voting.** To cast the city's vote, a city official must have in their possession the city's voting card and voting tool; and be registered with the credentials committee. The voting card may be transferred freely between the voting delegate and alternates but may not be transferred to another city official who is neither a voting delegate nor alternate.
6. **Voting Area at General Assembly.** At the General Assembly, individuals with a voting card will sit in a designated area. Admission to the voting area will be limited to the individual in possession of the voting card and with a special sticker on their name badge identifying them as a voting delegate.
7. **Resolving Disputes.** In case of dispute, the credentials committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the General Assembly.



CITY: \_\_\_\_\_

**2023 ANNUAL CONFERENCE  
VOTING DELEGATE/ALTERNATE FORM**

**Please complete this form and return it to Cal Cities office by Monday, August 28, 2023. Forms not sent by this deadline may be submitted to the Voting Delegate Desk located in the Annual Conference Registration Area. Your city council may designate one voting delegate and up to two alternates.**

To vote at the General Assembly, voting delegates and alternates must be designated by your city council. Please attach the council resolution as proof of designation. As an alternative, the Mayor or City Clerk may sign this form, affirming that the designation reflects the action taken by the council.

**Please note:** Voting delegates and alternates will be seated in a separate area at the General Assembly. Admission to this designated area will be limited to individuals (voting delegates and alternates) who are identified with a special sticker on their conference badge. This sticker can be obtained only at the voting delegate desk.

**1. VOTING DELEGATE**

Name: \_\_\_\_\_

Email: \_\_\_\_\_

Title: \_\_\_\_\_

**2. VOTING DELEGATE - ALTERNATE**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Email: \_\_\_\_\_

**3. VOTING DELEGATE - ALTERNATE**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Email: \_\_\_\_\_

**ATTACH COUNCIL RESOLUTION DESIGNATING VOTING DELEGATE AND ALTERNATES OR**

**ATTEST: I affirm that the information provided reflects action by the city council to designate the voting delegate and alternate(s).**

Name: \_\_\_\_\_ Email: \_\_\_\_\_

Mayor or City Clerk: \_\_\_\_\_ Date: \_\_\_\_\_ Phone: \_\_\_\_\_  
(circle one) (signature)

**Please complete and email this form to [votingdelegates@calcities.org](mailto:votingdelegates@calcities.org) by Monday, August 28, 2023.**

# How it works: Cal Cities Resolutions and the General Assembly

Developing League of California Cities policy is a dynamic process that engages a wide range of members to ensure that we are representing California cities with one voice. These policies directly guide Cal Cities advocacy to promote local decision-making, and lobby against statewide policy that erodes local control.

The resolutions process and General Assembly is one way that city officials can directly participate in the development of Cal Cities policy. If a resolution is approved at the General Assembly, it becomes official Cal Cities policy. Here's how Resolutions and the General Assembly works.

## Prior to the Annual Conference and Expo

### General Resolutions



Sixty days before the Annual Conference and Expo, Cal Cities members may submit policy proposals on issues of importance to cities. The resolution must have the concurrence of at least five additional member cities or individual members.



### Policy Committees



The Cal Cities President assigns general resolutions to policy committees where members review, debate, and recommend positions for each policy proposal. Recommendations are forwarded to the Resolutions Committee.



## During the Annual Conference and Expo

### Petitioned Resolutions



The petitioned resolution is an alternate method to introduce policy proposals during the annual conference. The petition must be signed by



voting delegates from 10% of member cities, and submitted to the Cal Cities President at least 24 hours before the beginning of the General Assembly.

### Resolutions Committee



The Resolutions Committee considers all resolutions. General Resolutions approved<sup>1</sup> by either a policy committee or the Resolutions Committee are next considered by the General Assembly. General resolutions not approved, or referred for further study by both a policy committee and the Resolutions Committee do not go the General Assembly. All Petitioned Resolutions are considered by the General Assembly, unless disqualified.<sup>2</sup>



### General Assembly



During the General Assembly, voting delegates debate and consider general and petitioned resolutions forwarded by the Resolutions Committee. Potential Cal Cities bylaws amendments are also considered at this meeting.

## Who's who

Cal Cities policy development is a member-informed process, grounded in the voices and experiences of city officials throughout the state.

The **Resolutions Committee** includes representatives from each Cal Cities diversity caucus, regional division, municipal department, policy committee, as well as individuals appointed by the Cal Cities president.

**Voting delegates** are appointed by each member city; every city has one voting delegate.

The **General Assembly** is a meeting of the collective body of all voting delegates — one from every member city.

Seven **Policy Committees** meet throughout the year to review and recommend positions to take on bills and regulatory proposals. Policy committees include members from each Cal Cities diversity caucus, regional division, municipal department, as well as individuals appointed by the Cal Cities president.

## What's new in 2023?



- Voting delegates will receive increased communications to prepare them for their role during the General Assembly.
- The General Assembly will take place earlier to allow more time for debate and discussion.
- Improvements to the General Assembly process will make it easier for voting delegates to discuss and debate resolutions.

<sup>1</sup> The Resolution Committee can amend a general resolution prior to sending it to the General Assembly.

<sup>2</sup> Petitioned Resolutions may be disqualified by the Resolutions Committee according to Cal Cities Bylaws Article VI. Sec. 5(f).

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AGENDA NO: A-6

MEETING DATE: August 22, 2023

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** August 15, 2023

**FROM:** Ted Schiafone, Harbor Director

**SUBJECT:** Harbor Director Financial Sustainability Review of Harbor Department Lease Management Policy

## RECOMMENDATION

Staff recommends Council review and approve the proposal for Harbor Director review of the current Harbor Department Lease Management Policy for financial sustainability.

## ALTERNATIVES

Provide alternative direction as Council seems appropriate.

## FISCAL IMPACT

The amount of future positive financial impact is unknown until the results of this analysis are completed.

## BACKGROUND

At the August 8, 2023, regular Council Meeting, the Harbor Director was directed to bring back an agenda report on potential updates to Harbor Lease Management Policy with a focus on financial sustainability and to use resources from the Harbor Advisory Board (HAB) and Citizens Finance Advisory Committee (CFAC) as he believes appropriate for preparing a report. Below is a proposal for action.

## DISCUSSION:

The goal of the report will be to provide a well-rounded approach to analyzing potential improvements to the Harbor Master Lease Policy. The focus will be on greater financial sustainability for the Harbor Department from State Tidelands leases.

Staff recommends the Harbor Director, the Assistant City Manager/Administrative Services Director and the City Manager select up to two members each from HAB and CFAC to confer with the Harbor Director as he believes appropriate for the preparation of the Harbor Director's report. The Harbor Director will consult as needed with HAB and CFAC members given their subject matter expertise concerning financial matters, real estate knowledge and an understanding of the Embarcadero waterfront. The Harbor Director will further utilize as needed the City Attorney and the Community Development Director.

The report is anticipated to include analysis on topics such as:

1. Review of the current lease management policy

Prepared By: TS

Dept Review: TS, SJR

City Manager Review: \_YK

City Attorney Review: \_CFN

2. Review of the current approved master lease agreements
3. Review of the current lease negotiation process
4. Identification of specific areas that could improve the financial benefit to the City, including, but not limited to, review of market rates
5. Quantification of potential improvements to annual rent earned
6. Specific options for Council consideration

**CONCLUSION**

Staff anticipates the Harbor Director will present his report to Council by January 2024 on options for greater potential financial sustainability in the Harbor Lease Management Policy.

**ATTACHMENT**

1. Resolution No. 72-20 approving the Morro Bay Harbor Department Lease Management Policy

**RESOLUTION NO. 72-20**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING A NEW HARBOR DEPARTMENT  
LEASE MANAGEMENT POLICY THAT INCLUDES  
A NEW MASTER LEASE FORMAT,  
AND RESCINDING RESOLUTIONS 66-01 THAT  
APPROVED THE ORIGINAL LEASE MANAGEMENT POLICY  
AND 31-02 THAT APPROVED A NEW MASTER LEASE FORMAT**

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

**WHEREAS**, the City of Morro Bay assumed trusteeship of the Morro Bay State Tidelands grant properties in 1964 from the County of San Luis Obispo and the State of California; and

**WHEREAS**, the City of Morro Bay has a public trust duty to manage those granted tidelands, which include the City's commercial leasing waterfront, in accordance with the granting statutes; and

**WHEREAS**, in 1987 the City of Morro Bay adopted a general lease negotiation policy and master lease format to address specific lease negotiation issues; and

**WHEREAS**, in 2001 a new Harbor Department Lease Management Policy was adopted to increase public understanding and to equitably administer all the granted tidelands leases which the City is responsible for; and

**WHEREAS**, in 2002 a new master lease format was adopted; and

**WHEREAS**, since 2001 various aspects and issues of the overall lease administration and management have been identified.

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

Section 1. Resolutions No. 66-01 and No. 31-02 that adopted the current lease management policy and master lease format, respectively, are hereby rescinded in their entireties.

//

//

//

//

//

Section 2. The attached new Harbor Department Lease Management Policy, which includes a new master lease format template, is hereby adopted.

**PASSED AND ADOPTED** by the City Council, City of Morro Bay at a regular meeting thereof held on the 14<sup>th</sup> day of July 2020 by the following vote:

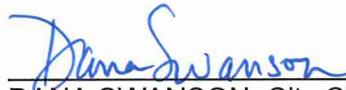
AYES: Headding, Addis, Davis, Heller, McPherson  
NOES: None  
ABSENT: None



---

JOHN HEADDING, Mayor

ATTEST:



---

DANA SWANSON, City Clerk



**CITY OF MORRO BAY  
HARBOR DEPARTMENT LEASE MANAGEMENT POLICY**

**Adopted by the City Council  
July 14, 2020**

**July 14, 2020**

**Morro Bay City Council**

John Headding, Mayor  
Marlys McPherson, Council Member  
Robert Davis, Council Member  
Dawn Addis, Council Member  
Jeff Heller, Council Member

**Lease Policy Update Group**

Joan Solu, Citizen  
Ron Reisner, Harbor Advisory Board  
Cherise Hansson, Harbor Advisory Board  
Bob Fowler, Leaseholder  
Erica Crawford, Morro Bay Chamber  
Marty Lomeli, Facilitator  
Staff

**CITY OF MORRO BAY**  
**HARBOR DEPARTMENT LEASE MANAGEMENT POLICY (*Policy*)**

**TABLE OF CONTENTS**

I.	Vision Statement .....	1
II.	History .....	2
III.	General Policy, Purpose and Benefits .....	3
IV.	Background .....	3
	A. General Lease Management .....	3
	B. Leasing Areas .....	4
V.	Lease Administration .....	5
	A. Master Lease Format .....	5
	B. License Agreements .....	5
	C. Building Leases .....	5
	D. Approved Uses .....	5
	E. Fair Market Rent .....	6
	F. Lease Term (duration) .....	7
	G. Lease Negotiation .....	8
	H. Lease Amendment, Renewal and Extension .....	8
	I. Lease Expiration and Termination .....	9
	J. Rent Collection .....	10
	K. Putting Lease Sites up for a Competitive RFP Process .....	10
	L. Lease Site Redevelopment and Coordination with Community Development Department .....	11
	M. Lease Site Consolidation .....	11
	N. Lease Site Monitoring, Inspection and Maintenance .....	11
	O. Environmental Considerations .....	12
	P. Lease Terms and Site Entitlement Compliance .....	12
	Q. Percentage of Gross Sales Audits .....	13
	R. Lease Sale, Assignment and Assumption .....	13
	S. Sublease Approval .....	14
	T. Financial Criteria and Financing Considerations .....	14
	U. Force Majeure .....	15
VI.	Exhibits to Policy .....	16
	A. Definitions and Acronyms .....	16
	B. Flow Charts .....	20
	C. Maps/Surveys .....	21
	D. City of Morro Bay Zoning Map.....	22
	E. Percent of Gross Sales Rent Schedules .....	23
	F. Master Lease Template .....	25
	G. Forms .....	26
	H. Lease Site Inspection Checklists .....	27

## I. VISION STATEMENT

The long-term vision of the City of Morro Bay is to manage and maintain the City's Tidelands Trust Land (TTL) lease sites along the western side of Embarcadero Road as a vibrant working waterfront, incorporating tourism and various commercial and recreational uses. Positive cash flow to the Harbor Fund is crucial to maintain the integrity of the waterfront and environmental health of the bay and its resources. In order to provide a quality experience for the public, tourism and other recreational uses of the Embarcadero are encouraged and considered in lease management decisions. The waterfront will be pedestrian-friendly with ample access and view corridors to coastal resources.

The principal tenets in the State Tidelands Grant will be followed and future development or redevelopment of the TTL will conform with the City's General Plan, Downtown and Waterfront Master Plan, Local Coastal Program and the voter-approved initiative known as Measure D that protects commercial and recreational fishing uses, while remaining true to the historic fishing heritage of the harbor and community.

This Policy is intended as an advisory tool to provide guidance for current and future lease site management, development, and redevelopment decisions considered by the City, with the ultimate dual goals of maintaining the vitality of the City's waterfront, as well as the fiscal health of the department charged with managing it.

This Policy will follow guiding principles that are designed to serve as a bridge between the Harbor's goals, purpose, and regulatory environment, and management and leasing needs. These guiding principles are:

- A. The City shall foster a spirit of partnership with its tenants in the application of this Policy, while fulfilling its duties as a steward of vital public enterprise, assets and resources.
- B. The City will make TTL lease sites available on fair and reasonable terms without discrimination.
- C. The City, in its role as a TTL trustee, may consider more than just the maximum revenue that can be generated by a new lease. The City will also consider what is in the best interests to ensure the public's enjoyment of the TTL, as well as to serve the City of Morro Bay, including the essential role all parties and businesses play in maintaining growth and job creation, as well as the need to maintain a diversified mix of water dependent uses.
- D. The City shall retain effective management controls over the use of TTL assets and will structure management controls in all leases and rental agreements in order to:
  - E. Achieve highest and best use of TTL assets;
  - F. Ensure timely development as-needed; and
  - G. Foster open and competitive access for new entrant and incumbent TTL tenants.
- H. The City will establish and maintain a level and structure of rents, fees, and charges that are fair and equitable for all tenants, and which are based on current appraised lease site values.
- I. The City will establish minimum operational maintenance standards for users of TTL lease sites in order to promote safety and maintain appropriate levels and quality of service.
- J. The City and its leaseholders will at a minimum follow good environmental practices, including but not limited to all applicable environmental laws, regulations, established guidelines and best management practices.

- K. The City will actively monitor compliance with provisions of lease agreements, file timely notice of non-compliance and employ available remedies to enforce compliance when appropriate.
- L. The City shall be open and transparent in its selection of new tenants and in lease negotiations per State law, including exercising the City's right to negotiate confidentially under Government Code Section 54956.8.

## II. HISTORY

Tracing back to English Common Law, the Public Trust Doctrine establishes navigable water or lands subject to tidal influence are "sovereign," held open to the public for commerce, fisheries or navigation. As cited in the Doctrine, "by the law of nature these things are common to mankind, the air, running water, the sea, and consequently the shores of the sea."

In order to establish a Navy amphibious training base to aid the war effort, in 1942-44 the federal government constructed a revetment along the Morro Bay waterfront and filled most of the area now known as the commercial strip along the Embarcadero. After the war, the State of California claimed ownership of the newly created land as at least a portion of it had previously been below the high tide line. In 1947, the State of California granted those public trust lands in Morro Bay to the County of San Luis Obispo (Chapter 1076 of the California Statutes of 1947, and amended by Chapter 1874 of the California Statutes of 1957). After many years of dispute with private property owners, who also claimed an interest in the land, most title issues were settled in the 1950s-1960s by designating those lands west of Embarcadero Road as public trust lands owned by the State, and those lands east of Embarcadero Road as privately owned. The City of Morro Bay assumed trusteeship of the granted lands upon incorporation in 1964-1965. The Tidelands Grant in Morro Bay is in perpetuity; provided, that the City conforms to the terms of the legislative grant.

The granted lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Residential use of these public lands is specifically prohibited. The City will lease out these lands to private businesses, government entities or non-profit organizations for a period up to 50 years and all revenues from such leases must be expended within the area of the granted lands for the purposes of the public trust.

Over the years, the City has changed its leasing practices and policies to better protect the public interest by adopting modern lease formats and standards for fair market rent and periodic rental adjustments. Prior to the mid 1980's, the City's leasing process included the active participation of a ten-member Harbor Commission. In addition to leasing activity, the Commission set policies and had an active role in managing the business of the harbor. In 1985, the City created the Harbor Department to focus property management efforts in the TTL and to assure the State TTL revenues were properly accounted for; and, in 1987, the City Council reorganized the Harbor Commission into a seven-member Harbor Advisory Board whose role became advisory-only in nature. The result of those changes was a streamlined process, more responsive to the business environment and improved lease management because Harbor Department familiarity on each lease site's history, operator and lease terms allows for smoother lease negotiations and hastened resolution on contract interpretation and other issues. The Harbor Department has multiple, and often competing, roles in both aiding in the success of its leaseholders, while at the same time carrying out the policies,

planning, zoning, land use, legal and insurance issues of the City. As the most informed entity, the Harbor Department will take all those factors into account when managing and administering the City's waterfront leases.

The Harbor Department is operated through a City enterprise fund known as the Harbor Fund. Similar to the Water and Wastewater enterprise funds, all Harbor services are funded with either user fees or property management income (no sale, property or transient occupancy tax revenues). The Harbor Fund is the sole-source for management of the TTL leases, Harbor Patrol and various public and other facility management including maintenance, repair and capital improvements.

### **III. GENERAL POLICY, PURPOSE AND BENEFITS**

The City of Morro Bay shall manage the TTL to provide, support and enhance harbor facilities, and must act in accordance with the stipulations of the Tidelands Grant and granting statutes as interpreted and managed by the State Lands Commission. With those obligations fully in mind, the primary goal of this Policy will be to maximize the City's financial return from valuable public real estate assets in a manner, which:

- A. Is consistent with the City's General Plan, Local Coastal Program, Downtown and Waterfront Strategic Plan, zoning ordinances and all other adopted plans and policies, consistent with the City's goals of maintaining a small commercial and recreational fishing harbor, a working waterfront and visitor-serving environment,
- B. Provides for, supports and enhances harbor facilities and services in a manner which its residents can be proud of,
- C. Protects and enhances the environment, while serving the broader economic and recreational needs of the community,
- D. Allows tenants to earn a fair return on their investments in a predictable business climate,
- E. Appropriately accounts for TTL revenues and expenses in compliance with State law and the Tidelands Grant, and
- F. Promotes and enhances economic development to serve the Morro Bay community's present and future generations.

### **IV. BACKGROUND**

#### **A. General Lease Management**

Under the supervision of the Harbor Director, the Harbor Department is responsible for the negotiation of leases, the Request for Proposals (RFP) process for lease site development and redevelopment and for the day-to-day administration of the leases under this Policy. The Harbor Director has the authority to interpret the provisions of the Leases and Subleases and where appropriate, in the Harbor Director's discretion, to seek counsel from the City Attorney, City Manager or the City Council.

The Harbor Department is also tasked with the collection of rents and fees, property inspections, financial audits communications with Master Tenant and subtenants and coordinating lease activity with the administrative, community development, legal and governance (City Council) functions of the City.

The Harbor Director, with oversight by the City Manager and guidance/direction from the City Council, will conduct negotiations with Master Tenants for new and existing leases, and manage the process for marketing vacant lease sites and sites subject to redevelopment. The terms and conditions of the leases and/or the processes for negotiation, as adopted in this Policy, shall be observed and applied consistently throughout the TTL area. All leases, and unless otherwise provided in a lease, all amendments to leases, all license agreements and requests for proposals to develop/redevelop lease sites must be approved by a majority vote of the City Council, and the Harbor Director shall keep the City Manager and/or the City Council informed of progress, as well as to seek direction from them on specific lease issues. In the event of a dispute between the leaseholder and the Harbor Director as to the application of policies and procedures, the parties may submit the dispute to the City Manager and/or City Council for resolution.

The Harbor Director will confer and coordinate with the Community Development Department on specific development, permitting, land use and zoning issues concerning the development, redevelopment or management of lease sites subject to this Policy. Master Tenants must work directly with the Community Development Department for use permit applications for development or redevelopment. The Harbor Director will coordinate insurance issues with the City's Risk Manager, and legal issues with the City Attorney.

The Harbor Director approves subleases under the Consent to Sublease process providing subleases conform to the terms and conditions of the Master Lease under which they are being approved, including compliance with the uses allowed in the site's Conditional Use and other permits, as-applicable.

B. Leasing Areas

The City recognizes there are three distinct zoning areas on the waterfront that require different considerations in leasing and lease issues; in managing waterfront development and redevelopment, the City's leasing practices shall recognize and implement the City's vision for the leased properties as reflected in the City's General Plan, Local Coastal Program, Zoning Code and applicable Master Plans. The three areas from north to south are as follows:

1. Embarcadero Road from Beach Street North. This area is designated with specific voter-approved zoning known as "Measure D" to preserve commercial and non-commercial recreational fishing-dependent uses. Measure D stipulates all TTL subject to City lease between Beach Street and Target Rock be primarily for the purposes of serving or facilitating licensed commercial fishing activities, or non-commercial recreational fishing activities, or is clearly incidental thereto. Measure D further stipulates existing non-conforming restaurants or retail uses are allowed but cannot be expanded or enlarged. The City will strongly encourage Master Tenants who propose enhancements of commercial fishing uses or marine dependent uses by considering new long-term leases that facilitate those types of projects. Leases for existing restaurant/retail sites may be amended to provide a longer term, or a new lease executed, if the Master Tenant can develop plans to maintain the lease site and improve public benefits and access, enhancing the general business environment and marine-related uses in the TTL. Within the general outlines of this Policy the City Council will provide specific direction to the City's designated negotiator on the Morro Bay Power Plant outfall lease.

2. Embarcadero Road from Beach Street to Tidelands Park/Public Boat Launch. In this core commercial area of the waterfront, the City controls and manages the public property on the west side of Embarcadero Road, where land and water area leases exist for commercial development. In this area, Master Tenants are encouraged to propose redevelopment of lease sites to improve public benefits, enhance the business and working waterfront environment in the TTL and renegotiate leases to modern terms.
3. Tidelands Park South Water Area Only Leases. In this area the City leases only the water areas, as the upland property and access to the water is owned and controlled by private parties. The City will encourage continuation/enhancement of marine dependent uses such as boat slips and boat repair facilities where feasible; however, this area is not suitable for large redevelopment projects.

## V. LEASE ADMINISTRATION

### A. Master Lease Format

The City has developed a master lease format based on modern leasing practices and similar formats used by other public agencies. The Master Lease Template attached to this Policy in Exhibit F, will be the template for all future master leases, until such time as modified by the City Council. Terms such as rental amount, term of the lease and other data or circumstances particular to an individual lease or lease site may be altered within the text of the Master Lease Template to suit a particular leasing situation. Section 13 of the Master Lease Template is for special provisions peculiar to a particular lease such as redevelopment or improvement provisions, special circumstances or other provisions not common to all Master Leases.

### B. License Agreements

A License Agreement format will be used for temporary, interim or non-exclusive use of TTL property, or for regulating non lease site-based businesses operating in the TTL areas when appropriate. A separate License Agreement Policy will be used to manage License Agreements.

### C. Building Leases

If a City lease site reverts to City ownership for any reason and recognizing there is a potential conflict of interest if the City is both landlord to Master Tenants and a building lease landlord competing with Master Lessees to fill vacancies on the waterfront, then the City will only enter into building leases for those sites under one or more of the following circumstances:

1. When it becomes absolutely necessary,
2. To maintain the improvements,
3. For business continuity or
4. To take advantage of an unusual opportunity.

Such building leases will be only on a short-term basis (generally three years or less), provide for fair market value terms and conditions and be in compliance with the Tidelands Trust Act.

### D. Approved Uses

Only those uses as-described in Article 3 Use of Premises section of the master lease and as-provided in a City-approved applicable Conditional Use Permit or other entitlement for the lease site, all in conformance with the Tidelands Trust, will be allowed. Those uses must

conform with the applicable City land use entitlement regulations and policies. Master Tenants proposing new uses for a lease site shall be referred to the Community Development Department of the City for review and approval through the applicable land use entitlement process; and, upon such approval, the new permitted uses of the subject lease will be incorporated into the lease by amendment.

E. Fair Market Rent

State Law requires fair market rent be charged for use of the TTL and City leases and licenses thereon. Fair market rent will be determined by the City through the use of an independent appraiser to appraise the fair market value of the leased property, and the City will set an annual rent minimum of 8% of the appraised value of the land and/or improvements if the improvements have reverted to the City. The lease will be structured to provide for a minimum annual fair market rent or a percentage of gross sales rent, whichever is greater, per the City's adopted percent gross rent schedules included in Exhibit E.

In order maintain fair market percent rent rates, the City will periodically conduct or have conducted a percent rent rate study of then-current percent rents of other similar coast-wide public agencies on an as-needed basis, and all new leases and/or applicable lease amendments will incorporate the most current percent rent rates, unless the City Council determines the public interest can be better served by a different rate.

In cases where the Master Tenant is proposing complete site redevelopment or an improvement project involving remodeling or replacement of 50% or more of the existing improvements, or of a lease site requiring significant private investment costing 50% or more of the appraised value of the property, the City may allow both temporary reductions in the outlined minimum rent to offset the Master Tenant's period of reduced revenues during construction, as well as a reduction in the standard percentage of gross sales requirements as negotiated with the Master Tenant, on a case-by-case basis.

1. Non-Profits/Public Benefit

It is recognized both community-based non-profit organizations and public benefit entities, because of their purpose and function, provide intrinsic benefits to the City at large. Those organizations, however, must pay market lease rates on all operations/uses to provide needed revenue for the Harbor Fund, unless they provide direct or indirect benefits to the TTL areas, waterfront, or harbor community, which are sufficient to justify a reduction in rent based on the following criteria;

- a) An independent fiscal and/or cost-benefit analysis is conducted, at the cost of the non-profit or public benefit organization, to quantify the direct or indirect economic or other impacts (positive and/or negative) to other businesses in the TTL, and determine if there are other (positive and/or negative) fiscal or other impacts associated with the use, including those of potential unfair competitive advantages over the private sector. Lease rates can be negotiated at less than market rate if it is determined other quantifiable direct or indirect financial, public or other benefits, as determined by the City Council.

- b) Other revenue options may be considered in establishing leases with revenue-generating non-profit entities, such as an admission tax or fee, a lease payment based on a percentage of membership fees or dues, an in-lieu sales tax fee, or any other alternative measures developed through negotiation with the City, as approved by the City Council.

2. Government

Government Master Lessees that provide coastal or marine-dependent services to the City, the bay or boating community, and enhance the quality of life of in the City should be allowed to lease space on the Embarcadero. Governmental uses may pay reduced rent based upon the limitations and restrictions of the agency and the value of the services provided by it to the City.

- F. Lease Term (duration)

The appropriate term for a new lease will be determined by the City Council based generally on the size of lease site and the level of private investment proposed for the site and TTL public property. The term of a lease is primarily related to the dollar amount of the investment in improvements made on the site and TTL, and relative to the size of the lease site in relation to its revenue-generating capacity. Because of the differing values and revenue-generating potentials of the different leaseholds, the relationship of the investment to the term of the lease needs to be assessed on a case-by-case basis, and can be difficult to define in a centralized numerical formula.

Because lease and property negotiations are a fluid and dynamic environment, in negotiating the lease term the City Council may take into consideration recent past negotiations as examples of appropriate term-to-investment ratios. In addition, the City Council may also consider other relevant information in determining if a longer lease term is warranted in approving a lease, such as but not limited to, and with differing degrees of weighting the importance of each as the City Council may deem appropriate:

1. The desirability or marketability of the leasehold in question,
2. Business or revenue-generating potential of the site and improvements,
3. Useful life of the improvements,
4. Jobs potentially created by the business mix of the facility,
5. Challenges or other limitations inherent in a particular leasehold (such as land use entitlement limitations or physical conditions or obstacles to development),
6. The extent of the capital investment being expended by the potential Master Tenant,
7. If the capital investment is expected to generate above average returns to the City, and
8. The investment/redevelopment will reposition the lease site to a higher aesthetic, increase the site's property value or inherent revenue-generating potential or increase/improve public benefits.

Capital investment can take the form of: purchase of leasehold interest and improvements; cost of remodeling and refurbishing existing improvements; the cost of new improvements/site redevelopment; the cost of public benefits; or other public improvements, provided that personal property and Tenant Improvements (or "TI's") will not qualify as capital investment toward measuring lease term.

G. Lease Negotiation

Negotiations relative to leasing public tidelands shall commence and remain at the appropriate staff levels and follow appropriate chains of command, with the Harbor Director serving as the main point of contact with the prospective Master Tenant. Participation from the Administration, Community Development, Legal or Public Works departments may be necessary when issues relative to their respective departments arise.

The City Council may exercise its authority under California Government Code Section 54956.8 to meet in Closed Session to give instructions to the City's negotiator(s) regarding negotiations for lease of real property. During the Closed Session, the City's negotiators will be properly instructed and authorized to finalize negotiations and the lease with the prospective Master Tenant/Subtenant. Negotiations are to be conducted to the maximum extent possible in private at the staff level, prior to City Council consideration of the lease in regular open session, to avoid the City Council negotiating a lease in public.

In some cases, parties who are considering buying a Tidelands Master leasehold interest may desire to renegotiate portions of the existing lease prior to completing the sale/assignment of the lease. Normally, City staff will not negotiate with prospective Master Tenants due to the fact the City does not have a leasehold relationship with a prospective Master Tenant, and the potential impact on the "sale" price of a lease. Prospective buyers of leasehold interest are buying the existing lease agreement only.

All lease sites eventually need to be reconstructed or significantly remodeled. In general, the City desires such reconstruction to bring improvements up to then current modern building codes, design criteria, and market conditions. The City acknowledges Leaseholders will need to renegotiate leases in those instances. The normal stage for lease negotiation to commence in a reconstruction redevelopment situation is when the Master Lessee has received City Council approval of a Concept Plan for a land use entitlement (many times a Conditional Use Permit (CUP)) for the site. The project will then be at a stage when the land use entitlement approval can be attached to a lease, and the Master Tenant can be required to construct the improvements in compliance with the land use entitlement in a given period of time.

Upon execution of any new Master Lease, as a matter of course a Memorandum of Lease will be recorded with the County Clerk-Recorder for the leased property to ensure the public and any interested parties can be made aware of the existence of the lease.

H. Lease Amendment, Renewal and Extension

1. Amendment

Lease amendments may be used for various functions where the existing lease agreement is retained, including, but not limited to, the addition of time to the lease term. Master Tenant-desired amendments may be contingent on updating other sections of the lease, or a rent adjustment desired by the City, depending on the nature of the Master Tenant amendment.

Lease amendments must be consistent with the City's then applicable land use entitlement regulations and vision for the lease site, and conform to then-current standard lease language in effect at the time, and will only be made with Master Lessees in Good Standing, as-defined herein.

A lease amendment process flow chart is included in Exhibit B.

2. Renewal

Leases will not be renewed, as-defined herein, because automatically renewing a lease with an existing Master Lessee can lead to a false sense of private ownership of the lease site, with the consequence some Master Lessees may not maintain or reconstruct the improvements prior to the expiration of a given lease term.

3. Extension

Leases will not be extended, as-defined herein. Any additional lease term (duration) to a lease must be by lease amendment, and generally only in exchange for additional consideration from the Master Tenant. Lease “extension” is not to be confused with lease “holdover,” as defined in the individual lease agreements.

I. Lease Expiration and Termination

In general, there are three options for leases that are nearing their expiration or are terminated:

1. Advertise the lease site is available through a Request for Proposals (RFP) process. The RFP process is addressed in Section K.
2. Keep the site in a short-term interim lease arrangement until the City Council determines its intent for lease site’s future, including but not limited to consolidation with another lease site or site redevelopment.
3. Work with the existing Master Tenant on a new, replacement lease.

In the case of an expiring lease when an existing Master Tenant proposes to continue occupancy and they desire to make additional or new capital improvements, or when the Master Tenant proposes to completely redevelop the site, they must make their intentions known to the City no less than five years prior to the expiration of their existing lease. Such a proposal must be consistent with the City’s vision for the lease site in terms of business mix, amenities and public benefits and improvements, as such vision is previously determined by the City Council. In the absence of such a proposal from the existing Master Tenant, or if such a proposal is rejected by the City Council, the City may utilize an RFP process to solicit the lease site opportunity, with the intent that such solicitation will be initiated not less than four years prior to the expiration of the existing lease, at the City’s discretion.

For a new lease request not involving significant new capital investment, other consideration, such as higher rents to the City or additional public benefits, may be employed. Additionally, the City may, with the assistance of professional property inspectors and/or the City’s Building Inspector, Fire Marshall and Code Enforcement Officer, evaluate existing facility conditions, and propose additional site capital investments that would justify a new lease with an existing Master Tenant.

Proposals for a new lease will be evaluated on a case-by-case basis upon, but not necessarily limited to, the following:

- a. Master Tenant is in Good Standing, as-defined herein.
- b. The City desires to continue a proven, mutually beneficial leasing relationship.
- c. Master Tenant’s proposal is desirable, their plan is acceptable, it matches the City’s vision and plan for the site, and is in compliance with the City’s land use entitlement regulations.

- d. Proposed capital or other improvements (including public benefits) justify amortizing the Master Tenant's investment over a longer period of time than is available in the existing lease.
- e. An older lease is to be replaced with a new lease incorporating then current modern leasing terms and fair market rates, and be consistent with the City's vision.
- f. Competitiveness or desirability of proposed lease terms.

A new lease establishment process (with an existing Master Tenant) flow chart is included in Exhibit B.

J. Rent Collection

Master Tenants must pay to the City minimum guaranteed annual rent as-stipulated in their individual lease agreements.

Additional percentage rents for the twelve-month periods ending June 30 are due by July 31 for that prior fiscal year. In order to calculate percent gross rents due, Master Tenants are required to provide records of their gross sales and/or the gross sales from their subtenants and slip tenants, with percent rents calculated per the requirements in their individual lease agreements. The calculated total dollar value of all percentage rents, minus the minimum guaranteed annual rent (but no refund if less than zero) is the amount of the percentage rent due to the City.

Acceptable payment methods are to be made by check, money order, cashier's check, credit card or cash, received by mail or hand delivered to the Harbor Department.

Receipts will be available if payment is hand delivered to the Harbor Department.

If rent is not received within ten days following the date on which the rent first become due, then the Master Tenant must pay a late fee of ten percent of the amount of the rent, or as stipulated in the lease agreement, as well as the full rental amount due. In addition to the late fee, the Master Tenant must pay interest at the rate of one percent per month or fraction thereof, the amount stipulated in the lease agreement or the maximum amount permitted by law as of the date the lease is signed, whichever is greater, on the amount of the rent, exclusive of the late fee, from the date on which rent first became delinquent until paid.

Returned checks shall be handled by the terms of the City's current Return Check Policy.

K. Putting Lease Sites up for a Competitive RFP Process

Where it is desired to solicit competitive proposals from the public for a given lease site, a RFP process will be employed. That process can be done "in-house" with City staff or be done in conjunction with or by a real estate development broker or other qualified private party, as determined by the City Council. In general, putting a site out for public proposals shall have the following top four priorities:

1. Ensuring lease sites match the City's plans and vision for the sites in terms of business mix, amenities and public benefits.
2. Redeveloping or upgrading lease site improvements to then current modern designs, codes and market conditions,
3. Enhance and/or maximize revenues to the City, and
4. Improved public benefits.

A lease site RFP process flow chart is included in Exhibit B.

L. Lease Site Redevelopment and Coordination with Community Development Department

When lease site remodels or redevelopments are being considered, close coordination with the Community Development Department is necessary to ensure consistency with the City's policies, plans, zoning and economic development goals and objectives, especially where multiple site consolidation is under consideration.

In addition, past land use entitlements and history on a given site will be consistently interpreted and applied to future development and use, which can only be established with close inter-departmental coordination.

M. Lease Site Consolidation

Lease expiration dates may be established to coincide where adjoining sites might have mutual planning benefits. In some cases, the City may not add time to the term of an existing lease, either for the purpose of consolidating sites or to pursue other extenuating public benefit.

Lease site consolidation may be considered in instances where:

1. Opportunities exist for financial economies of scale not otherwise achievable with smaller sites,
2. Achieving long-term planning goals as identified in the City's General Plan, Local Coastal Program and various master plans,
3. Policy implementation, or
4. Realizing desired public amenities or benefits.

N. Lease Site Monitoring, Inspection and Maintenance

1. Lease Site Monitoring and Inspection

The City has a paramount interest in ensuring the improvements on the City's lease sites are being properly maintained and are in a safe and secure condition. The City shall have the lease sites inspected and a report made on such inspections at least every five years, or as often as the Harbor Director or City Manager deems necessary, with approximately one-fifth of the lease sites inspected every year on a rotating basis. A checklist for lease site criteria is included in this Policy under Exhibit G. In conducting lease site inspections, the City may utilize any or all of the following:

- a. Harbor Department staff,
- b. Fire Marshall,
- c. Building Inspectors,
- d. Code Enforcement Officers, including reports from agencies such as County Health and others,
- e. Private Contractors, and
- f. Other resources as-identified

City staff will require deficiencies noted in the lease site inspection reports to be repaired or cured by Master Tenants in a timely manner, depending on the nature and urgency of the deficiencies identified. Any deficiencies that pose, in the sole determination of the Harbor Director, in consultation with the Building Official and/or Fire Marshall, a public or life-safety issue must be cured immediately.

Ultimate disposition of any uncured deficiency will be handled according to the provisions in the individual lease agreements.

As long-term leases draw close to expiration, there can be a tendency for maintenance deferment. The City must carefully monitor and strictly enforce lease maintenance provisions to protect the reversionary interest in the lease site improvements. Site inspections shall be conducted with appropriate and reasonable advanced notification.

2. Maintenance of Improvements and Leased Premises

Unless otherwise provided in individual lease agreements, Master Tenants are solely responsible for the upkeep and maintenance of the leased premises and improvements, including any seawalls and/or revetments, and must, at the Master Tenant's sole cost and expense, repair, replace, restore and otherwise maintain the leased premises and all improvements thereon in a fully functional, safe and secure condition per the terms of their leases.

In addition, Master Tenants must, at all times during the term of their leases, repair, keep and maintain the interior and exterior appearance of their premises and improvements in good, clean, vermin-free and sanitary order. Such repair and maintenance will include, but not necessarily be limited to, removing all obstructions, trash, debris, vermin and refuse, and maintaining improvement appearance and landscaping in an attractive manner.

For all maintenance and repair performed under the provisions of a lease agreement, Master Tenants must comply with all applicable laws, codes, ordinances, regulations and requirements of any governmental agency having jurisdiction over the leased premises. Ultimate disposition of uncured deficiencies will be handled according to the provisions in the individual lease agreements.

3. Maintenance of Public Spaces, Common Areas, Rights-of-Way and Sidewalks

Public spaces, common areas, rights-of-way, sidewalks and other areas or spaces not necessarily on a given lease site's premises, but utilized as part of a lease site's business operations (the path of travel for a site's dumpsters to the roadway for collection, for example) will be cleaned and kept free of litter, debris and contamination, and maintained without surface contamination in a "broom clean" condition at all times by the Master Tenants utilizing those areas.

O. Environmental Considerations

Lease negotiations shall be consistent with the City of Morro Bay's intent to be protective of natural and human resources in and around Morro Bay Harbor. Leases should specifically include or incorporate by reference applicable environmental regulations that may include, but not be limited to, boater and/or marina Best Management Practices, the Clean Marina Program, or similar programs and initiatives of the Morro Bay National Estuary Program.

P. Lease Terms and Site Entitlement Compliance

The City will monitor compliance with, inspect for and ensure compliance with all lease terms, conditions and provisions on an ongoing basis. In addition, as part of the five-year site inspections, the City will inspect for and ensure compliance with Master Lessee adherence to all entitlements (permits and permit conditions, including sign permits) associated with the premises and improvements.

Deficiencies noted in the lease terms or entitlements must be repaired or cured by Master Tenants in a timely manner, depending on the nature and urgency of the deficiencies identified. Ultimate disposition of uncured deficiencies will be handled according to the provisions in the individual lease agreements.

Q. Percentage of Gross Sales Audits

Without limiting the City's right of audit and oversight contained in its individual lease agreements, it will be the City's policy to require the annual submission to the City of all applicable business sales tax records as-submitted to the State of California, in addition to the hotel room night sales and transient occupancy tax ("TOT") payments as-submitted to the City, with the Master Tenant's annual percent gross sales reports each year. Harbor Department staff, with the assistance from the Finance Department and/or other resources, will annually audit the submitted documents for accuracy against each other, and with the sales tax records received by the City from the State and the City's sales tax reporting service. The disposition of any amounts owed or owing will be handled in accordance with the terms in the individual leases themselves.

While sales tax reporting, TOT reporting and percent gross reporting should match in terms of sales numbers reported, discrepancies between the reporting will be handled as follows:

1. Any discrepancy that constitutes a difference in gross receipt reporting versus sales tax and/or TOT reporting of less than 5% will result in no further auditing action.
2. Any discrepancy that constitutes a difference in gross receipt reporting versus sales tax and/or TOT reporting of 5% or more will result in City taking whatever further auditing action is necessary to satisfy City the amounts reported are correct, including but not limited to conducting a full traditional financial audit.

For lease sites that have sales or revenues that are not subject to sales tax or TOT, those sales will be subject to traditional financial auditing every three years as-follows:

1. The non-taxable sales of one-third of the sites with such sales will be audited each year on a rotating basis, with sites chosen to reflect approximately one-third of the total non-taxable sales in the TTL, and
2. Each audit will select any one or more of the immediate past three years to review.

In any event, the City reserves the right to conduct a full traditional financial audit of any lease site, within the limits of any lease agreement's terms, should, in the City's sole determination, such an audit be justified.

R. Lease Sale, Assignment and Assumption

All City leases require City Council approval for the sale or assignment and assumption of a lease agreement. Any Master Lessee requesting such approval will be required to:

1. Pay the appropriate fees noted in the City's Master Fee Schedule,
2. Complete the appropriate forms,
3. Submit financial and other documentation to indicate the qualifications and experience of the proposed Leaseholder to the satisfaction of the Finance Director, Harbor Director and City Attorney,
4. Be a Master Lessee in Good Standing, as defined herein, in full compliance with the terms and conditions of their lease agreement, and

5. Provide proof of proposed Master Tenant's City of Morro Bay current valid business license/tax certificate, general liability insurance and all applicable governmental licenses.

If the proposed assignment or sale includes a change in use of the site, then the change in use shall be reviewed by the Community Development Department for conformance with planning and zoning regulations. Proposed changes in uses for lease sites must comply with the City's land use entitlement regulations, including, but not limited to, the adopted General Plan, Local Coastal Program, and Measure D's limitations for properties north of Beach Street. Where zoning allows a variety of uses, whenever possible preference will be given to coastal-related uses.

S. Sublease Approval

All leases require City approval of subtenant/sublease agreements. Any Master Lessee requesting subtenant approval will be required to:

1. Pay the appropriate fees noted in the City's Master Fee Schedule,
2. Complete the appropriate forms,
3. Submit documentation to indicate the qualifications and experience of the proposed subtenant to the satisfaction of the Harbor Director,
4. Submit a properly executed copy of the City's standard Consent to Sublease/Subtenant Agreement,
5. Submit a copy of the proposed subtenant/sublease agreement between the Master Lessee and subtenant, and
6. Obtain proposed subtenant's City of Morro Bay current valid business license/tax certificate, general liability insurance and all applicable governmental licenses.

T. Financial Criteria and Financing Considerations

In making a determination of whether or not a Master Tenant, proposed Master Tenant or Subtenant is a financially acceptable partner the City wishes to do business with, the City will use any or all of the following criteria:

1. Experience and history in commercial leasing situations, property management and development/redevelopment,
2. Demonstrated financial capacity and capitalization,
3. Financial strength and current relationships with financing sources, including credit scores,
4. History, if any, of defaults, bankruptcies or litigation that indicates a bad partnership risk, and
5. Properly and professionally-prepared business plans and/or financial proformas with industry-standard elements expected of such documents.

While there is the need to foster financing, refinancing and investment on the waterfront, while protecting the City's interests and fiduciary responsibility, the City will not approve financing related to or using the lease site, or leasehold interest as collateral, unless such financing is for sole investment upon the TTL, for City-requested public improvements or benefits in the TTL or to reduce the interest rate of existing debt secured by the lease.



## VI. Exhibits to Policy (Exhibits B, C, D and G subject to administrative change without notice)

### A. Definitions and Acronyms

1. **Allowed Use:** a use that is *allowed* on a lease site per that site's Master Lease, but that must also be an *approved* use per that site's various land entitlement use permits.
2. **Annual Minimum Rent:** also known as "Minimum Rent" or "Base Rent." The minimum rent charged a Master Tenant on an annual basis for use of the premises. The Annual Minimum Rent is established as a percentage of the Appraised Value of the property, as-defined, and established in individual lease agreements.
3. **Appraised Value:** the estimated fair market value of a subject property as-determined by a qualified commercial property appraiser. Assumptions made for appraising a leasehold property are:
  - a. "Fair market value" is the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.
  - b. The property rights appraised are those of the fee simple interest in the subject property as if free of all liens, leases and encumbrances.
  - c. The subject property is vacant and available for development to its highest and best use.
4. **Approved Use:** a use that is approved on a lease site per that site's various land entitlement use permits, including but not limited to Conditional Use Permits, Temporary Use Permits or Minor Use Permits.
5. **Base Rent:** also known as "Annual Minimum Rent" or "Base Rent." See "Annual Minimum Rent."
6. **Building Lease:** a lease in which the City owns and maintains the building and improvements, and tenants lease space on a monthly or annual basis and perform their own Tenant Improvements.
7. **City Council, Departments and Staff:** all references in this document to City Council, Departments or Staff refer to the Council, Departments and Staff of the City of Morro Bay, California.
8. **Closed Session:** A meeting of the City Council to discuss confidential matters, as-allowed by law, such as litigation, employee relations or property/lease negotiations, conducted in private without the attendance of the public to avoid revealing information that could jeopardize the public interest and City's position on those matters.
9. **Coastal Development Permit:** a permit for any development within the Coastal Zone that is required pursuant to subdivision (a) of Section 30600 of the California Public Resources Code.
10. **Concept Plan:** a basic conceptual development plan for a property requiring approval from the Planning Commission and City Council to move forward to full permitting approval and construction.
11. **Conditional Use Permit or "CUP":** a use that is generally compatible with other uses permitted in a zoning district, but that requires individual review of its location, design, configuration, and intensity and density of use and structures, and may require the imposition of conditions pertinent thereto to ensure the appropriateness of the use at that particular location.
12. **Downtown Waterfront Strategic Plan:** the purpose of this Strategic Plan is to connect and enhance Morro Bay's downtown and waterfront areas and provide a

more uniform feel to each district. The Strategic Plan summarizes the outcomes of a community-based visioning process and will serve as a guide for private development and public investment and decision-making over the downtown and waterfront areas.

13. **Fair Market Rent:** the rent charged a tenant (through negotiation) based on the Appraised Value of the leased property and including Percent Gross Sales Rent in the case of a Ground Lease. Ground Lease Annual Minimum Rent is typically set at 8% of the Appraised Value of the leased premises. In the case of a Building Lease, the rent charged a tenant will be based on current average waterfront per-square-foot space rent rates.
14. **Fair Market Value:** see “Appraised Value.”
15. **General Plan or “GP”:** the City’s comprehensive, long-term plan for the physical development of the City.
16. **Ground Lease:** a long-term lease of land only, with improvements that are built by the lessee that usually revert to the City at the termination of the lease.
17. **Harbor Fund:** a fund of the City of Morro Bay with revenues and expenditures separate from the City’s General Fund, managed by the Harbor Department as an enterprise fund to account for all revenues and expenses connected with the operation of the harbor in accordance with the Tidelands Trust Land granting statutes. The sole sources for all Harbor Fund revenues are lease site minimum and percent gross of sales rents and boating and boating facility-related fees.
18. **Holdover:** occupancy of the leased premises after the lease term has expired, in accordance with the terms of the individual lease agreements.
19. **Interim Lease:** a short-term lease, typically five years or less, executed for an intervening period of time while a lease site’s future is being contemplated or developed.
20. **Internet Sales:** sales physically conducted on the internet, although conducted as part of a business entity on a lease site.
21. **Lease Amendment:** any formal revision or change to an existing lease by adding, deleting or changing a provision, or by modifying the wording.
22. **Lease Assignment:** transfer by sale or other arrangement of a leasehold interest from a Master Lessee to a new owner. All such assignments must be approved by the City Council. Also referred to as “Assignment and Assumption.”
23. **Leases Assumption:** see “Lease Assignment.”
24. **Lease Extension:** the continuation of an existing lease with no changes in its terms and conditions other than providing a longer period of time (term) for which the lease is valid. “Extension” is not to be confused with nor affect lease “holdover,” as defined in individual leases.
25. **Lease Renewal:** the exact re-creation of an existing lease that is expiring with no changes to that lease, including duplication of the original term.
26. **Lease Term:** the period of time in which a lease agreement is valid.
27. **License Agreement:** an agreement for use of public property that does not convey the typical exclusive use or rights as in a lease agreement.
28. **Local Coastal Program or “LCP”:** the documents included in the LCP implement the California Coastal Act at the local level in Morro Bay. This includes addressing all major policy topics of the Coastal Act, incorporating analysis needed to support coastal policies and incorporating local context in conjunction with the legal requirements of the Coastal Act.
29. **Master Lease:** the ground lease agreement or contract held by a Master Tenant for rightful possession of the City’s Tidelands Trust Land lease sites along the Embarcadero.

30. **Master Lease Template:** the City Council-approved “standard” lease agreement from which all lease negotiations for new leases are to be initially based.
31. **Master Tenant:** the tenant or lessee named in a lease agreement who holds or possesses a given leasehold.
32. **Master Tenant in Good Standing:** the Master Tenant has a good history of performance and lease compliance and the improvements on the site are well maintained. Example standards for determining “good history” of Master Tenant performance are:
  - a. The Master Tenant’s record with respect to the prompt and accurate payment of rent and related fees due the City, and cures any audit discrepancies in a timely and appropriate manner;
  - b. Master Tenant maintains accurate and complete financial records in accordance with the lease agreement that are made accessible to the City and/or City’s auditors when requested;
  - c. The Master Tenant’s record of compliance with existing lease conditions, and corrective measures for any non-compliance issues taken in a timely manner;
  - d. The appropriateness of the proposed Master Tenant business and/or subtenants with respect to the long-term planning and vision goals of the City;
  - e. The Master Tenant’s financial and personal investment in the leasehold improvements, Master Tenant business and overall management of the site;
  - f. Master Tenant has proven investment and maintained accurate financial records for the amounts committed in the lease for redevelopment, remodeling and/or improvements;
  - g. The contribution to the surrounding business community made by the Master Tenant’s business;
  - h. The quality and value of goods and services provided to the public by the Master Tenant, their tenant and/or its subtenant(s);
  - i. The Master Tenant has obtained, maintained and remained in compliance with all required permits and entitlements;
  - j. The total financial return (revenue) to City from the leasehold is maximized and within industry norms;
  - k. Other pertinent considerations as may be appropriate as determined by the City Council.
33. **Measure D:** a 1981 land use ordinance of the City of Morro Bay restricting lease site development and use between Beach Street and Target Rock to those uses “primarily for the purpose of serving or facilitating licensed commercial fishing activities or noncommercial recreational activities.”
34. **Minimum Rent:** also known as “Annual Minimum Rent” or “Base Rent.” See “Annual Minimum Rent.”
35. **Minor Use Permit or “MUP”:** a discretionary permit which may be granted by the appropriate City of Morro Bay authority to provide for the accommodation of land uses with special site or design requirements, operating characteristics, or potential adverse effects on surroundings, which are not permitted by right, but which may be approved upon completion of a review process and, where necessary, the imposition of special conditions of approval.
36. **Percent Gross Sales Rent:** rent based on a percentage of a tenant’s gross sales according to Exhibit E. Percent gross rent is typically only owed in the amount the percent gross rent exceeds the annual minimum rent.
37. **Sublease:** a lease to a third party, commonly known as a subtenant, by a Master Tenant, conveying some or all of the Master Tenant’s leased property.

38. **Subtenant**: a third-party tenant or lessor that enjoys a sublease.
39. **Temporary Use Permit of "TUP"**: a discretionary permit which may be granted by the appropriate City of Morro Bay authority to provide for the accommodation of land uses with special site or design requirements, operating characteristics, or potential adverse effects on surroundings, which are not permitted by right, but which may be approved upon completion of a review process and, where necessary, the imposition of special conditions of approval.
40. **Tenant Improvements or "TI's"**: removeable personal or business property or trade fixtures affixed to leased premises for business purposes that the tenant can detach and take away.
41. **Tidelands Trust Land or "TTL"**: those properties on Morro Bay's waterfront and surrounding areas, in some cases formerly underwater and filled, owned by the public and held in trust by the City for the people of the State of California. Per the California Constitution and State Law, those properties are to be used in furtherance of navigation, commerce, fisheries, environmental protection, recreation and open space.

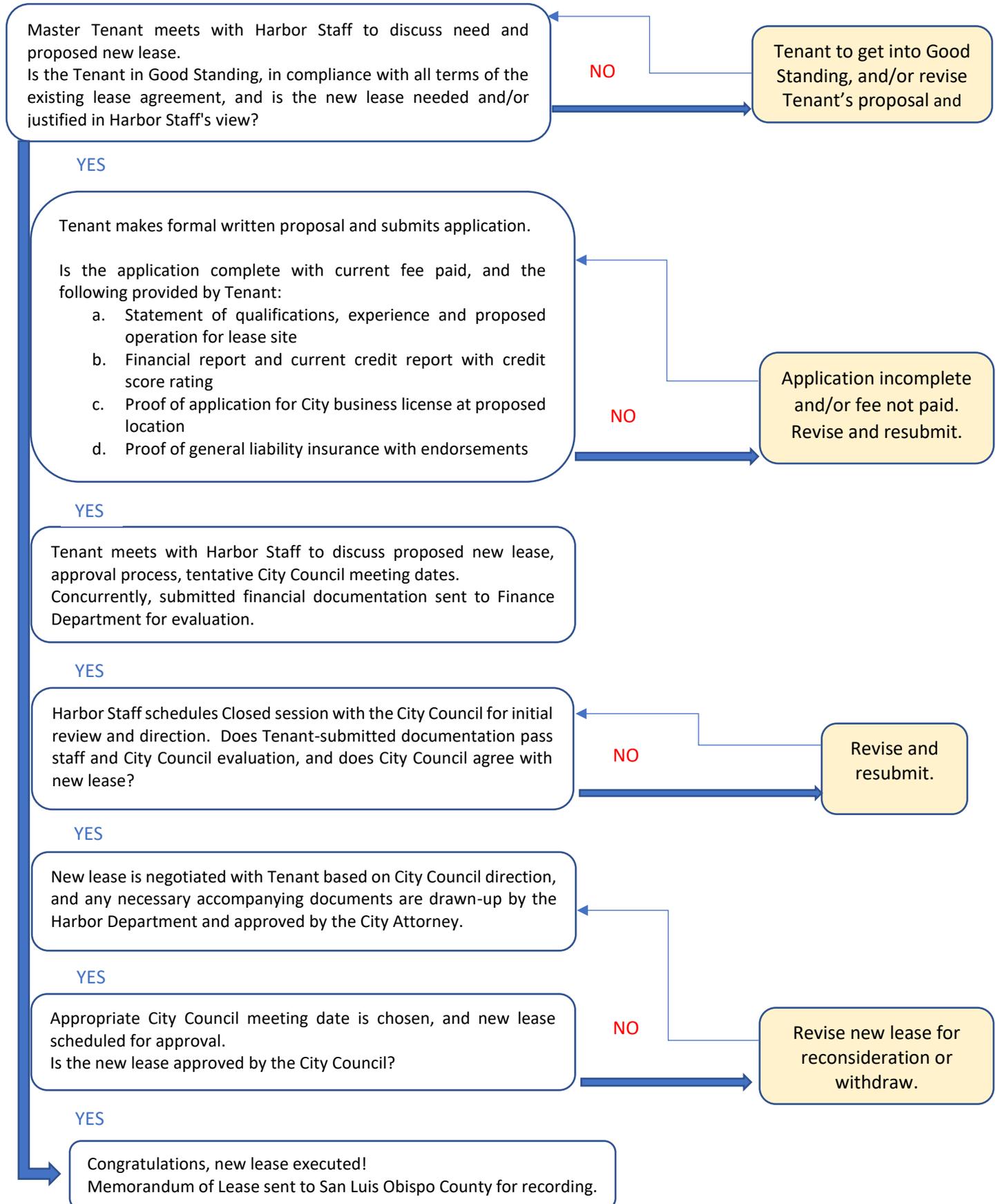
B. Flow Charts

- I. New Master Lease
- II. Sublease Approval
- III. Lease Amendment
- IV. Assignment and Assumption (lease sale)
- V. Expiring Lease/Lease Site Redevelopment
- VI. Consent to Encumber (loan) Approval

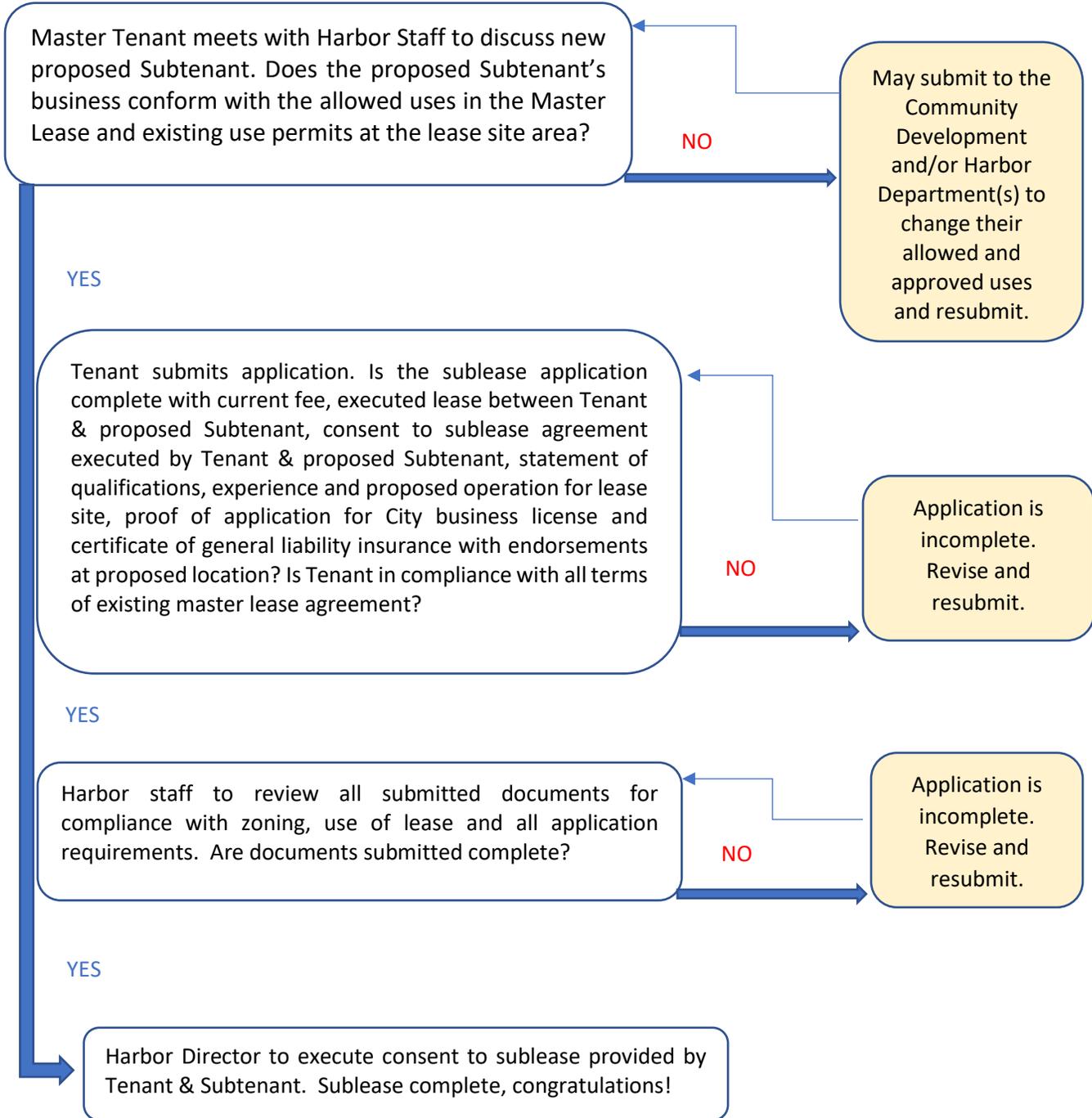
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# Exhibit B

## NEW MASTER LEASE - Flow Chart

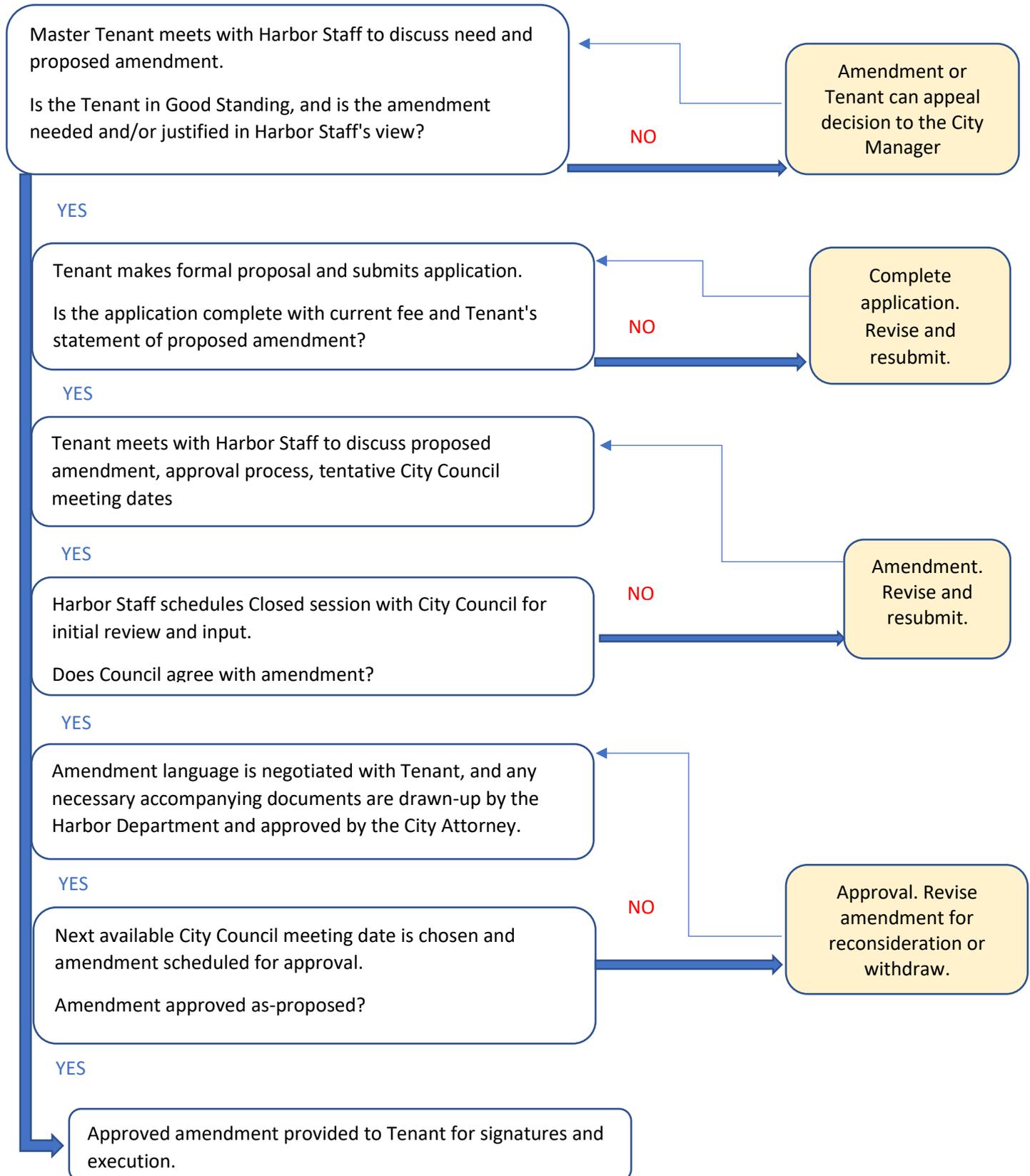


### SUBLEASE APPROVAL - Flow Chart



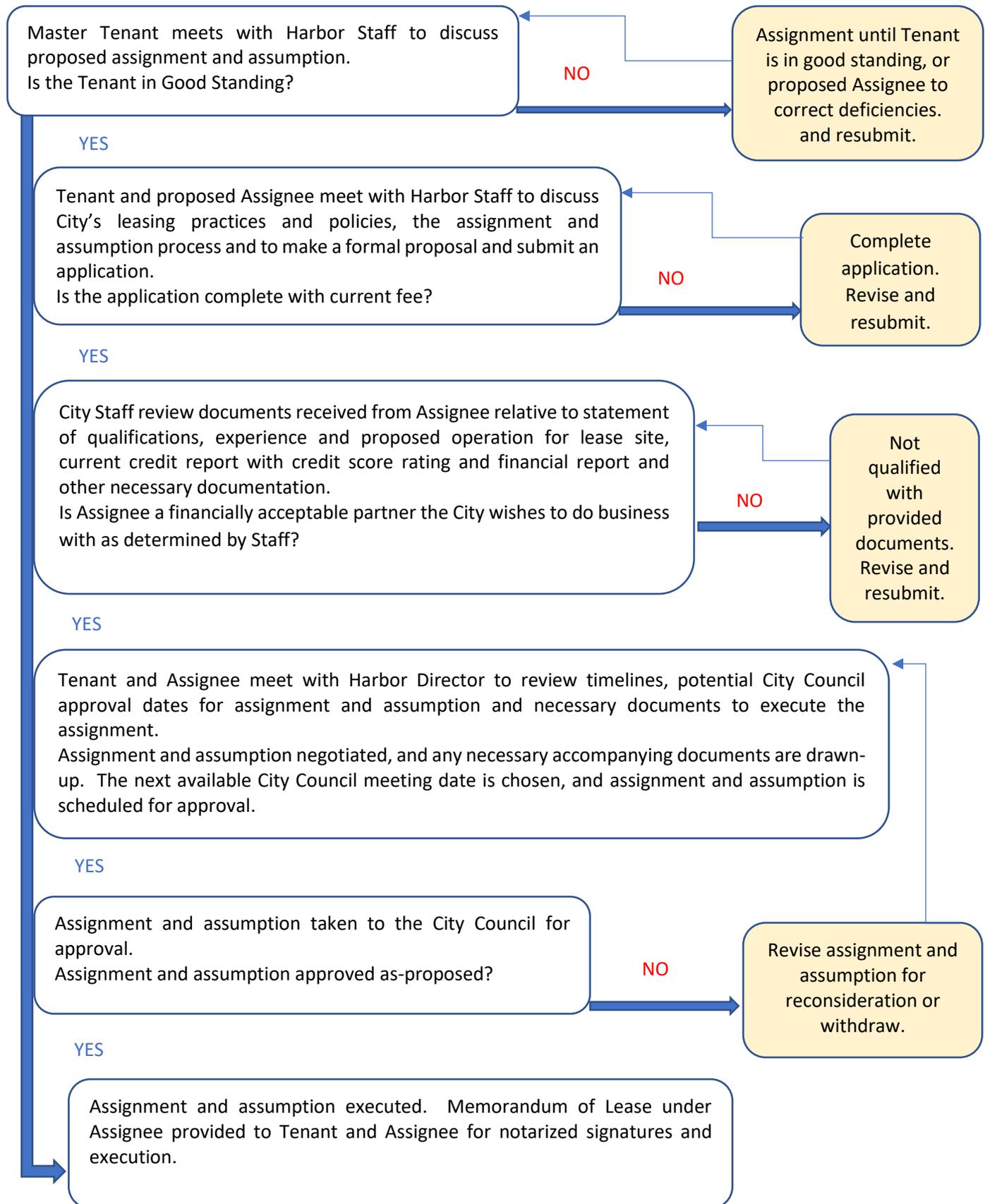
# Exhibit B

## LEASE AMENDMENT - Flow Chart



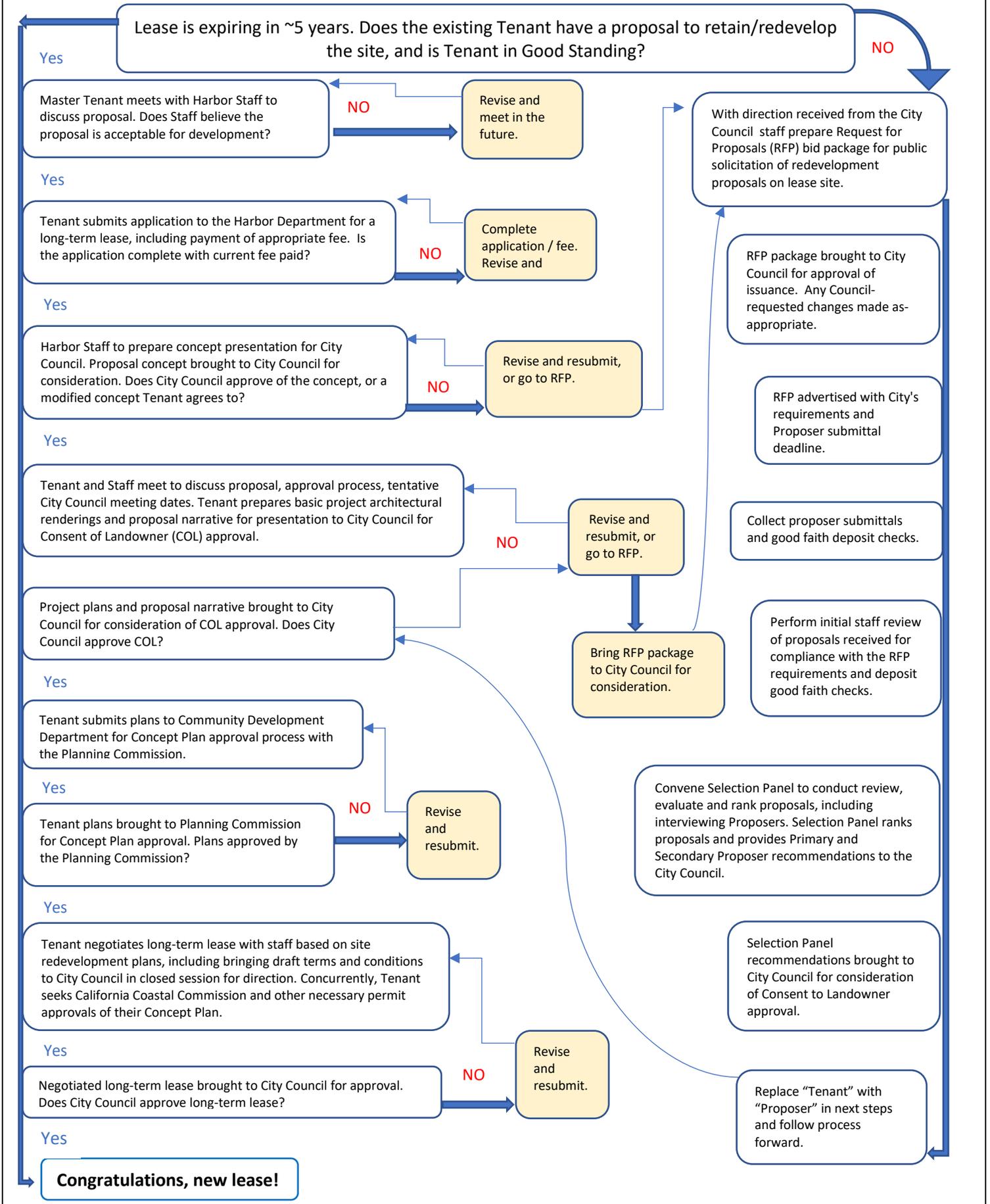
# Exhibit B

## ASSIGNMENT & ASSUMPTION - Flow Chart



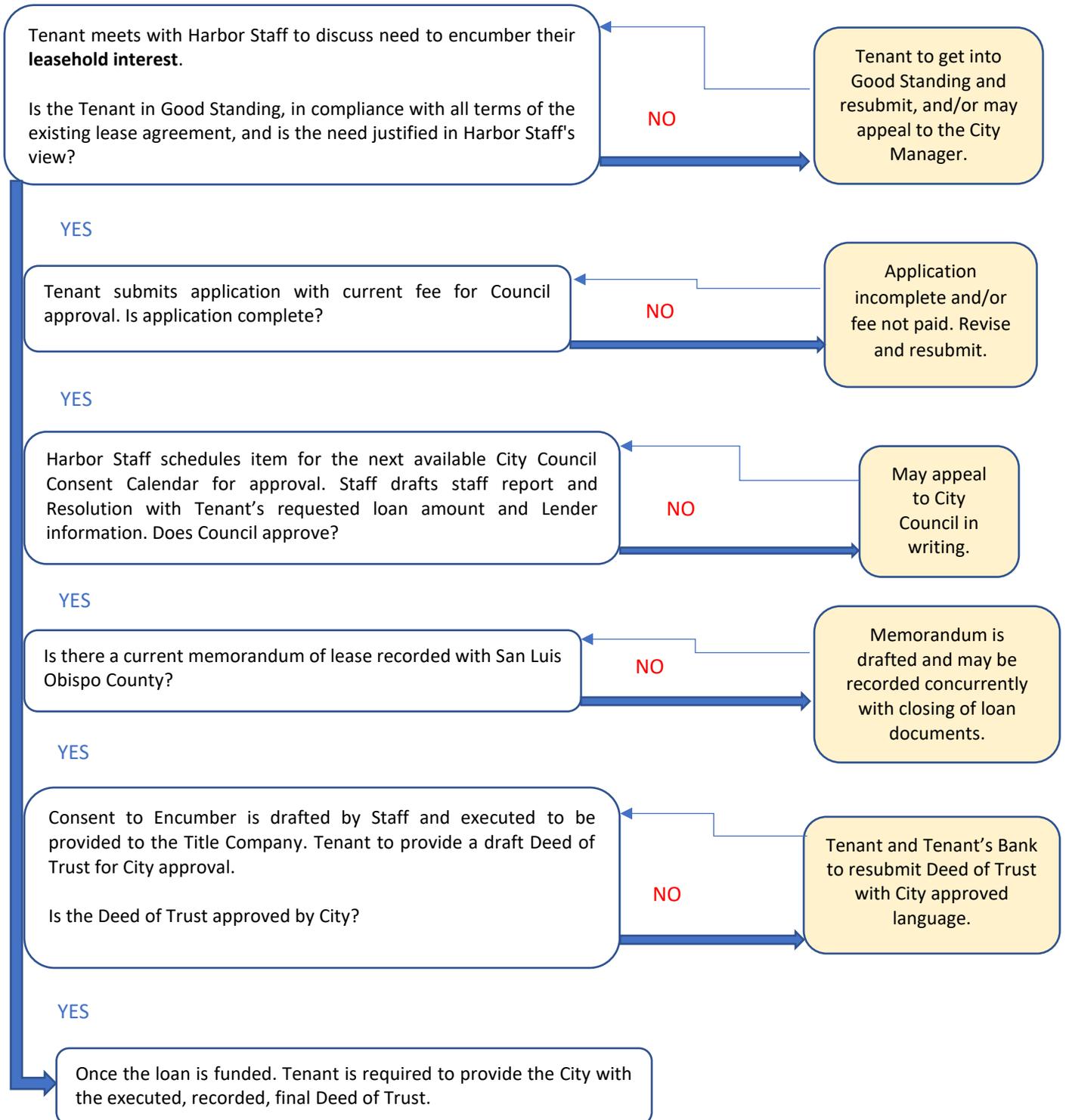
# Exhibit B

## Expiring Lease/Lease Site Redevelopment – Flow Chart



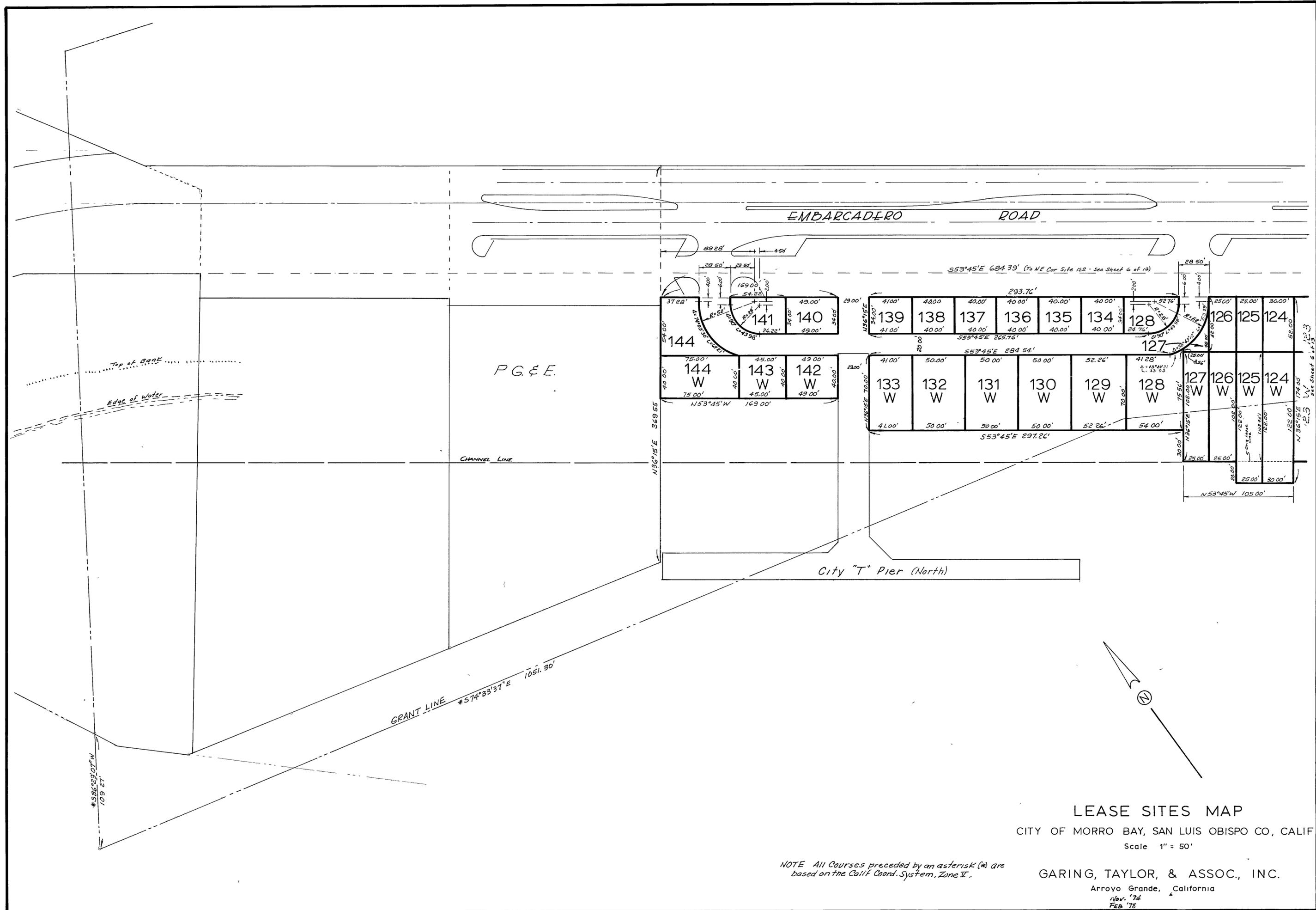
# Exhibit B

## CONSENT TO ENCUMBER APPROVAL - Flow Chart (Loan)



C. Maps/Surveys

(immediately following this page)



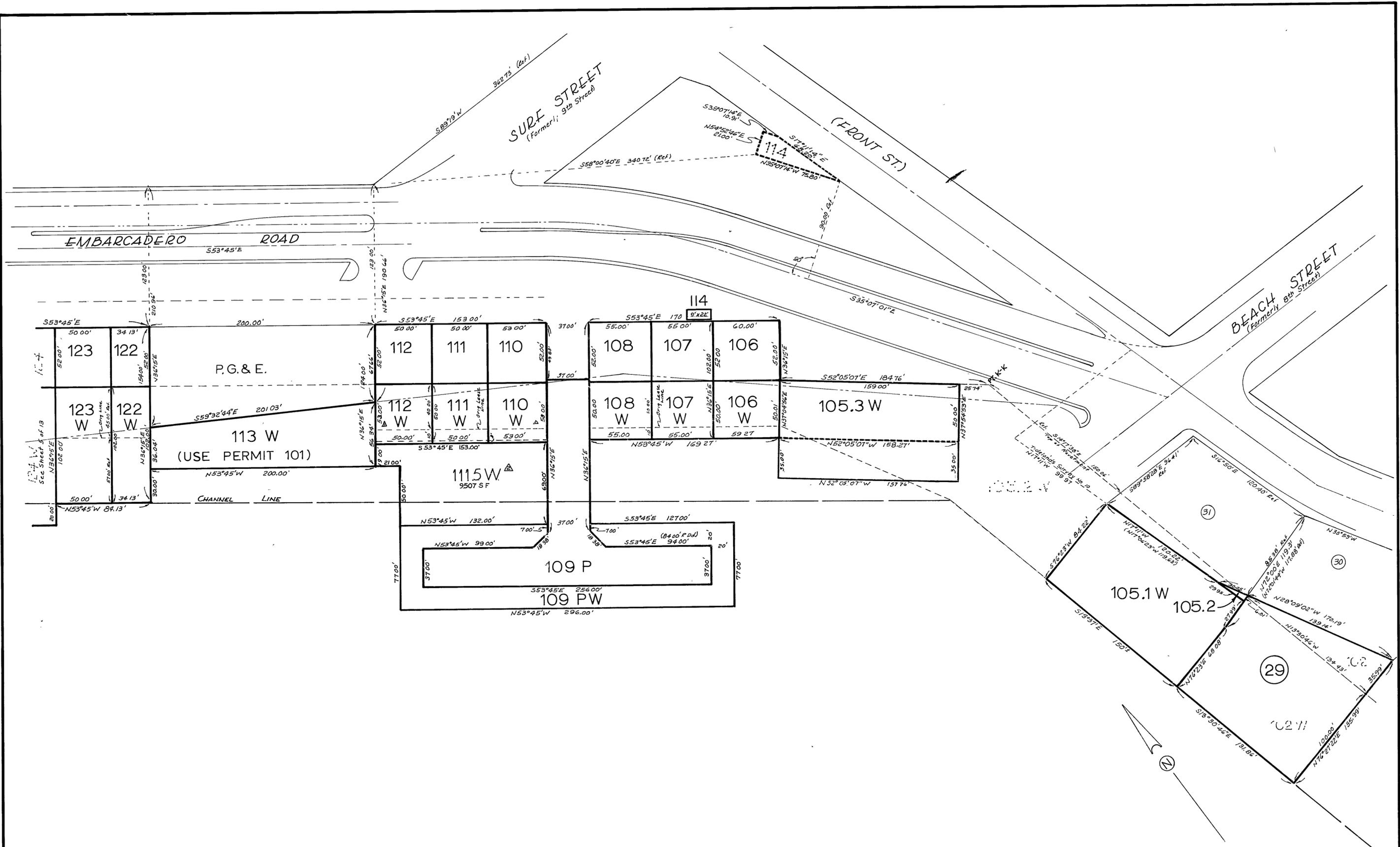
LEASE SITES MAP  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO, CALIF  
 Scale 1" = 50'

NOTE All Courses preceded by an asterisk (\*) are based on the Calif Coord. System, Zone II.

GARING, TAYLOR, & ASSOC., INC.  
 Arroyo Grande, California  
 Nov. '74  
 FEB. '76

See Sheet 5 of 13

See Sheet 7 of 13



### LEASE SITES MAP

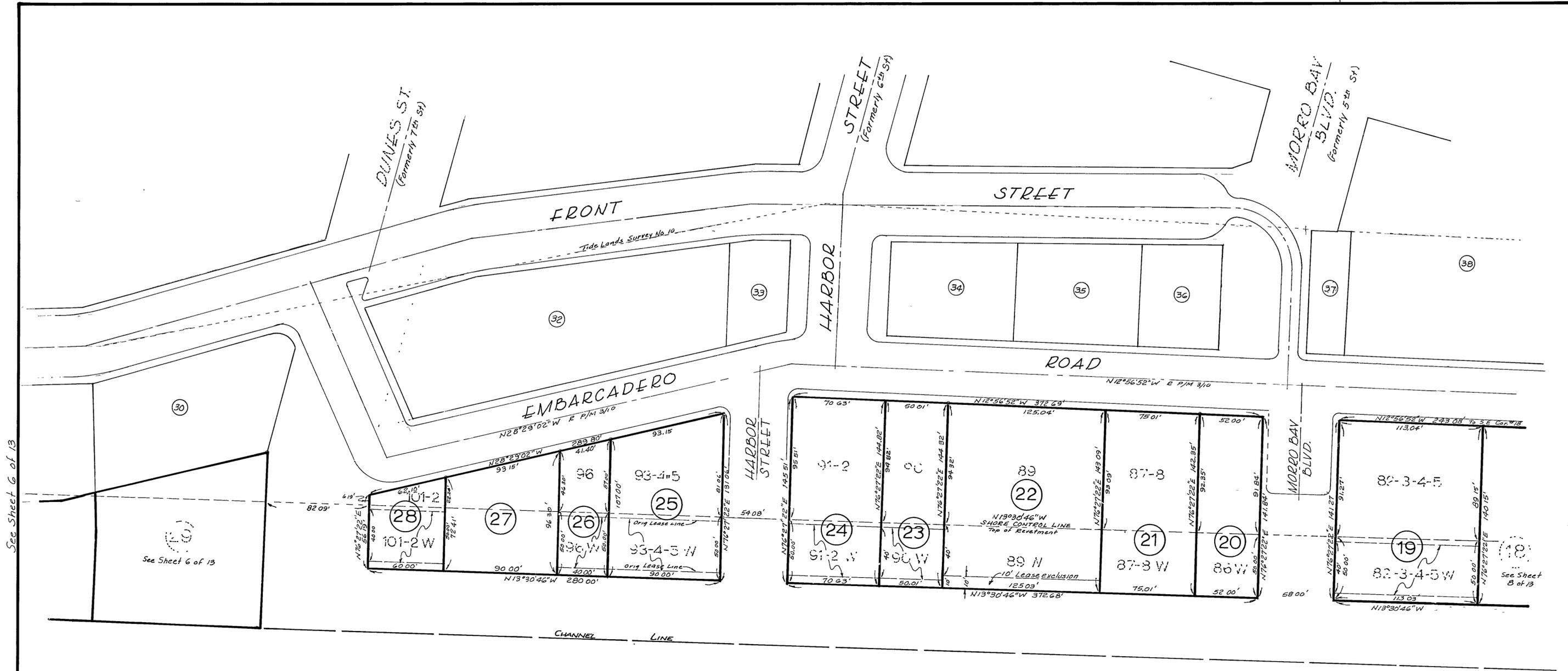
CITY OF MORRO BAY, SAN LUIS OBISPO CO., CALIF.  
Scale: 1" = 50'

GARING, TAYLOR, & ASSOC., INC.  
Arroyo Grande, California  
Nov. '74  
File '73

Revisions			
No	Date	Description	Authority
9-19-77		Add Lease Site 1115W	City Council
1-29-75		Extend Lane line 3' from shore line	City Council

See Sheet 6 of 13

See Sheet 8 of 13



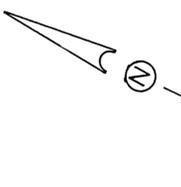
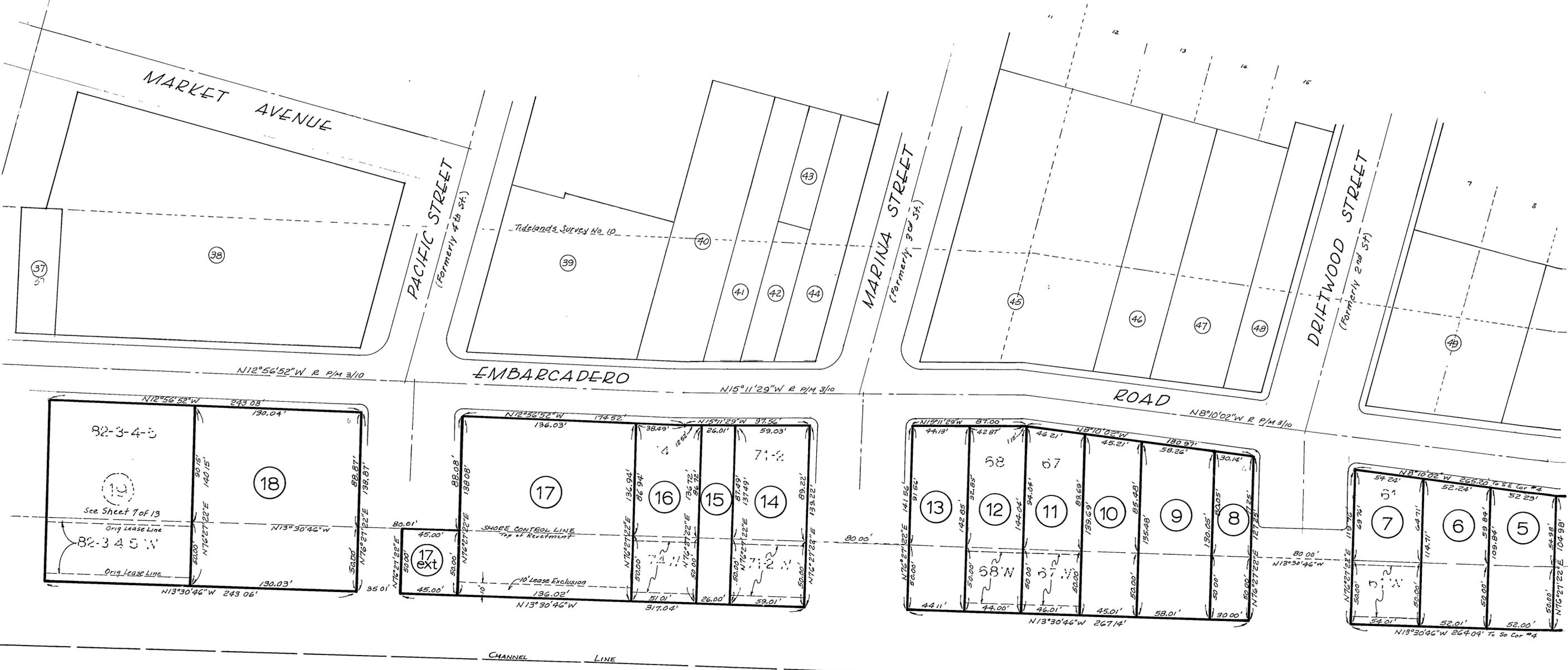
See Sheet 6 of 13

See Sheet 8 of 13

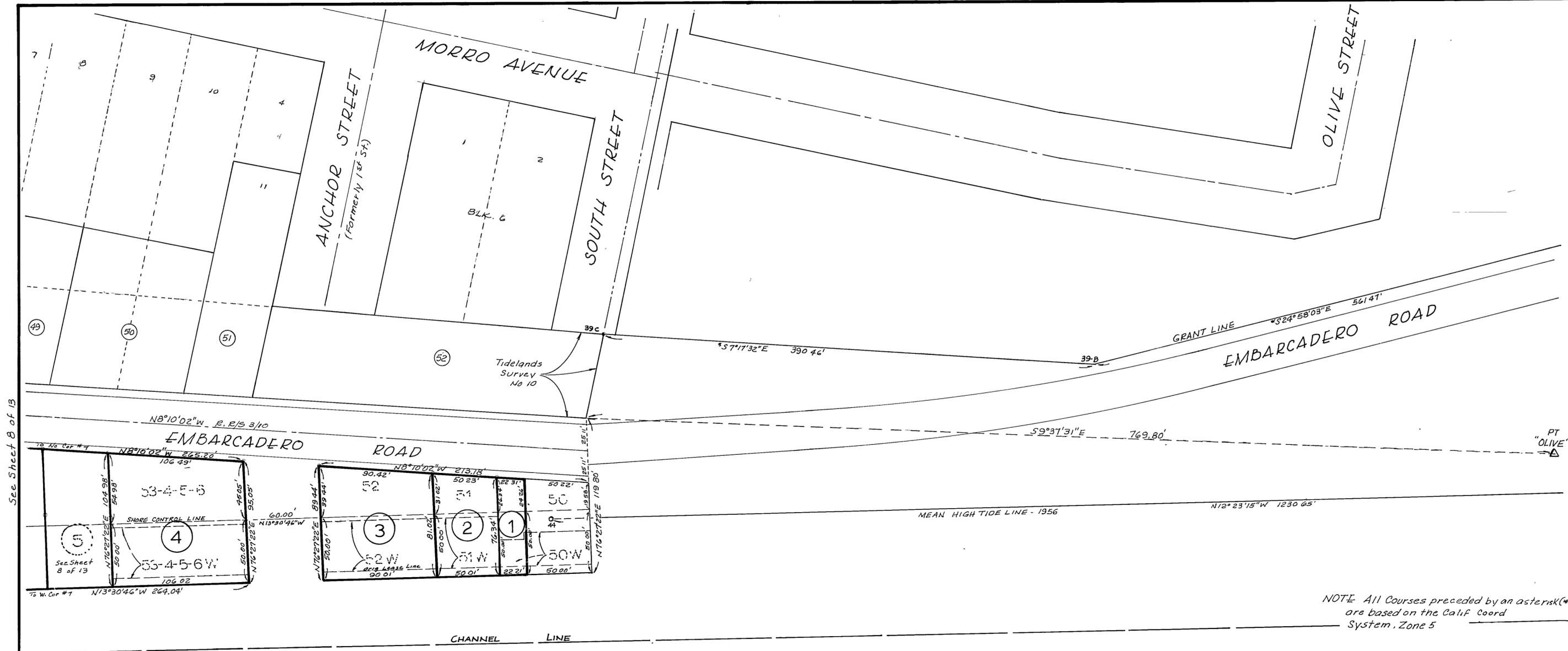
**LEASE SITES MAP**  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO., CALIF.  
 Scale 1" = 50'  
**GARING, TAYLOR, & ASSOC., INC.**  
 Arroyo Grande, California  
 Nov. 74  
 Feb. 75

See Sheet 7 of 13

See Sheet 9 of 13



LEASE SITES MAP  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO, CALIF.  
 Scale 1" = 50'  
 GARING, TAYLOR, & ASSOC., INC.  
 Arroyo Grande, California  
 Nov. '72  
 Feb. '78

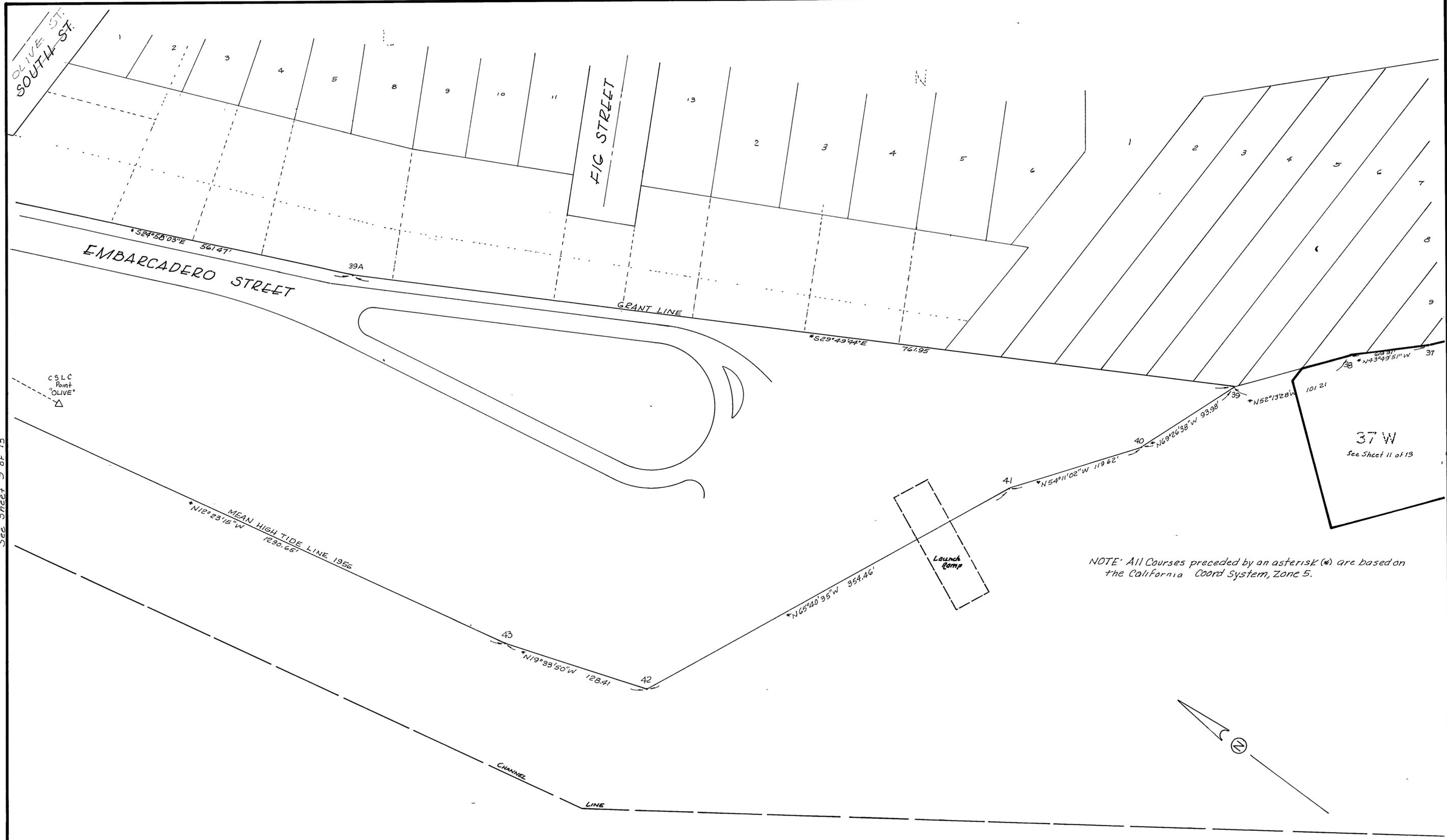


See Sheet 8 of 13

See Sheet 10 of 13

NOTE All Courses preceded by an asterisk(\*) are based on the Calif Coord System, Zone 5

LEASE SITES MAP  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO., CALIF.  
 Scale 1" = 50'  
 GARING, TAYLOR, & ASSOC., INC.  
 Arroyo Grande, California  
 Nov. '76  
 Feb. '78



See Sheet 9 of 13

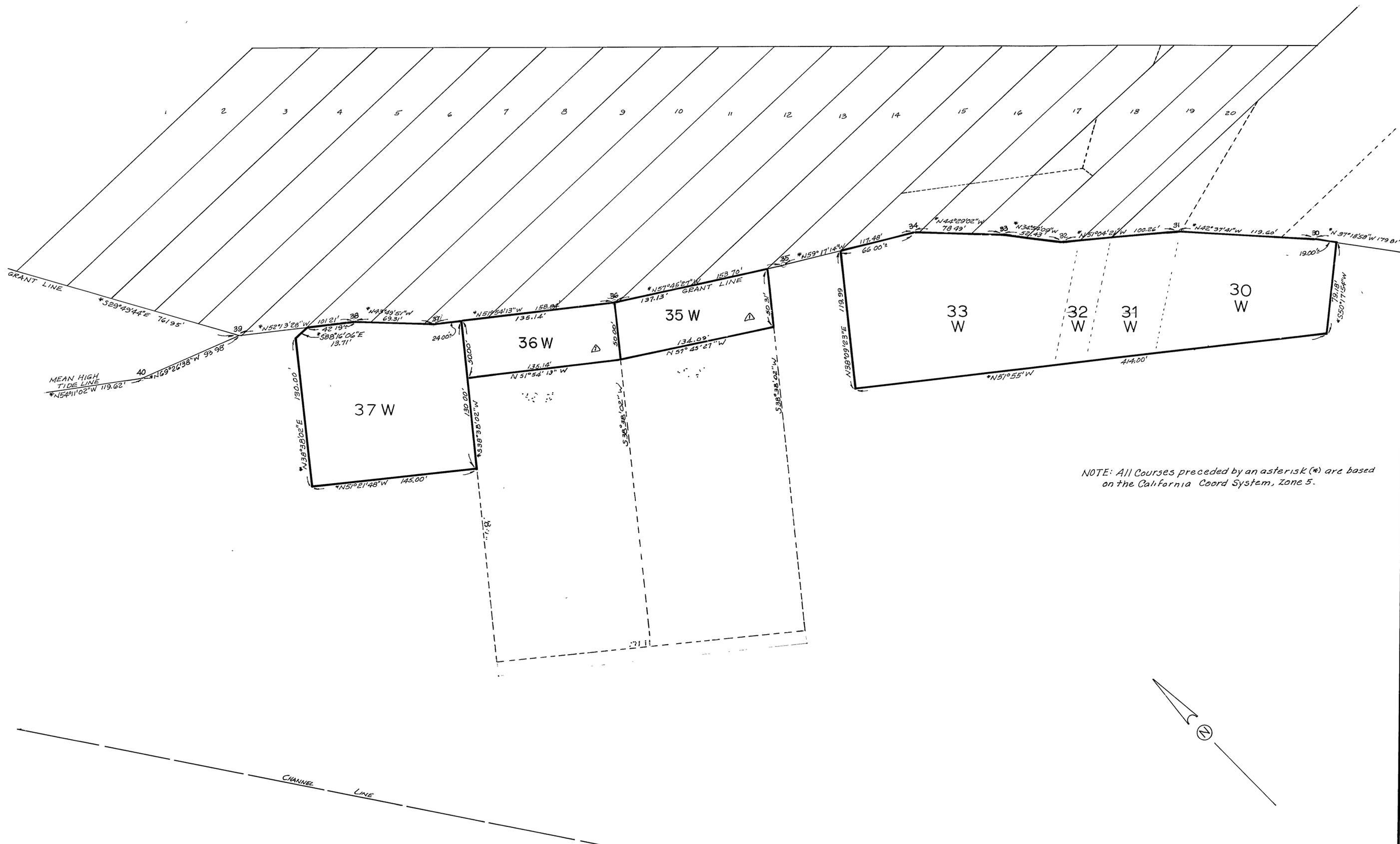
See Sheet 11 of 13

NOTE: All Courses preceded by an asterisk (\*) are based on the California Coord System, Zone 5.

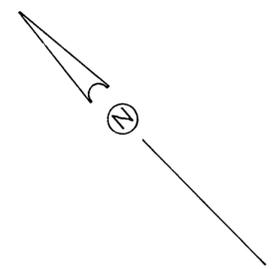
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 CITY OF MORRO BAY, SAN LUIS OBISPO CO, CALIF.  
 Scale 1" = 50'  
**GARING, TAYLOR, & ASSOC., INC.**  
 Arroyo Grande, California  
 Nov '74  
 FEB '78

See Sheet 10 of 13

See Sheet 12 of 13

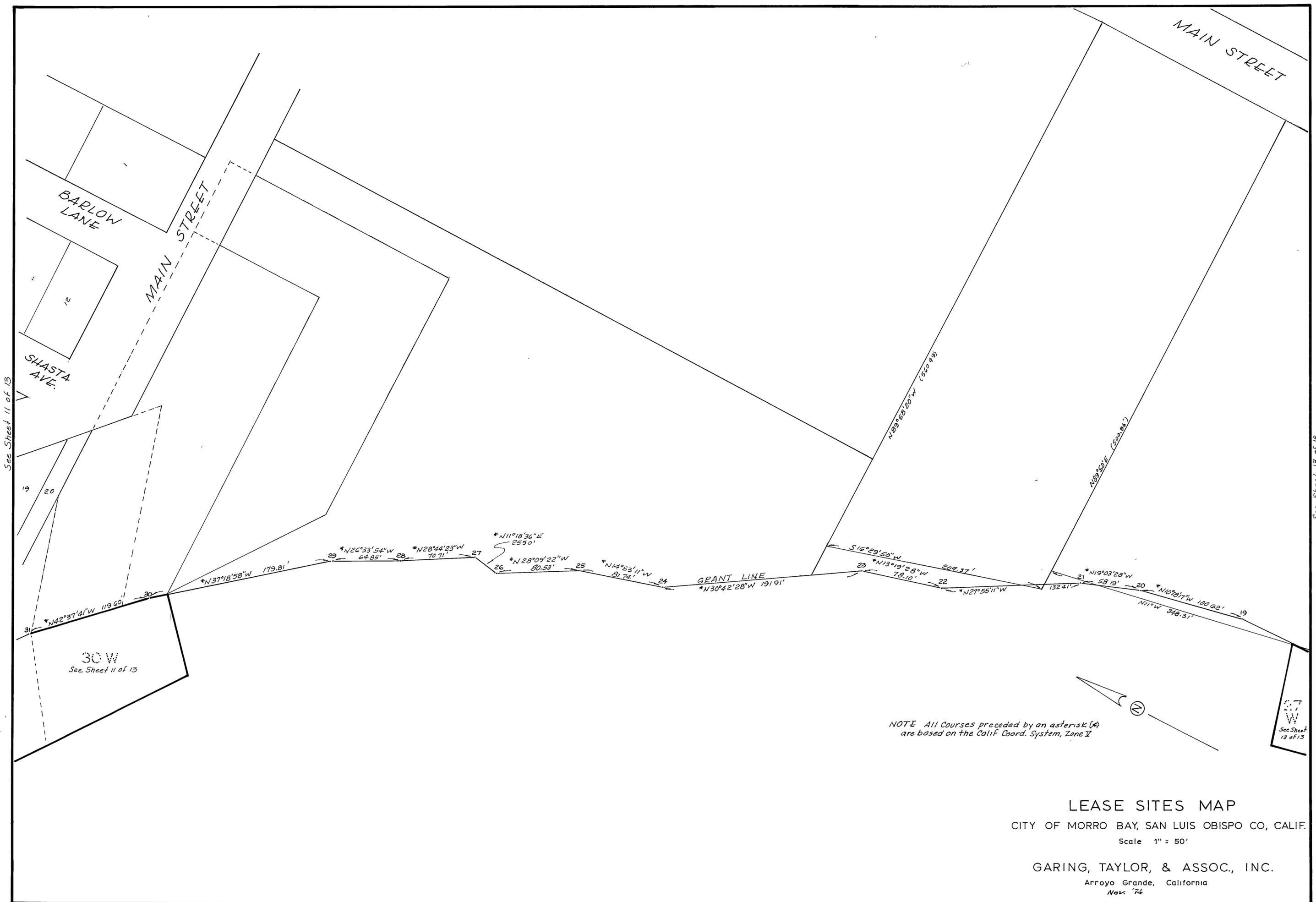


NOTE: All Courses preceded by an asterisk (\*) are based on the California Coord System, Zone 5.



LEASE SITES MAP  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO., CALIF.  
 Scale 1" = 50'  
 GARING, TAYLOR, & ASSOC, INC.  
 Arroyo Grande, California  
 Nov. '72

Revisions			
No	Date	Description	Authority
2	2-7-79	ADD CHANNEL LINE	CITY ENGINEER
1	2-6-75	Delinate L.S. 36W & 35W	City Council



See Sheet 11 of 13

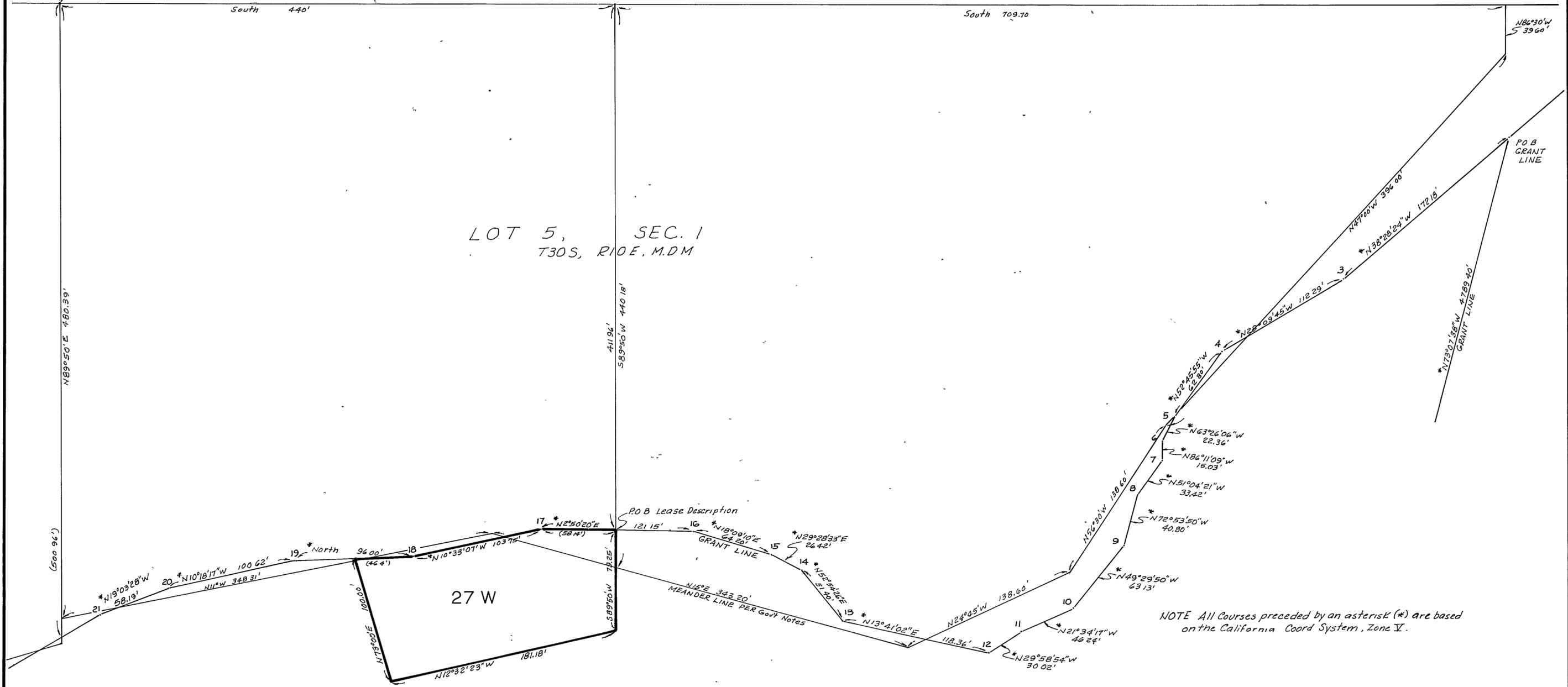
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NOTE: All Courses preceded by an asterisk (\*) are based on the Calif. Coord. System, Zone V

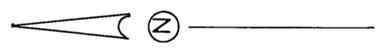
LEASE SITES MAP  
 CITY OF MORRO BAY, SAN LUIS OBISPO CO, CALIF.  
 Scale 1" = 50'  
 GARING, TAYLOR, & ASSOC., INC.  
 Arroyo Grande, California  
 Nov. '74

SEC 6, T30S, R11E, M.D.M

NW Cor Sec 6, T30S, R11E MDM  
NE Cor Lot 5, Sec 1, T30S, R10E MDM



NOTE All Courses preceded by an asterisk (\*) are based on the California Coord System, Zone IX.

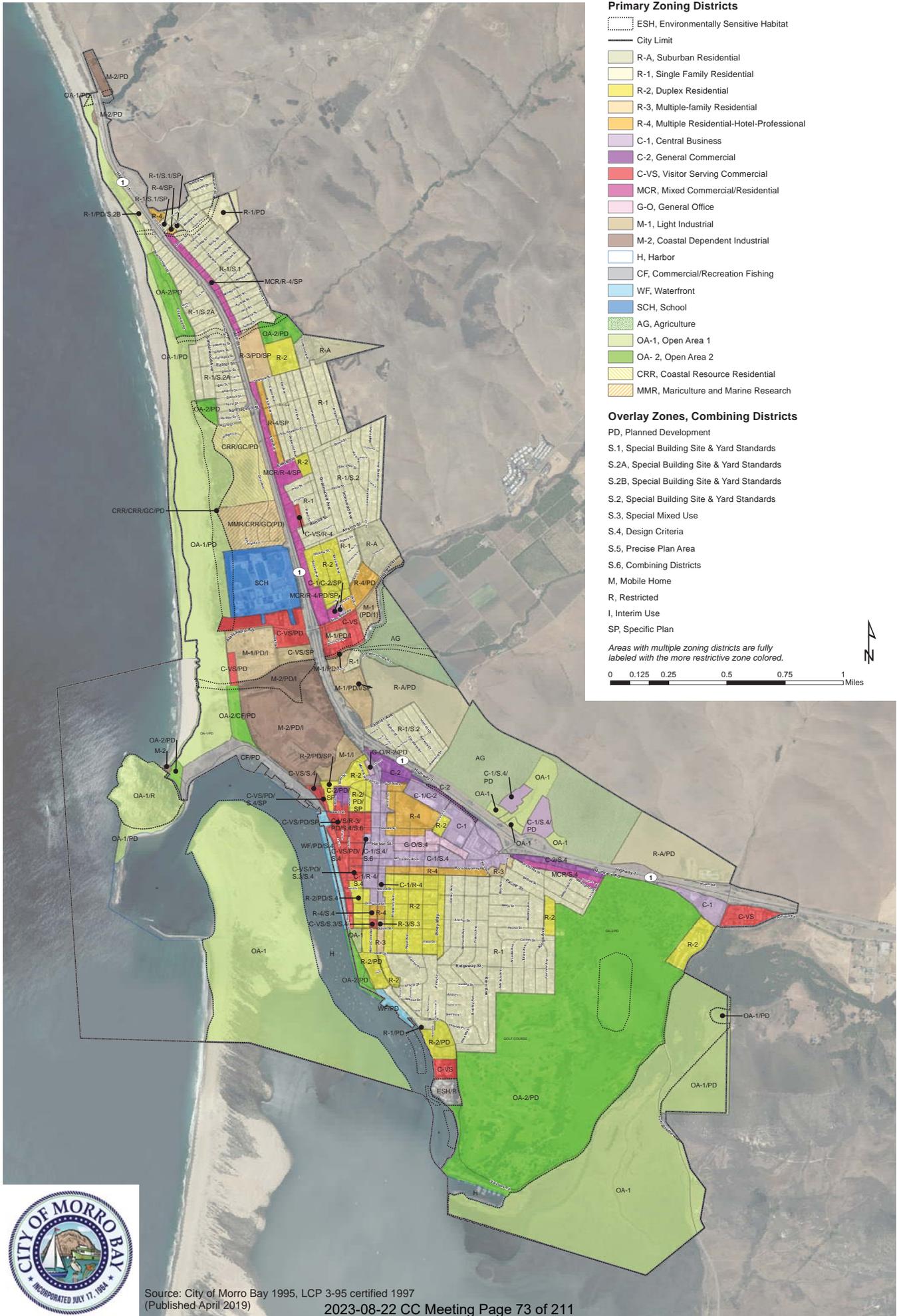


LEASE SITES MAP  
CITY OF MORRO BAY, SAN LUIS OBISPO CO, CALIF  
Scale 1" = 50'  
GARING, TAYLOR, & ASSOC, INC.  
Arroyo Grande, California  
Nov '74

D. City of Morro Bay Zoning Map

(immediately following this page)

# CITY OF MORRO BAY ZONING



- Primary Zoning Districts**
- ESH, Environmentally Sensitive Habitat
  - City Limit
  - R-A, Suburban Residential
  - R-1, Single Family Residential
  - R-2, Duplex Residential
  - R-3, Multiple-family Residential
  - R-4, Multiple Residential-Hotel-Professional
  - C-1, Central Business
  - C-2, General Commercial
  - C-VS, Visitor Serving Commercial
  - MCR, Mixed Commercial/Residential
  - G-O, General Office
  - M-1, Light Industrial
  - M-2, Coastal Dependent Industrial
  - H, Harbor
  - CF, Commercial/Recreation Fishing
  - WF, Waterfront
  - SCH, School
  - AG, Agriculture
  - OA-1, Open Area 1
  - OA-2, Open Area 2
  - CRR, Coastal Resource Residential
  - MMR, Mariculture and Marine Research
- Overlay Zones, Combining Districts**
- PD, Planned Development
  - S.1, Special Building Site & Yard Standards
  - S.2A, Special Building Site & Yard Standards
  - S.2B, Special Building Site & Yard Standards
  - S.2, Special Building Site & Yard Standards
  - S.3, Special Mixed Use
  - S.4, Design Criteria
  - S.5, Precise Plan Area
  - S.6, Combining Districts
  - M, Mobile Home
  - R, Restricted
  - I, Interim Use
  - SP, Specific Plan
- Areas with multiple zoning districts are fully labeled with the more restrictive zone colored.
- 0 0.125 0.25 0.5 0.75 1 Miles



E. Percent of Gross Sales Rent Schedules A & B

**SCHEDULE A**

**PERCENTAGE RENT FOR GROUND LEASES**

<b>SALES</b>		<b>% GROSS</b>
FOOD SERVICE:	Restaurant, Dining Room	3-5
	Snack Bar, Delicatessen,	5
	Fast Food, Convenience Food	5
	Bar/Lounge, Beer & Wine Sales	10
RETAIL SALES & SERVICE:	Tenant	3-5
FISH & SEAFOOD:	Retail Sales	3-5
	Wholesale Sales	0
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	10
	Pier/Floating	10
BOAT REPAIR & SALES:	Boat & Marine Repair	3
	New Boat Sales	1
	Used Boat Sales	2
FUEL:	Gasoline	\$0.02/gal.
	Diesel	\$0.015/gal.
HOTEL/MOTEL:		5-9
ALL OTHER USES:		5

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

## SCHEDULE B

### PERCENTAGE RENT FOR BUILDING LEASES

SALES		% GROSS
FOOD SERVICE:	Restaurant, Dining Room	5
	Snack Bar, Delicatessen,	7
	Fast Food, Convenience Food	7
	Bar/Lounge, Beer & Wine Sales	10
RETAIL SALES & SERVICE:	Tenant	7
	Sublease	7
FISH & SEAFOOD:	Retail Sales	5
	Wholesale Sales	0.5
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	20
	Pier/Floating	20
BOAT REPAIR & SALES:	Boat & Marine Repair	5
	New & Used Boat Sales	2
FUEL:	Gasoline	.02/gal.
	Diesel	\$0.015/gal.
HOTEL/MOTEL:		10
RV PARK:		25
ALL OTHER USES:		10

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

F. Master Lease Template

(immediately following this page)

**LEASE**

by and between

the CITY OF MORRO BAY

("CITY")

and

*[insert tenant name here]*

("TENANT")

TABLE OF CONTENTS

Article 1    FIXED TERM.....2

          Section 1.01    Term.....2

          Section 1.02    No Extensions.....2

          Section 1.03    Hold Over.....2

          Section 1.04    Replacement.....3

Article 2    RENT .....3

          Section 2.01    Annual Minimum Rent.....3

          Section 2.02    CPI Adjustment to Annual Minimum Rent.....4

          Section 2.03    Calculation of New Minimum Rent.....4

          Section 2.04    Percentage Rent.....6

          Section 2.05    Reimbursements.....8

          Section 2.06    Penalty and Interest.....8

Article 3    USE OF PREMISES.....8

          Section 3.01    Permitted Uses.....8

          Section 3.02    Unauthorized Use.....9

          Section 3.03    Operation of Business - Hours of Operation.....9

          Section 3.04    Competition.....9

          Section 3.05    Environmental Considerations and Hazardous Materials.....10

          Section 3.06    Tidelands Trust.....11

          Section 3.07    Compliance with Law.....11

          Section 3.08    Waste or Nuisance.....12

          Section 3.09    Use by CITY.....12

Article 4    CONSTRUCTION, ALTERATION AND REPAIRS .....12

          Section 4.01    Construction Approval.....12

          Section 4.02    Construction Bond.....13

	Section 4.03	Mechanics' Liens.....	13
	Section 4.04	Ownership of Improvements.....	14
Article 5	LEASEHOLD MORTGAGES .....		14
Article 6	REPAIRS, MAINTENANCE AND RESTORATION .....		15
	Section 6.01	Maintenance by TENANT.....	15
	Section 6.02	Seawalls and Revetment. ....	15
	Section 6.03	Legal Requirements. ....	15
	Section 6.04	Failure to Repair. ....	16
	Section 6.05	Inspection by CITY.....	16
	Section 6.06	TENANT'S Duty to Restore Premises.....	16
	Section 6.07	Termination of Lease for Destruction.....	17
	Section 6.08	Destruction Due to Risk Not Covered by Insurance.....	18
Article 7	INDEMNITY AND INSURANCE .....		18
	Section 7.01	Indemnity Agreement. ....	18
	Section 7.02	Liability Insurance. ....	19
	Section 7.03	Worker's Compensation.....	20
	Section 7.04	Property Insurance. ....	20
	Section 7.05	Additional Coverage. ....	20
	Section 7.06	General Requirements.....	21
	Section 7.07	No Subrogation. ....	22
	Section 7.08	TENANT'S Waiver.....	22
	Section 7.09	Insurance Not a Limit. ....	22
Article 8	TAXES AND FEES.....		22
	Section 8.01	TENANT to Pay Taxes.....	22
	Section 8.02	TENANT to Pay License and Permit Fees. ....	23
	Section 8.03	Utilities.....	23

Article 9	CONDEMNATION.....	23
	Section 9.01    Total Condemnation.....	23
	Section 9.02    Condemnation Award.....	23
	Section 9.03    Termination for Partial Taking.....	24
	Section 9.04    Rent Abatement for Partial Taking.....	25
	Section 9.05    Conveyance in Lieu of Eminent Domain.....	25
	Section 9.06    Temporary Taking.....	25
Article 10	ASSIGNMENT AND SUBLEASING .....	26
	Section 10.01    No Assignment Without CITY'S Consent.....	26
	Section 10.02    Change of Ownership as Assignment.....	26
	Section 10.03    Application for Assignment.....	27
	Section 10.04    Probate Transfer of Assignment.....	27
	Section 10.05    No Sublease Without CITY'S Consent.....	27
	Section 10.06    Subtenant Subject to Lease Terms.....	28
	Section 10.07    Consent to Sublease Agreement.....	28
	Section 10.08    TENANT and Guarantor Remain Liable.....	28
	Section 10.09    Nondisturbance.....	29
Article 11	DEFAULT AND TERMINATION.....	29
	Section 11.01    Abandonment by TENANT.....	29
	Section 11.02    Termination for Breach by TENANT.....	29
	Section 11.03    Termination for Failure to Pay Rent.....	30
	Section 11.04    Lender May Cure Default.....	30
	Section 11.05    Damages for Breach.....	30
	Section 11.06    Cumulative Remedies.....	31
	Section 11.07    Waiver of Breach.....	31
	Section 11.08    Surrender of Premises.....	31

Article 12	MISCELLANEOUS .....	31
	Section 12.01 Notices .....	31
	Section 12.02 Governing Law and Jurisdiction.....	32
	Section 12.03 Binding on Successors.....	32
	Section 12.04 Partial Invalidity.....	32
	Section 12.05 Sole and Only Agreement.....	32
	Section 12.06 Modification.....	32
	Section 12.07 Time of Essence.....	33
	Section 12.08 Memorandum of Lease for Recording .....	33
	Section 12.09 Force Majeure.....	33
Article 13	SPECIAL PROVISIONS PECULIAR TO THIS LEASE SITE .....	34
	Section 13.01 <i>[reserved]</i> .....	34

## **L E A S E**

This LEASE is made and entered into by and between the CITY OF MORRO BAY, a municipal corporation of the State of California herein called CITY, and \_\_\_\_\_, herein called TENANT. (CITY and TENANT, at times, are referred to herein individually as Party and collectively as Parties)

### **WITNESSETH**

WHEREAS, the State of California granted certain tide and submerged lands located within the CITY limits of CITY to the County of San Luis Obispo and to its successors, being Chapter 1076, Statutes of 1947, as amended by Chapter 413, Statutes of 1955, Chapter 1874, Statutes of 1957, and Chapter 70, Statutes of 1960, first extraordinary session; which Statutes may be amended from time to time by the Legislature of the State of California; all of which Statutes are expressly recognized and agreed to be in full force and effect by the Parties; and

WHEREAS, the Parties hereto recognize and agree, on July 17, 1964, CITY succeeded to all of the right, title and interest of the County of San Luis Obispo in and to all of the tide and submerged lands conveyed to said County by the State of California pursuant to the above mentioned acts; and

WHEREAS, judgment has been entered on October 14, 1968, in the case of City of Morro Bay, Plaintiff, versus County of San Luis Obispo, and State of California, Defendants, by the Superior Court of the State of California in and for the County of San Luis Obispo, #30417, adjudging and decreeing, among other things, the title to said tide and submerged lands so conveyed by the State of California to the County of San Luis Obispo in trust, as set forth above, passed automatically to CITY upon the date of its incorporation as a city on the 17th day of July, 1964; and

WHEREAS, TENANT accepts the within Lease with full knowledge there is no warranty of title in and to the within described premises by CITY to TENANT; and

WHEREAS, in order to develop and improve Morro Bay Harbor and to assist in carrying out the provisions of the tideland grant as aforesaid, and in order to provide facilities for the accommodation of those using Morro Bay Harbor, CITY desires to lease to TENANT the within described property upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the covenants to be performed and the rental to be paid by TENANT to CITY, CITY leases to TENANT, and TENANT leases from CITY, all of the following premises (herein collectively referred to as the "Premises") in the CITY of Morro Bay, County of San Luis Obispo, State of California, described as follows:

Lease Site \_\_\_\_\_

This Premises is delineated on Parcel Map of the CITY of Morro Bay No. 68-30, which map was recorded on October 10, 1968, in Book 3, Page 10 of Parcel Maps in the Office of the County Recorder, San Luis Obispo County, California. A copy of said Map is attached hereto as Exhibit A and made a part hereof by reference.

## Article 1 FIXED TERM

### Section 1.01 Term.

The term of this Lease is a period of \_\_\_ years, commencing \_\_\_\_\_, 20\_\_ (the "Commencement Date"). The term of this Lease will terminate without notice on \_\_\_\_\_, 20\_\_, unless sooner terminated as herein provided.

### Section 1.02 No Extensions.

The term of this Lease will not be extended nor will this Lease be renewed. Requests for continued use of the Premises will be treated as an application for a new lease and will require appropriate application to the CITY with all required supporting information and documents, CITY Council approval and the execution of a new CITY lease, containing the then most current terms, covenants, conditions and rent schedules.

### Section 1.03 Hold Over.

If TENANT holds the Premises after the expiration of the term of this Lease with the consent of the CITY, express or implied, then such holding over (in the absence of a written agreement between CITY and TENANT with respect thereto) will be deemed to create a tenancy from month-to-month, terminable on 30-days' written notice from either Party to the other, at a monthly rental equal to two hundred percent (200%) of the average total Rent per month for the twelve (12) months immediately preceding the expiration of this Lease, and otherwise subject to each and every term, covenant and condition of this Lease.

**Section 1.04 Replacement.**

Subject to the next paragraph, as of the Commencement Date, this Lease will extinguish and replace every prior lease between CITY and TENANT respecting the Premises, if any. Any right or interest held by the TENANT pursuant to any existing lease with respect to the Premises, which is not granted pursuant to this Lease, will be extinguished as of the Commencement Date of this Lease.

*(Note: the following paragraph to be included only if the lease is associated with a development/redevelopment project on the site)*

If on or before \_\_\_\_\_, 20\_\_, TENANT does not provide satisfactory evidence, as approved by CITY'S Harbor Director and City Attorney, TENANT has obtained all the financing necessary to commence and complete the Project (as defined in Section 13.\_\_), then (i) this Lease will automatically terminate, without any notice to TENANT, and be of no force and effect and (ii) the lease between CITY and TENANT for the Premises that was in effect prior to this Lease, if any, will be automatically reinstated and remain in full force and effect subject to all of that lease's terms and conditions.

**Article 2 RENT**

**Section 2.01 Annual Minimum Rent.**

TENANT agrees to pay to CITY a minimum guaranteed annual rental for the use and occupancy of the Premises, in an initial amount of \$\_\_\_\_\_ per year (the "Minimum Rent"), payable in advance and at the option of TENANT either in equal semiannual installments or equal monthly instalments. If paid in equal semiannual installments, then such installments must be on January 1 and July 1 each year during the term of the Lease. If the Commencement Date is other than January 1 or July 1, then TENANT must pay, on the Commencement Date, the proportionate amount of the Minimum Rent payable for the period from the Commencement Date until the next payment date of January 1 or July 1, as the case may be. If the term of the Lease expires on a date other than December 31 or June 30, then TENANT'S final installment of Minimum Rent must be proportionate to the time remaining in the term. If paid in equal monthly installments, then each\ monthly installment must be paid no later than the tenth day of each applicable month. All Rent, including the Minimum Rent and the Percentage Rent, must be paid in lawful money of the United States of America, without offset or deduction and must be paid to CITY at City Hall located at 595 Harbor Street, Morro Bay, California, or at such other place or places CITY may from time to time designate by written notice delivered to TENANT.

**Section 2.02 CPI Adjustment to Annual Minimum Rent.**

(1) The Parties agree, as of every July 1 following the Commencement Date (each, a "CPI Adjustment Date"), except as outlined in section 2.03 hereof, the annual Minimum Rent will be adjusted in direct proportion to any upward or downward movement in the Consumer Price Index for January 1, 20\_\_, which is hereby agreed to be \_\_\_\_\_ (Base Index). The percentage adjustment for any given year will be based on the monthly average Index for the calendar year immediately preceding the CPI Adjustment Date as compared with the Base Index. The Consumer Price Index referred to herein is the Consumer Price Index (all items indexes, all urban consumers) for Los Angeles – Long Beach – Anaheim, California, compiled and published by the United States Department of Labor, Bureau of Labor Statistics, 1982-84 Base Year = 100 (the "Index")

(2) The Annual Minimum Rent will be adjusted as of each CPI Adjustment Date, and will remain in effect as adjusted until the next CPI Adjustment Date. As an illustration only, if the Base Index (Jan. 1, 1999 CPI) is 166.1 and the monthly average CPI for 2000 is 171.6, then the percentage increase is equal to 3.31%. Therefore, the Minimum Rent would be increased by 3.31% as of July 1, 2001, and would continue at that rate through June 30, 2002.

(3) If the United States Department of Labor, Bureau of Labor Statistics, ceases to compile and make public the Index as now constituted and issued, but substitutes another index in its place, then said substituted index must be used for the purpose of adjusting the Minimum Rent for the Premises. If the Index is changed so the base year differs from that in effect on the Lease Commencement Date, then the Index must be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

**Section 2.03 Calculation of New Minimum Rent.**

At the end of the initial five years and of each five-year period thereafter, a new Minimum Rent will be calculated for the following five-year period (each, a "Subsequent Rental Period") as follows:

A. The Minimum Rent will be subject to adjustment by appraisal as of the fifth anniversary of the Commencement Date and every five years thereafter (each, an "Appraisal Adjustment Date"). CITY, at its own cost and expense, will retain an independent qualified appraiser for determination of the fair market value of the Premises. Not more than nine months prior to each Appraisal Adjustment Date, CITY will provide written notice to TENANT of the pending appraisal and the appraiser selected by the CITY to determine the fair market value of the Premises, excluding fixtures and improvements, unless such are expressly included in the

description of the leasehold interest created by this Lease. If TENANT does not reject CITY's appraiser in writing and within thirty days after CITY's notice of its determination, then the Minimum Rent for the Subsequent Rental Period will be in the amount determined by CITY as outlined in this Section 2.03. If TENANT rejects CITY's appraiser within 30 days following CITY's notice to TENANT, then within 15 days after such 30-day period, each Party, at its own cost, will select an independent professionally designated appraiser who is a member of the American Institute of Real Estate Appraisers, or the Society of Real Estate Appraisers with a designation of MAI (Member of American Institute), SRPA (Senior Real Estate Analysis), to appraise the fair market value of the Premises. CITY may rely on its original appraisal, or select a new appraiser, at its cost. If a Party does not appoint an appraiser within 15 days after the other Party has given notice of the name of its appraiser, then the single appraiser appointed will be the sole appraiser. Each appraiser will conduct an independent appraisal within 30 days after appointment. If the Parties are unable to agree on the Minimum Rent for the Subsequent Rental Period within 30 days after receiving the appraisal(s), then each Party will select one member of a three-member committee. The two so selected members will select the third member, and this committee will, by majority vote, select one or the other of the appraisals. The Minimum Rent determined on the basis of the selected appraisal will be final and binding and all costs associated with the three-member committee will be paid equally by CITY and TENANT.

B. In the event the appraisal process is not concluded on or before the Appraisal Adjustment Date, the Minimum Rent will be adjusted retroactively to such Appraisal Adjustment Date as set out hereinbelow when said appraisal process is completed.

C. The total Rent payable, including both the Minimum Rent and the Percentage Rent for each year within the applicable previous five-year period, will be averaged to produce the average annual total Rent payable for such previous period.

D. The new Minimum Rent for the five-year period commencing on each Appraisal Adjustment Date will be eight percent of the fair market value of the Premises (as established in paragraph A. above.) The new Minimum Rent will be divided by two to determine the semiannual payments and will be paid by TENANT to CITY on the first of each January and July thereafter, or paid monthly at the option of TENANT. This new Minimum Rent will be adjusted each following year in proportion to any increase in the Consumer Price Index as set out in Section 2.02 of this Lease. The Base Index will be adjusted upon each Calculation of new Minimum Rent as set out in this section so the Base Index for CPI adjustment will be the Consumer Price Index for January 1 of the year of the calculation of new Minimum Rent.

**Section 2.04 Percentage Rent.**

A. In addition to the Minimum Rent, TENANT agrees to pay to CITY, at the time and in the manner hereinafter specified, as additional Rent for the use and occupancy of the Premises, a sum equal to the following for all TENANT'S Gross Sales as hereinafter defined: \_\_\_\_\_, less the amount of the Minimum Rent paid pursuant to this Lease (the "Percentage Rent").

B. The term "Gross Sales," as used herein, means (subject to the exceptions and authorized deductions as hereinafter set forth), the total selling price and the total gross amount received by TENANT from all rentals, merchandise sold and services rendered in, on or from the Premises by TENANT, its sublessees, licensees, or concessionaires, both for cash and on credit including, but not limited to, rentals of dockage space, leasing and servicing operations and ticket sales, and if on credit whether or not payment be actually made therefore, all charges for services, alterations or repairs made in or upon the Premises; the gross amount received by TENANT for merchandise sold pursuant to orders received in the Premises, though filled elsewhere; and the gross amount received by TENANT from any and all other sources of income derived from the business conducted upon the Premises.

C. Notwithstanding the other provisions of Section 2.04, the term "Gross Sales" does not include the following items, and such items may be deducted from Gross Sales to the extent they have been included therein or have been included in a prior computation of Gross Sales or for which a Percentage Rent has been paid under this Lease to CITY:

- (1) Credits and refunds made to customers for merchandise returned or exchanged;
- (2) Any sales or excise taxes otherwise includable in Gross Sales as defined in this Section because such taxes are part of the total selling price of merchandise or services rendered in, from, or on the Premises, where TENANT must account for and remit the taxes to the government entity or entities by which they are imposed; and
- (3) With respect to credit card sales, fees retained or withheld by the issuer and/or merchant bank pursuant to TENANT'S credit card acceptance agreement, and
- (4) Rental payments to TENANT from sublessees whose total gross sales are included in gross sales computations.

D. TENANT ,must keep or cause to be kept full, complete, and accurate records, and books of account in accordance with accepted accounting practices showing the total amount of Gross Sales, as defined herein, made each calendar month in, on or from the Premises. TENANT must keep said records and books of account within San Luis Obispo County and will notify CITY in advance of their location at all times. Furthermore, TENANT must, at the time of sale and in the presence of the customer, cause the full selling price of each piece of

merchandise, each rental received and each service rendered in, on or from the Premises to be recorded in a cash register or cash registers that have cumulative totals and are sealed in accordance with standard commercial practices. Said records, books of account and cash register tapes, including any sales tax reports or income tax returns TENANT may be required to furnish any government or governmental agency, and income and bank statements must, at all reasonable times, be open to the inspection of CITY, CITY'S auditor, or other authorized representative or agent of CITY, if necessary. TENANT consents to the release of sales tax information to CITY and on demand will furnish to CITY a copy of the sales tax reports, quarterly reports and any audit reports of sales for confidential internal use of the CITY in determining Gross Sales for TENANT. TENANT consents and authorizes CITY to request such information directly from the State Board of Equalization or other state agency with which sales tax information is filed.

E. By July 31 of each year, TENANT must furnish CITY with a statement, to be certified by TENANT as current, true and accurate, which must set forth the Gross Sales of each department, sublessee, licensee and concession operating in, on or from the Premises for the previous 12 calendar months, ending June 30, just concluded, and the authorized deductions, if any, therefrom; and with it TENANT must pay to CITY the amount of the Percentage Rent, which is due to CITY as shown thereby. If TENANT, at any time, causes an audit of sales of TENANT'S business to be made by a public accountant, then TENANT must furnish CITY with a copy of said audit without cost or expense to CITY. CITY may, once in any twelve-month period, cause an audit of the business of TENANT to be made by a certified public accountant or CITY personnel of CITY'S own selection. TENANT must, upon receiving written notice of CITY'S desire for such an audit, deliver and make available all such books, records and cash register tapes to the certified public accountant or CITY personnel selected by CITY. Furthermore, TENANT must promptly, on demand, reimburse CITY for the full cost and expense of said audit, if the audit discloses the questioned statement or statements understated Gross Sales by 5 percent or more but less than ten percent. In the event an audit performed at CITY'S request discloses TENANT understated Gross Sales by less than 5 percent, the cost of such audit will be paid by CITY. In the event any audit or other review of records discloses the amounts reported as Gross Sales were understated by TENANT by 10 percent or more, CITY will not only be entitled to recover from TENANT all costs of audit and review, but will also be entitled to recover from TENANT a penalty equal to two times the Percentage Rent due pursuant to this Lease on such unreported amounts. Whenever any audit discloses that Gross Sales were understated by any amount, TENANT must immediately pay the additional Percentage Rent therein shown to be payable by TENANT to CITY, together with interest at the Default Rate thereon, from the date the Percentage Rent was payable until the date paid.

F. CITY will be entitled at any time within five years after the receipt of any such Percentage Rent payment, to question the sufficiency of the amount thereof or the accuracy of the statement or statements furnished by TENANT to justify the same. For the purpose of enabling CITY to check the accuracy of any such statement or statements, TENANT must, for said period of five years after submission to CITY of any such statement, keep all of TENANT'S records, including sales tax returns, all cash register tapes, income tax returns and income and bank statements and other data which in any way bear upon or are required to establish in detail TENANT'S Gross Sales and any authorized deductions therefrom as shown by any such statements and must, upon request, make the same available to CITY for examination.

**Section 2.05 Reimbursements.**

If TENANT fails to perform any term or covenant of this Lease, then CITY may, but is not obligated to, perform such term or covenant, and TENANT must reimburse CITY therefore as additional Rent hereunder. As an illustration and not as a limitation, if TENANT fails to procure the insurance required by this Lease, then CITY may, but is not obligated to, obtain such insurance, with the cost of the premiums being due to CITY upon demand as additional Rent.

**Section 2.06 Penalty and Interest.**

(1) If any Rent is not received within ten days following the date on which the Rent first became due, then TENANT must pay a late penalty of ten percent of the amount of the Rent in addition to the Rent.

(2) In addition to the penalty, TENANT must pay interest at the rate of one percent per month or fraction thereof or the maximum amount permitted by law as of the date this Lease is signed, whichever is greater (the "Default Rate"), on the amount of the Rent, exclusive of the penalty, from the date on which Rent first became delinquent until paid. The term "Rent" includes any sums advanced by the CITY and any unpaid amounts due from TENANT to the CITY.

**Article 3 USE OF PREMISES**

**Section 3.01 Permitted Uses.**

The Premises must, during the term of this Lease, be used for the purpose of operating and conducting thereon and therein the uses permitted by, and in compliance with, Conditional Use Permit No. \_\_\_\_\_, or any other use permits approved by CITY in its governmental capacity, as they may be amended from time to time, and for no other purpose. At the Commencement Date, such uses include \_\_\_\_\_.

**Section 3.02 Unauthorized Use.**

TENANT agrees to allow only those uses authorized in Section 3.01, hereinabove and any unauthorized use thereof constitutes a breach of this Lease and may, at the option of CITY, terminate this Lease.

**Section 3.03 Operation of Business - Hours of Operation.**

Failure to actively and diligently conduct the business authorized herein constitutes a breach of this Lease and may, at the option of CITY, terminate this Lease.

(1) TENANT must, during the term of this Lease, conduct business of the nature specified in Section 3.01 of this Lease on the Premises in an efficient and diligent manner and keep the Premises open for the conduct of business continuously and without interruption for at least six hours each day of the year, except one day each week and legal holidays. This provision does not apply if the Premises is closed and the business of TENANT is temporarily shut down for a period not to exceed 14 calendar days in any calendar year to make necessary repairs, maintenance or other construction deemed necessary by TENANT. This provision does not apply if the Premises is closed and the business of TENANT is temporarily shut down as authorized or required by the City Manager or on account of strikes, walkouts, or causes beyond the control of TENANT or for not more than three days out of respect to the memory of an officer, employee, or close relative of any officer or employee of TENANT.

(2) TENANT must operate TENANT'S business on the Premises with due diligence and efficiency and in like manner as comparable businesses operated in CITY or the coastal area of San Luis Obispo County, so as to produce the maximum amount of Gross Sales and gross receipts from services, which may be produced from TENANT'S business; and TENANT at all times must carry on Premises, a stock or merchandise of such size, character, and quality as is reasonable, designed to produce the maximum return to TENANT, when the sale of merchandise is a permitted use under this Lease.

**Section 3.04 Competition.**

During the term of this Lease, TENANT must not directly nor indirectly acquire or establish any similar or competing business within a radius of five miles from the location of the Premises; provided, however, that TENANT may, with prior written approval from CITY, own or operate more than one business, whether or not competing and similar, along the Embarcadero upon one or more CITY lease sites. The purpose of this section is to prevent and prohibit TENANT from reducing revenue to CITY by diverting business from the operation at the

Premises to another similar business owned by TENANT within the CITY, but not upon a CITY lease site from which CITY is paid rent based on Gross Sales.

**Section 3.05 Environmental Considerations and Hazardous Materials.**

(1) TENANT must, at all times, comply with applicable environmental regulations, including, where applicable and practical, government- and industry-adopted environmental best management practices and programs.

(2) TENANT must not transport, use, store, maintain, generate, dispose, release, treat or discharge any "Hazardous Material" (as defined below) upon or about the Premises (such activities being hereafter referred to as "Hazardous Materials Activities"), nor permit TENANT'S employees, agents, or contractors to engage in Hazardous Materials Activities upon or about the Premises, except as allowed by applicable law. The term "Hazardous Material" for purposes hereof means any chemical, substance, material or waste or component thereof which is now or hereafter listed, defined or regulated as a hazardous or toxic chemical, substance, material or waste or component thereof by any federal, state or local governing or regulatory body having jurisdiction, or which would trigger any employee or community "right-to-know" requirements adopted by any such body. All Hazardous Materials Activities at the Premises must be conducted strictly in accordance with all applicable laws and regulations. If TENANT transports, or has transported, any hazardous waste from the Premises, then such transportation must be done only by a contractor duly licensed to haul hazardous waste and only a duly licensed site approved by TENANT'S liability insurer must be used for disposal of that hazardous waste.

(3) TENANT must promptly notify CITY of: (i) any enforcement, cleanup or other regulatory action taken or threatened by any governmental or regulatory authority with respect to the presence of any Hazardous Material on the Premises or the migration thereof from or to other property, (ii) any demands or claims made or threatened by any party against TENANT or the Premises relating to any loss or injury resulting from any Hazardous Material on or from the Premises, and (iii) any matters where TENANT is required by applicable law to give a notice to any governmental or regulatory authority respecting any Hazardous Material on the Premises. CITY has the right (but not the obligation) to inspect the Premises, to take such remedial action on the Premises, as CITY may deem appropriate, and to join and participate, as a party, in any legal proceedings or actions affecting the Premises initiated in connection with any environmental, health or safety law.

(4) If any Hazardous Material is released, discharged or disposed of by TENANT or its employees, agents or contractors, on or about the Premises in violation of the foregoing provisions, TENANT must immediately notify CITY. CITY may elect either to take such remedial action as CITY deems appropriate, in which event TENANT must reimburse CITY for all costs thereof within ten days after demand, or direct TENANT to perform such remediation. If CITY directs TENANT to perform the remediation, then TENANT must immediately take such remedial action, as CITY directs. TENANT must, properly and in compliance with applicable laws, clean up and remove the Hazardous Material from the Premises and any other affected property at TENANT'S expense. If CITY directs TENANT to perform remediation hereunder and if TENANT fails to comply with the provisions of this Section within five days after written notice by CITY, or such shorter time as may be required by applicable law or in order to minimize any hazard to persons or property, then CITY may (but is not be obligated to) arrange for such compliance directly or as TENANT'S agent through contractors or other parties selected by CITY at TENANT'S expense (without limiting CITY'S other remedies under this Lease or applicable law).

**Section 3.06 Tidelands Trust.**

In addition to the obligations set forth in this Article, TENANT must use and occupy the Premises in strict compliance with the Tidelands Trust purposes, as established by law or interpretation of the California State Lands Commission.

**Section 3.07 Compliance with Law.**

TENANT must, at no cost to CITY, comply with all of the requirements of all local, municipal, county, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises, and faithfully observe in the use of the Premises all local, municipal and county rules, regulations and ordinances and state and federal statutes, rules, regulations and orders now in force or which may hereafter be in force (collectively, "Legal Requirements"); provided, that TENANT will not be required to comply with any Legal Requirement imposed by CITY that would substantially deprive TENANT of a material benefit under this Lease, unless such Legal Requirement has been imposed or required (i) by a county, state or federal authority or (ii) to preserve public health and safety and applied to similar businesses within CITY'S jurisdiction.. The judgment of any court of competent jurisdiction, or the admission of TENANT in any action or proceeding against TENANT, whether CITY be a party thereto or not, that TENANT has violated any such Legal Requirement in the use of the Premises will be conclusive of that fact as between CITY and TENANT.

**Section 3.08 Waste or Nuisance.**

TENANT must not commit or permit the commission by others of any waste on the Premises; TENANT must not maintain, commit, or permit the maintenance or commission of any nuisance as defined by law on the Premises; and TENANT must not use or permit the use of the Premises for any unlawful purpose.

**Section 3.09 Use by CITY.**

(1) Subject to TENANT's rights hereunder to possession of the Premises, CITY may grant licenses to, or otherwise authorize, other persons and entities permitting uses of the Morro Bay Harbor.

(2) CITY also retains and reserves for itself, its successors and assigns, all oil, gas, petroleum and other mineral or hydrocarbon substances in and under the lands leased hereby together with right to prospect and extract all such substances.

## **Article 4 CONSTRUCTION, ALTERATION AND REPAIRS**

**Section 4.01 Construction Approval.**

(1) TENANT must not make or permit any other person to make any alterations or structural additions or structural modifications to the Premises or to any structure thereon or facility appurtenant thereto if the cost thereof exceeds Ten Thousand Dollars (\$10,000), without the prior written consent of CITY. The consent to be obtained pursuant to this Section 4.01(1) must be requested from the Harbor Director, or the City's designee, for CITY. If the Harbor Director or any future successor to the duties of the City's Harbor Director, or the City's designee, gives such consent to proceed, then it is understood such consent is given by CITY only in its capacity as the landlord under this Lease and not as the permit-issuing authority. TENANT remains obligated to obtain any needed building permits and comply with all applicable land use entitlement processes.

(2) Where required by the Morro Bay Municipal Code, California Coastal Act, Corps of Engineers or any other state or federal agency having authority over the proposed project, then all Conditional Use Permits, Concept Plans, Precise Plans, Coastal Development Plans, and any other required plans or permits must be applied for and approved prior to any construction, alteration or repairs.

**Section 4.02 Construction Bond.**

(1) Prior to the commencement of any construction the cost of which is greater than the amount of One Hundred Thousand Dollars (\$100,000), TENANT must file, with CITY'S City Clerk, a final detailed Civil Engineer's, Registered Architect's or Licensed and Bonded General Contractor's estimate of the cost of construction and installation of improvements on the Premises. Said estimate must be submitted to CITY'S City Engineer for approval. TENANT must file with the City Clerk a faithful performance bond, in a form and issued by a corporate surety company satisfactory to CITY, in an amount satisfactory to CITY, but not in excess of 100% of the final detailed cost estimate, securing the faithful performance of TENANT or its contractor in the completion of said construction.

(2) TENANT must also file with the City Clerk a labor and materials bond, in a form and issued by a corporate surety company satisfactory to CITY, in an amount satisfactory to CITY, but not in excess of 100% of the final detailed cost estimate, securing the payment of all claims for the performance of labor or services on, or the furnishing of materials for, the performance of said construction.

(3) In lieu of the above referenced bonds, TENANT may post cash deposits or may make other mutually satisfactory arrangements to guarantee the completion of construction projects. In the event the contractor bonds the project, CITY may be named as additional indemnitee to comply with these requirements.

**Section 4.03 Mechanics' Liens.**

At all times during the term of this Lease, TENANT must keep the Premises and all buildings, installations and other improvements now or hereafter located on the Premises free and clear of all liens and claims of liens for labor, services, materials, supplies, or equipment performed on or furnished to the Premises. TENANT further agrees to, at all times, save CITY free and harmless and indemnify and defend CITY against all claims for labor or materials in connection with any improvement, repairs, or alterations on the Premises, and the cost of defending against such claims, including reasonable attorneys' fees. If TENANT fails to pay and discharge or cause the Premises to be released from such liens or claim of liens within 10 days after the filing of such lien or levy, then TENANT must, upon written notification, immediately deposit with CITY a bond conditioned for payment in full of all claims on which said lien or levy has been filed. Such bond must be acknowledged by TENANT as principal and by a company or corporation, licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company as surety. The beneficiary of any security instrument, which instrument is on record with CITY, must have the right to file a claim for

payment from such a bond on behalf of TENANT. CITY has the right to post and keep posted on the Premises notices of non-responsibility and any other notices that may be provided by law or which CITY may deem proper for the protection of CITY and Premises from such liens. TENANT must give CITY notice at least 20 days prior to commencement of any work on the Premises to afford CITY the opportunity to post such notices.

**Section 4.04 Ownership of Improvements.**

The Parties agree CITY has the option and right to require TENANT to remove all buildings, structures, installations, improvements of any kind or other property belonging to or placed upon the Premises by TENANT at the termination of this Lease, however occurring, providing CITY gives notice, in writing, no later than thirty days prior to the termination of this Lease, of its decision to require such improvements be removed. The Parties agree, if CITY exercises its option, then at the termination of this Lease, however occurring, TENANT will have sixty days thereafter to remove all buildings, structures, facilities, installations, improvements and other property belonging to TENANT from the Premises. If CITY exercises such option and TENANT fails to remove all such improvements and other property within sixty days after the termination of this Lease, then CITY has the right to have any or all such improvements and other property removed at the expense of TENANT. If CITY does not exercise its option to remove (or require the removal of) the improvements and other property, then title to such improvements and other property vests in CITY and TENANT must not remove same.

**Article 5 LEASEHOLD MORTGAGES**

Tenant must not mortgage, securitize or hypothecate the leasehold interest created by this Lease, in whole or any part, without the prior written approval of CITY, as evidenced by a resolution of the City Council of CITY.

CITY will not approve financing related to or using that leasehold interest created by this Lease as collateral, unless such financing is (i) to install or construct capital improvements on the Premises, (ii) to install or construct CITY-requested public improvements or provide other benefits in the Tidelands Trust area, the latter as approved by the Harbor Director or (iii) to reduce the interest rate of existing, approved debt secured by leasehold interest created by this Lease without redeeming any equity in the leasehold interest.

## **Article 6 REPAIRS, MAINTENANCE AND RESTORATION**

### **Section 6.01 Maintenance by TENANT.**

At all times during the term of this Lease, TENANT must, at TENANT'S own cost and expense, keep and maintain, in good order and repair and in a safe and "broom clean" condition, all improvements now or hereafter on the Premises, including any public spaces, common areas, rights-of-way, sidewalks and other areas or spaces, even if not on the Premises but utilized as part of TENANT'S business operations. Furthermore, TENANT must, at TENANT'S own cost and expense, maintain at all times during the term of this Lease the whole of the Premises and other areas utilized for TENANT'S business operations as described above in a clean, sanitary, neat and orderly "broom clean" condition. CITY may, at the sole option of CITY, but not obligation,, clean, clear, maintain or repair the Premises, any improvements thereon or areas used by TENANT, as described above, at TENANT'S cost and expense, in the event TENANT fails to clean, clear maintain or make repairs, in accordance with this Section to the satisfaction of CITY, after 15-days' written notice to TENANT from CITY of CITY'S intent to exercise this option.

### **Section 6.02 Seawalls and Revetment.**

At all times during the term of this Lease, TENANT must, at TENANT'S own cost and expense, repair, maintain, replace and rebuild, as necessary, the improvements, pilings, bulkheads, seawalls, revetment, piers, posts and any structures or other improvements located in the water portion of the Premises. Further, TENANT must, at TENANT'S own cost and expense, conduct maintenance and structural inspections, evaluations or surveys, by a qualified individual or firm, at reasonable intervals not to exceed ten years, to locate and determine needed maintenance, repairs or replacements of these improvements.

### **Section 6.03 Legal Requirements.**

At all times during the term of this Lease, TENANT, at no cost to CITY, must:

- (1) Make all alterations, additions, or repairs to the Premises or the improvements or facilities on the Premises required by any Legal Requirements (as defined in Section 3.07, above);
- (2) Observe and comply with all Legal Requirements respecting the Premises or the improvements or facilities located thereon;
- (3) Obtain all required permits pursuant to the Morro Bay Municipal Code or State law prior to the initiation of any repair or maintenance activity; and

(4) Indemnify, defend and hold harmless CITY and the property of CITY, including the Premises, from any and all liability, loss, damages, fines, penalties, claims and actions resulting from TENANT'S failure to comply with and perform the requirements of this section.

**Section 6.04 Failure to Repair.**

In the event failure to repair results in a hazardous or unsafe condition, CITY has the right and option, but not the obligation, to close and prohibit access to the unsafe portion of the Premises until such repairs are completed and accomplished and the Premises rendered safe for public use. In addition, if TENANT fails to repair any hazardous or unsafe condition within ten days after written notice thereof from CITY, then CITY has the right, but not the obligation, to perform such repair at TENANT'S expense. TENANT must reimburse CITY for any such repair undertaken by CITY, promptly upon CITY'S demand, as additional Rent. Failure by CITY to enforce any of the provisions of this Article does not constitute a waiver of these provisions and CITY may, at any time, enforce all of the provisions of this Article, requiring all necessary repairs, rebuilding or replacement.

**Section 6.05 Inspection by CITY.**

CITY or CITY'S agents, representatives, or employees may enter the Premises at all reasonable times for the purpose of inspecting the Premises to determine whether TENANT is complying with the terms of this Lease and for the purpose of doing other lawful acts that may be necessary to protect CITY'S interest in the Premises under this Lease or to perform CITY'S duties under this Lease or in its governmental capacity.

**Section 6.06 TENANT'S Duty to Restore Premises.**

(1) Except as provided in Section 6.07 below, if at any time during this Lease, any improvements now or hereafter on the Premises are destroyed in whole or in part by the elements, or any other cause not the fault of TENANT or CITY, then this Lease will continue in full force and effect and TENANT, at TENANT'S own cost and expense, must repair and restore the damaged or destroyed improvement(s) according to the original plan thereof or according to such modified plans therefor as are approved in writing by CITY. The work of permitting, repair and restoration must be (i) commenced by TENANT within 180 days after the damage or destruction occurs, (ii) pursued with due diligence, and (iii) completed not later than 12 full calendar months after the work is commenced, unless the Parties mutually agree, in writing, to an extension. In all other respects, the work of repair and restoration must be done in accordance with the requirements for construction work on the Premises set forth in Article 4 of this Lease.

Any failure by TENANT either to commence or to complete repair and restoration as required by this Section 6.06 constitutes a material default under this Lease.

(2) Any and all insurance proceeds that become payable at any time during the term of this Lease because of damage to or destruction of any improvements on the Premises will be paid to TENANT and applied by TENANT toward the cost of repairing and restoring the damaged or destroyed improvements in the manner required by this Section 6.06, or, if this Lease is terminated, then applied as provided in Section 6.07. Except as set forth in Section 6.08 below, TENANT'S obligation to restore pursuant to this Section exist whether or not funds are available from insurance proceeds.

**Section 6.07 Termination of Lease for Destruction.**

(1) Notwithstanding the provisions of Section 6.06 of this Lease, TENANT has the option of terminating this Lease as provided in this Section 6.07 if:

(a) During the last 15 years of the term of this Lease, any improvement now or hereafter on the Premises are so damaged or destroyed by the elements or any cause, not the fault of TENANT or CITY, the improvement cannot be repaired and restored as required by Section 6.06 of this Lease at a cost not exceeding 35 percent of the cost of replacing all improvements if they had been totally destroyed at the time of such damage; or

(b) During the last 10 years of the term of this Lease, any improvement now or hereafter on the Premises are so damaged or destroyed by the elements or any cause, not the fault of TENANT or CITY, the improvement cannot be repaired and restored as required by Section 6.06 of this Lease at a cost not exceeding 15 percent) of the cost of replacing all improvements if they had been totally destroyed at the time of such damage.

(2) TENANT may exercise its right to terminate pursuant to this Section 6.07 by providing written notice to CITY within 180 days following damage or destruction as described herein. Such termination is effective on the last day of the calendar month following the month in which TENANT provides its notice.

(3) If TENANT fails to commence or complete repair and restoration as required by Section 6.06, then CITY has all rights and remedies with respect to TENANT'S default, including, but not limited to, termination of this Lease pursuant to Article 11.

(4) If this Lease is terminated as a result of damage or destruction, then any insurance proceeds received with respect to the improvements will be applied or distributed in the following order:

(a) first, to the demolition of the improvements and removal of all demolition debris; then

(b) to any accrued and unpaid Rent as of the effective date of the termination; then

(c) to each Lender under a Leasehold Encumbrance, in order of lien priority, an amount not to exceed the amount due under such Leasehold Encumbrance; then

(d) to CITY, an amount equal to the present value, as of the date of termination, of the total Minimum Rent for the remainder of the Term; then

(e) the remaining proceeds, if any, to TENANT.

**Section 6.08 Destruction Due to Risk Not Covered by Insurance.**

Notwithstanding anything to the contrary in Section 6.06 of this Lease, TENANT has the right to terminate this Lease, at any time, if the improvements on the Premises are damaged or destroyed by a casualty for which TENANT is not required under this Lease to carry insurance and the cost to repair or restore such improvements exceeds 50 percent of the fair market value of all the improvements on the Premises immediately prior to the damage or destruction.

## **Article 7 INDEMNITY AND INSURANCE**

**Section 7.01 Indemnity Agreement.**

(1) TENANT hereby agrees to indemnify, defend and hold harmless CITY, and the property of CITY (including the Premises and any improvements now or hereafter on the Premises), and CITY'S officers, officials, employees and volunteers from any and all liability, claims, loss, damages, and expenses, including reasonable attorney's fees and litigation expenses, resulting from TENANT'S occupation and use of the Premises or any negligent act or omission of the TENANT or any of its officers, subtenants, employees, contractors, invitees or anyone for whom TENANT may be liable, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of:

(a) The death or injury of any person, including TENANT or any person who is an officer, employee, contractor, subtenant, invitee or agent of TENANT, or by reason of the damage to or destruction of any property, including property owned by TENANT or by any person who is an employee or agent of TENANT, from any cause whatever while such person or

property is in or on the Premises or in any way connected with the Premises or with any of the improvements or personal property on the Premises;

(b) The death or injury of any person, including TENANT or any person who is an officer, employee, contractor, subtenant, invitee or agent of TENANT, or by reason of the damage to or destruction of any property, including property owned by TENANT or any person who is an officer, employee, contractor, subtenant, invitee or agent of TENANT, caused or allegedly caused by either (i) the condition of the Premises or any improvement placed on the Premises by TENANT, or (ii) any act or omission on the Premises by TENANT or any person in, on, or about the Premises with or without the permission and consent of TENANT;

(c) Any work performed on the Premises or materials furnished to the Premises at the insistence or request of TENANT or any person or entity acting for or on behalf of TENANT;

(d) TENANT'S failure to perform any provision of this Lease or to comply with any Legal Requirement imposed on TENANT or the Premises.

(2) TENANT'S obligations pursuant to this Section to indemnify and hold harmless do not extend to any liability, claim, loss, damage or expense arising from CITY'S active negligence or willful misconduct.

**Section 7.02 Liability Insurance.**

During the term of this Lease, TENANT must maintain at its cost Commercial General Liability insurance with coverages as described in CITY'S HARBOR DEPARTMENT LEASE MANAGEMENT POLICY, as may be updated or changed from time to time at the sole discretion of the CITY. Such coverages must insure against claims for bodily injury (including death), property damage, contractual liability, personal injury and advertising injury occurring on the Premises or from operations located in any part of the Premises. Such insurance must afford protection in amounts no less than One Million Dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage; provided, that if insurance with a general aggregate limit is used, then either the general aggregate limit will apply separately to the Premises or the general aggregate limit will be twice the occurrence limit stated in this Section. All liability insurance carried by TENANT hereunder will name CITY, its officers, officials, employees and volunteers as additional insureds, and be primary insurance with respect to such additional insureds. TENANT must include all its subtenants as insureds under TENANT's liability policies or furnish separate certificates and endorsements for each subtenant. All coverages for subtenants must comply with all requirements of this Article Seven.

**Section 7.03 Worker's Compensation.**

TENANT must maintain at TENANT'S own expense and keep in full force and effect during the term of this Lease, Worker's Compensation Insurance as provided by law. Said insurance must contain a waiver of subrogation rights against CITY. TENANT must also maintain employer's liability insurance with minimum coverage of \$1,000,000 per accident for bodily injury or disease.

**Section 7.04 Property Insurance.**

TENANT must, at its cost, at all times during the term of this Lease keep all improvements and other structures on the Premises, as well as any and all additions, improvements and betterments thereto, insured for 100 percent) of their full replacement cost with no co-insurance provision against loss or destruction by the perils covered by "all risk" (excluding earthquake) property damage insurance policies. Any loss coverage under such insurance must be payable to TENANT, CITY, and any Lender under a Leasehold Encumbrance approved pursuant to Article 5 of this Lease, as their interests may appear, and such proceeds must be used and applied in the manner required by Article 6 of this Lease.

**Section 7.05 Additional Coverage.**

TENANT must also maintain, at its sole expense, the insurance described in this Section 7.05.

(1) If TENANT has (or is required by any Legal Requirement to have) a liquor license and is selling or distributing alcoholic beverages on the Premises, then TENANT must maintain liquor liability coverage in appropriate amounts. TENANT must require any subtenant who has (or is required by any Legal Requirement to have) a liquor license and who is selling or distributing alcoholic beverages on the Premises, to maintain such coverage.

(2) TENANT must maintain "all risk" (excluding earthquake) property damage insurance covering TENANT's personal property located at the Premises, in amounts not less than the full replacement value of such personal property. CITY has no interest in the proceeds of such insurance.

(3) TENANT must obtain and maintain any additional insurance coverages CITY may reasonably require. As illustration only and not as a limitation, in appropriate circumstances such additional insurance may include increased general liability limits, business interruption coverage, business automobile liability, boiler and machinery insurance or builder's risk

insurance. TENANT, however, is not required to maintain additional coverages that are in excess of those typically maintained by similarly situated tenants in the Morro Bay area.

**Section 7.06 General Requirements.**

Except as specifically provided to the contrary, all the insurance required pursuant to this Article Seven is subject to the requirements of this Section 7.06.

(1) Maintenance of proper insurance coverage is a material element of this Lease and failure to maintain or renew coverage or to provide evidence of coverage and/or renewal may be treated by the CITY as a material breach of contract. TENANT must forward CITY'S specifications and forms to TENANT'S insurance agent for compliance.

(2) CITY may, at any time, require TENANT to increase the minimum coverage limits for insurance required by this Lease, but every such increase must be reasonable under the circumstances.

(3) All policies must be issued by insurance companies authorized to issue such insurance in California, with an A.M. Best's rating of no less than A:VII.

(4) Any deductibles or self-insured retentions must be declared to and approved by CITY. At the option of CITY, either: (i) the insurer must reduce or eliminate such deductibles or self-insured retentions as respects CITY, its officers, officials, employees and volunteers or (ii) TENANT must provide a financial guarantee satisfactory to CITY guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(5) Each insurance policy required by this Lease must be endorsed to state coverage will not be cancelled or reduced, except after 30-days' prior written notice by certified mail, return receipt requested, has been given to CITY.

(6) TENANT must furnish CITY with certificates and amendatory endorsements effecting the coverage required by this Lease. The endorsements must be on forms provided by CITY or on other than CITY's forms; provided, that those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by CITY before use of the Premises, and promptly following any renewal or replacement. CITY reserves the right, at any time, to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

(7) TENANT'S insurance coverage must be primary insurance as respects CITY, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by

CITY, its officers, officials, employees, or volunteers will be excess of TENANT'S insurance and will not contribute with it.

**Section 7.07 No Subrogation.**

TENANT agrees, in the event of loss due to any of the perils for which it has agreed to provide insurance, TENANT will look solely to its insurance for recovery. TENANT hereby grants to the CITY, on behalf of any insurer providing insurance to either TENANT or CITY with respect to TENANT'S occupancy of the Premises, a waiver of any rights to subrogation, which any such insurer of TENANT may acquire against CITY by virtue of the payment of any loss under such insurance. Each insurance policy required under this Lease, including those insuring TENANT against claims, expense, or liability for injury to persons or property, must provide the insurer will not acquire by subrogation any right to recovery.

**Section 7.08 TENANT'S Waiver.**

TENANT hereby waives any right of recovery against CITY for each claim, expense, liability, or business interruption, or other loss, except where caused by CITY'S active negligence or willful misconduct. TENANT agrees, to the extent TENANT fails to acquire insurance, TENANT will not have any claim against CITY for any loss that results from a risk or peril that would have been included in such insurance.

**Section 7.09 Insurance Not a Limit.**

The insurance requirements of this Article 7 are independent of, and do not limit or modify, TENANT'S indemnification, defense, hold harmless and other obligations pursuant to this Lease.

## **Article 8 TAXES AND FEES**

**Section 8.01 TENANT to Pay Taxes.**

TENANT must pay, before delinquency, all taxes and assessments levied upon or assessed to TENANT on the Premises by reason of this Lease or of any equipment, appliances, improvement, or other development of any nature whatsoever, erected, installed, or maintained by TENANT or by reason of the business or other activity of TENANT upon or in connection with the Premises. TENANT must pay all possessory interest taxes applicable to the Premises.

**Section 8.02 TENANT to Pay License and Permit Fees.**

TENANT must pay any fees imposed by Legal Requirements for licenses or permits for any business or activities including construction by TENANT upon the Premises.

**Section 8.03 Utilities.**

TENANT must (i) pay, or cause to be paid and (ii) hold harmless CITY and the property of CITY, including the Premises, from all charges for the furnishing of gas, water, electricity, telecommunication service, and for other public utilities to the Premises during the term of this Lease and for the removal of garbage and rubbish from the Premises during the term of this Lease.

## **Article 9 CONDEMNATION**

**Section 9.01 Total Condemnation.**

If title and possession to all of the Premises is permanently taken for any public or quasi-public use under any statute, or by the right of eminent domain, then this Lease will be considered terminated on the date that possession of the Premises is taken; and both CITY and TENANT will thereafter be released from all obligations, including Rent, all of which will be prorated to the date of termination, except those specified in Section 9.02 of this Lease.

**Section 9.02 Condemnation Award.**

Any compensation or damages awarded or payable because of the permanent taking of all or any portion of the Premises by eminent domain will be allocated between CITY and TENANT as follows:

(1) All compensation or damages awarded or payable for the taking by eminent domain of any land that is part of the Premises will be paid to and be the sole property of CITY free and clear of any claim of TENANT or any person claiming rights to the Premises through or under TENANT.

(2) All compensation or damages awarded or payable which is specifically attributed by the taking party to the "good will" of TENANT'S business will be paid to and be the sole property of TENANT.

(3) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of the Premises taken by eminent domain where only a portion of the Premises is taken by eminent domain, and TENANT is not entitled to or does not

terminate this Lease, will be applied in the manner specified in Section 9.04 toward the replacement of such improvements with equivalent new improvements on the remaining portions of the Premises.

(4) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of the Premises taken by eminent domain where this Lease is terminated because of the taking by eminent domain, whether all or only a portion of the Premises is taken by eminent domain, will be allocated between CITY and TENANT as follows:

(a) That percentage of the compensation or damages awarded or payable because of the improvements that equals the percentage of the full term of this Lease that has, at the time of the taking, not expired will belong to and be the sole property of TENANT.

(b) That percentage of the compensation or damages awarded or payable because of the improvements that equals the percentage of the full term of this Lease that has, at the time of the taking, expired will belong to and be the sole property of CITY.

(c) The term "time of taking," as used in this Section, means 12:01 a.m. of the date the agency or entity exercising the eminent domain power, takes title to or the date it takes physical possession of the portion of the Premises, whichever first occurs.

(5) Any severance damages awarded or payable because only a portion of the Premises is taken by eminent domain will be the sole and separate property of CITY.

**Section 9.03 Termination for Partial Taking.**

If, during the term of this Lease, title and possession of only a portion of the Premises is taken for any public or quasi-public use under any statute, or by right of eminent domain, then TENANT may, at TENANT'S option, terminate this Lease by serving written notice of termination on CITY within 90 days after TENANT has been deprived of actual physical possession of the portion of the Premises taken for such public use. This Lease will terminate on the first day of the calendar month following the calendar month in which the notice of termination described in this section is served on CITY. On termination of this Lease, pursuant to this Article, all subleases and subtenancies in or on the Premises or any portion of the Premises created by TENANT under this Lease will also terminate and the Premises must be delivered to CITY free and clear of all such subleases and subtenancies; provided, however, that CITY may, at CITY'S option, by mailing written notice to a subtenant allow any subtenant to attorn to CITY and continue such subtenant's occupancy on the Premises as a TENANT of CITY. On termination of this Lease pursuant to this section, however, both CITY and TENANT

will be released from all obligations under this Lease, except those specified in Section 9.02 of this Lease.

**Section 9.04 Rent Abatement for Partial Taking.**

If, during the term of this Lease, title and possession of only a portion of the Premises is taken under the power of eminent domain by any public or quasi-public agency or entity and TENANT does not terminate this Lease, then this Lease will terminate as to the portion of the Premises taken under eminent domain on the date actual physical possession of the portion taken by eminent domain is taken by the agency or entity exercising the eminent domain power. Furthermore, the Rent payable under this Lease will, as of that time be reduced in the same proportion of the Premises taken by eminent domain bears to the full value of the Premises at that time; provided however, that TENANT will make a good faith effort to replace any improvements or facilities with equivalent new facilities on the remaining portion of the Premises and do all other acts at TENANT'S own cost and expense required by the eminent domain taking to make the remaining portion of the Premises fit for the use specified in this Lease.

**Section 9.05 Conveyance in Lieu of Eminent Domain.**

A voluntary conveyance by CITY, with the consent of TENANT, of title to all or a portion of the Premises to a public or quasi-public agency or entity in lieu of and under threat by such agency or entity to take the same by eminent domain proceedings will be considered a taking of title to all or such portion of the Premises under the power of eminent domain subject to the provisions of this Article.

**Section 9.06 Temporary Taking.**

If the possession of the Premises or any portion thereof are taken under the power of eminent domain by any public or quasi-public agency or entity for a limited period not extending beyond the term of this Lease, then this Lease will not terminate (except as provided in this Section 9.06) and TENANT must continue to perform all its obligations hereunder, except only to the extent TENANT is prevented from performing such obligations by reason of such taking. TENANT will be entitled to receive the entire amount of compensation or damages awarded because of such temporary taking. If a temporary taking extends for more than 36 months, then TENANT will have the right to terminate this Lease, and TENANT will be entitled to receive, out of the compensation or damages awarded because of such temporary taking, the amount that

is attributable to the period of time up until the effective date of TENANT'S termination of this Lease.

## **Article 10 ASSIGNMENT AND SUBLEASING**

### **Section 10.01 No Assignment Without CITY'S Consent.**

Except as provided in this Article 10, TENANT must not assign or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express written consent of CITY first had and obtained. Any assignment or transfer by TENANT without the prior written consent of CITY, as evidenced by a resolution of the City Council, whether it be voluntary or involuntary, by operation of law or otherwise, is void and may, at the option of CITY, terminate this Lease. A consent by CITY to one assignment will not be deemed to be a consent to any subsequent assignment of this Lease by TENANT. CITY will not unreasonably nor arbitrarily withhold its approval to the assignment or transfer of this Lease to an assignee who is financially reliable and qualified to conduct the business for which this Lease was granted. It is mutually agreed TENANT'S qualifications are a part of the consideration for granting of this Lease and said party does hereby agree to maintain active control and supervision of the operation conducted on the Premises.

### **Section 10.02 Change of Ownership as Assignment.**

For purposes of this Article 10, the following transactions will be deemed to be assignments or transfers:

(1) If TENANT is a partnership or limited liability company:

(a) A change in ownership effected voluntarily, involuntarily, or by operation of law, within a 12-month period, of 25 percent or more of the partners or members or 25 percent or more of the partnership or membership interests; or

(b) The dissolution of the partnership or limited liability company without its immediate reconstitution.

(2) If TENANT is a closely held corporation (i.e., one whose stock is not publicly held and not traded through an exchange or over the counter):

(a) The sale or other transfer, within a 12-month period, of more than an aggregate of 25 percent of the voting shares of TENANT (other than to immediate family members by reason of gift or death); or

(b) The dissolution, merger, consolidation, or other reorganization of TENANT.

**Section 10.03 Application for Assignment.**

A condition of an assignment is TENANT must file with CITY an application to assign its leasehold interest prepared by the prospective assignee. Concurrently with filing the application, TENANT must pay a reasonable fee associated with the cost of processing said application, in cash or certified or cashier's check to enable CITY adequately to investigate the proposed assignee's qualifications, financial reliability and suitability as a permitted assignee. CITY is not be required to account for the use of the sum paid. If the proposed assignee's net worth, financial reliability and qualifications on the date of assignment are not sufficient to reasonably guarantee successful operation of the Premises in compliance with all applicable CITY, County, State and federal requirements, then CITY may withhold approval of the assignment or condition it upon TENANT'S guarantee of such assignee's obligations hereunder for such period as CITY deems advisable. Net worth means the amount by which the total of all assets exceed the total of all liabilities as determined in accordance with general accepted accounting principles as approved by CITY'S auditor, or other authorized representative or agent.

**Section 10.04 Probate Transfer of Assignment.**

If TENANT is an individual, nothing herein contained will prevent the transfer of this Lease by trust, will, or by operation of law under the intestacy provisions of the California Probate Code as it may be amended from time to time. Probate sale of the leasehold interest will not be permitted without the consent of the CITY, evidenced by a City Council resolution, first had and obtained.

**Section 10.05 No Sublease Without CITY'S Consent.**

TENANT must not sublease the whole nor any part of the Premises, or license, permit, or otherwise allow any other person (the employees of TENANT excepted) to occupy or use the Premises, or any portion thereof, without the prior written consent of CITY's Harbor Director, or any future successor to the duties of the City's Harbor Director. The process for obtaining that consent will not begin until TENANT has filed an application to sublease and paid a reasonable fee, as determined by CITY, associated with the cost of processing the application. A consent to

one subletting, occupation, licensing or use will not be deemed to be a consent to any subsequent subletting, occupation, licensing or use by another person. Any sublease or license without CITY'S written consent is void, and may, at CITY'S option, terminate this Lease. CITY will not unreasonably nor arbitrarily withhold its consent to sublet to one who is qualified and financially reliable. CITY'S consent to any occupation, use, or licensing will be in CITY'S sole and absolute discretion. Notwithstanding any provisions herein to the contrary, the terms "assignment," "subletting," "occupation," or "use," are not to be construed or interpreted to mean or include the temporary, short-term renting or leasing of boat slips, motel, hotel, or apartment accommodations, if any, on the Premises.

**Section 10.06 Subtenant Subject to Lease Terms.**

Any and all subleases must be expressly made subject to all the terms, covenants, and conditions of this Lease. In no event will the term of any sublease extend beyond the term of this Lease. Subject to Section 10.09, termination of this Lease prior to the expiration of this Lease term also terminates any and all subleases. A breach of the terms of this Lease by a subtenant constitutes a breach on the part of TENANT and subjects both the subtenant and TENANT to all the remedies provided to CITY herein and by law. Failure by any subtenant to report Gross Sales or to pay Percentage Rent due from subtenant constitutes a breach of this Lease. TENANT hereby agrees to and does guarantee payment of such Percentage Rent due by a subtenant under the terms of this lease.

**Section 10.07 Consent to Sublease Agreement.**

Prior to any consent by CITY to any sublease hereof, TENANT, CITY and any subtenant must have executed the CITY'S Consent to Sublease Agreement making CITY a third party beneficiary, whereby the subtenant agrees to be bound by all of the terms, covenants and conditions of this Lease. Further, it is agreed by TENANT any default by the subtenant of any of the terms, covenants and conditions of this Lease will be a violations by TENANT of this Lease and all remedies of CITY for such violation, including termination of this Lease, may immediately be enforceable by CITY against TENANT. TENANT must apply any and all monies received from any subtenant first to the payment of obligations of the subtenant to CITY.

**Section 10.08 TENANT and Guarantor Remain Liable.**

Prior to approval by CITY to any sublease hereof, TENANT must agree to be primarily and jointly and severally liable to CITY for all obligations due CITY by any subtenant, including the payment of rents; and TENANT must agree CITY may proceed directly against TENANT

for any obligation owed to CITY by the subtenant. If this Lease is guaranteed, then neither the sublease nor CITY'S approval thereof will release the guarantor from its obligations pursuant to the guaranty.

**Section 10.09 Nondisturbance.**

On the terms set forth below, CITY may enter into agreements with subtenants establishing, in the event of any termination of this Lease prior to the expiration date, CITY will not terminate or otherwise disturb the rights of the subtenant under such sublease, but will instead honor such sublease as if that sublease had been entered into directly between CITY and such subtenant, conditioned upon such subtenant's agreement to attorn to CITY and full performance of all obligations under the sublease in question ("Non-Disturbance Agreement"). CITY agrees to execute a Non-Disturbance Agreement in connection with a particular sublease; provided, that Tenant provides CITY with a copy of the sublease, and the Non-Disturbance Agreement is customary in form and substance and otherwise reasonably acceptable to CITY.

## **Article 11 DEFAULT AND TERMINATION**

**Section 11.01 Abandonment by TENANT.**

If TENANT breaches this Lease and abandon all or any part of the Premises prior to the scheduled expiration of the term of this Lease, then CITY may continue this Lease in effect by not terminating TENANT'S right to possession of the Premises, in which event CITY may, at its option, enforce all CITY'S rights and remedies under this Lease including the right to recover the Rent specified in this Lease as it becomes due under this Lease.

**Section 11.02 Termination for Breach by TENANT.**

All covenants and agreements contained in this Lease are declared to be conditions to this Lease and to the term hereby demised to TENANT. If TENANT fails to perform any covenant, condition, or agreement contained in this Lease, except for payment of any Rent or other monetary amount due, and such failure is not cured within 30 days after written notice thereof is served on TENANT, then CITY may terminate this Lease immediately, and in the event of such termination, TENANT will have no further rights hereunder and TENANT must thereupon forthwith remove from the Premises and will have no further right or claim thereto and CITY will immediately thereupon have the right to re-enter and take possession of the Premises, subject only to appropriate legal process.

**Section 11.03 Termination for Failure to Pay Rent.**

If any payment of Rent is not made as herein provided and such failure to pay is not cured within three days after written notice thereof is served on the TENANT, then CITY will have the option to immediately terminate this Lease; and in the event of such termination, TENANT will have no further right or claim thereto and CITY will immediately thereupon have the right to re-enter and take possession of the Premises, subject only to appropriate legal process.

**Section 11.04 Lender May Cure Default.**

CITY hereby affords the lender under any Leasehold Encumbrance of record with CITY the right to cure any default by TENANT of the covenants, conditions, or agreements hereof, as provided in Article 5 of this Lease.

**Section 11.05 Damages for Breach.**

If TENANT defaults in the performance of any covenant, condition or agreement contained in this Lease and the default be incurable or not be cured within the time period set forth hereinabove, then CITY may terminate this Lease and:

(1) Bring an action to recover from TENANT:

(a) The worth at the time of award of the unpaid Rent which had been earned at the time of termination of the Lease;

(b) The worth at the time of award of the amount by which the unpaid Rent, which would have been earned after termination of the Lease until the time of award exceeds the amount of rental loss that TENANT proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that TENANT proves could be reasonably avoided; and

(d) Any other amount necessary to compensate CITY for all detriment proximately caused by TENANT'S failure to perform its obligations under this Lease; and

(2) Bring an action, in addition to or in lieu of the action described in subparagraph (1) of this Section, to re-enter and regain possession of the Premises in the manner provided by the laws of unlawful detainer of the State of California then in effect.

**Section 11.06 Cumulative Remedies.**

The remedies available to CITY in this Article are not exclusive, but are cumulative with and in addition to all remedies now or hereafter allowed by law or elsewhere provided in this Lease.

**Section 11.07 Waiver of Breach.**

The waiver by CITY of any breach by TENANT of any of the provisions of this Lease does not constitute a continuing waiver or a waiver of any subsequent breach by TENANT either of the same or a different provision of this Lease.

**Section 11.08 Surrender of Premises.**

On expiration or sooner termination of this Lease, TENANT must surrender the Premises, and, subject to Section 4.04, all improvements in or on the Premises, and all facilities in any way appertaining to the Premises, to CITY in good, safe, and clean condition, reasonable wear and tear excepted.

**Article 12 MISCELLANEOUS**

**Section 12.01 Notices.**

Any and all notice or demands by or from CITY to TENANT, or TENANT to CITY, must be in writing. They must be served either personally, or by registered or certified mail. Any notice or demand to CITY must be given to:

Harbor Director  
1275 Embarcadero  
Morro Bay, CA 93442

with a copy to:

City Manager of the City of Morro Bay  
City Hall  
595 Harbor Street  
Morro Bay, CA 93442

Any notice or demand to TENANT must be given at:

*[insert tenant information here]*

Such addresses may be changed by written notice by either Party to the other Party.

**Section 12.02 Governing Law and Jurisdiction.**

This Lease, and all matters relating to this Lease, are governed by the laws of the State of California in force at the time any need for interpretation of this Lease or any decision concerning this Lease arises. CITY and TENANT consent to exclusive personal and subject matter jurisdiction in the Superior Court of the State of California in and for the county where the Premises are located, and each Party waives any claim such court is not a convenient forum. Each Party hereby specifically waives the provisions of California Code of Civil Procedure Section 394, and any successor statute thereto.

**Section 12.03 Binding on Successors.**

Subject to the provisions herein relating to assignment and subletting, each and all of the terms, conditions, and agreements herein contained will be binding upon and inure to the benefit of the successors and assigns of any and all of the Parties; and all of the Parties hereto are jointly and severally liable hereunder.

**Section 12.04 Partial Invalidity.**

If any provision of this Lease is held by a court of competent jurisdiction to be either invalid, void, or unenforceable, then the remaining provisions of this Lease will remain in full force and effect unimpaired by the holding.

**Section 12.05 Sole and Only Agreement.**

**Subject to the provisions of the second paragraph of Section 1.04** (*used only if second paragraph of that section is used*), (i) this Lease, including all exhibits incorporated by reference, constitutes the sole and only agreement between CITY and TENANT respecting the Premises and the leasing of the Premises to TENANT and (ii) any other agreements or representations respecting the Premises and their leasing to TENANT by CITY, which are not expressly set forth in this Lease, are null and void. The lease terms herein specified correctly set forth the obligations of CITY and TENANT as of the date of this Lease.[NOTE: See 12.07]

**Section 12.06 Modification.**

This Lease can only be modified, amended or altered pursuant to a written amendment executed by the Mayor and attested to by City Clerk, pursuant to prior City Council approval.

Notwithstanding City Council approval, no amendment will become effective until it is in fact executed by the Mayor and attested to by City Clerk and approved as to form by the City Attorney (or designee). TENANT understands this Lease cannot be modified, amended or altered by oral statements by any person representing CITY, including the Mayor and City Clerk. TENANT specifically agrees not to rely on oral statements, purported oral waivers, or purported oral modifications and agrees not to rely upon purported written modifications unless they meet the requirements of this Section. If the title of any person authorized to act for CITY under this Lease is changed during the term of this Lease, then the person who succeeds to substantially the same responsibilities with respect to CITY will have the authority to act for CITY under this Lease.

**Section 12.07 Time of Essence.**

Time is expressly declared to be the essence of this Lease.

**Section 12.08 Memorandum of Lease for Recording.**

CITY and TENANT agree, at the request of either at any time during the term of this Lease, to execute a Memorandum of Lease or "short form" of this Lease, which shall describe the Parties, set forth a description of the Premises, specify the term of this Lease, and incorporate this Lease by reference.

**Section 12.09 Force Majeure.**

If either Party hereto is delayed or hindered in or prevented from the performance of any act required hereunder by reason of a strike, lock-out, labor trouble, inability to procure materials, failure of power, governmental moratorium, riot, insurrection, war, pandemic or other reason of a like nature not the fault of the Party delaying in performing work or doing any act required under the terms of this Lease, then performance and doing of such act will be excused for the period of such delay. The Parties understand and agree, the foregoing will not extend any period of time for the payment of Rent or other sums payable by either Party or any period of time for the written exercise of an option or right by either Party.

**Article 13 SPECIAL PROVISIONS PECULIAR TO THIS LEASE SITE**

The following provisions apply to this Lease site only:

**Section 13.01 [reserved]**

EXECUTED on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_ County, California.

CITY OF MORRO BAY

TENANT

\_\_\_\_\_  
, MAYOR

By: \_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
, CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
, CITY ATTORNEY

EXHIBIT A  
COPY OF PARCEL MAP

G. Forms

- I. Sublease Approval Application
- II. Consent to Sublease Agreement
- III. Assignment and Assumption Approval Application
- IV. Consent to Encumber Application
- V. Lease Amendment Application
- VI. Master Lease Agreement Application
- VII. Insurance Requirements

(immediately following this page)

# Exhibit G



## City of Morro Bay

Harbor Department  
1275 Embarcadero  
Morro Bay, CA 93442  
Phone: 805-772-6254  
Fax: 805-772-6258

Fee:  
Check #:  
Date:

### APPLICATION

FOR **SUBLEASE** APPROVAL TO A LEASE SITE.

To be completed and returned to the Harbor Office for processing. Please print or type.

**Lease Site Number**

**Physical Address with Sublease Suite #**

**Proposed Sublease Date**

Current Master Tenant Name

Subtenant Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Current Master Tenant Name

Subtenant Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Master Tenant/Representative Signature

Date

Master Tenant/Representative Signature

Date

Subtenant's Signature

Date

Subtenant's Signature

Date

**SEE REVERSE**



## CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_, hereinafter referred to as TENANT, and \_\_\_\_\_, dba, \_\_\_\_\_ hereinafter referred to as SUBTENANT and approved by the City of Morro Bay, California, hereinafter referred to as CITY.

### RECITALS

WHEREAS, a Master Lease was executed on \_\_\_\_\_ for the premises known as Lease Site \_\_\_\_\_ and;

WHEREAS, TENANT desires to sublease a portion of the premises to SUBTENANT, and:

WHEREAS, the Master Lease requires CITY consent of any sublease in the following form of agreement.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. TENANT and SUBTENANT jointly and severally guaranty TENANT will pay to City all of the sums required of TENANT and any sums due by reason of SUBTENANT's activities under the terms of the Master Lease dated \_\_\_\_\_ hereinafter known as "Master Lease". In the event TENANT fails to make such payment, SUBTENANT agrees to promptly make such payment to CITY for TENANT. Failure to pay the rent shall constitute a violation of the Master Lease and CITY shall, after three (3) days written notice to TENANT, have the following options:

(a) CITY may elect to pursue all legal remedies against TENANT alone or against both TENANT and SUBTENANT or against SUBTENANT alone. CITY'S election to pursue one instead of both of the parties shall not preclude a later action against the other party to recover any amounts not paid and both TENANT and SUBTENANT agree that they are to be jointly and severally liable for any breach by the SUBTENANT.

(b) CITY shall have all other legal remedies provided for in the lease and allowed by law, including the right to bring an action for unlawful detainer against SUBTENANT, TENANT or both for non-payment of rent by TENANT of SUBTENANT'S portion of rent due to CITY.

2. SUBTENANT acknowledges receipt of a complete copy of the Master Lease and all amendments thereto and specifically agrees to comply with each and all of the terms and conditions of the Master Lease. TENANT guarantees SUBTENANT's compliance with each and all of the terms and conditions of the Master Lease, as each pertains to the portion of the Lease Site subject to the subject sublease (attached as Exhibit A hereto) (the "Sublease"), and all of the parties agree a violation by SUBTENANT of the terms of the Master Lease, as each pertains to the portion of the Lease Site subject to the sublease, shall constitute a violation of the Master Lease by TENANT. TENANT agrees to take whatever action is required to secure SUBTENANT's compliance with each and all of the terms of the Master Lease, and agrees to indemnify CITY, as Landlord, from any and all claims, loss, cost or expense resulting from SUBTENANT's failure to comply with the terms of the Master Lease.

3. The initial term of the Sublease shall be \_\_\_\_\_ years, commencing upon execution of the Sublease; provided, that TENANT may extend the term of the Sublease with the SUBTENANT without obtaining a new Consent to Sublease Agreement from CITY's City Council under the following conditions: (1) Tenant receives prior written authorization from the Harbor Director to extend the term of the Sublease, (2) the extended term of the Sublease does not exceed the term of the Master Lease, (3) the extended Sublease shall not modify any other terms of the Master lease or the Sublease, except its term, (4) TENANT provides CITY with a fully executed copy of the extended Sublease within five business days after the extended Sublease has been fully executed. The extended Sublease shall be added to Exhibit "A" of this Consent to Sublease Agreement. The Harbor Director's authorization of any extension in the term of the Sublease does not serve to waive any rights of CITY set forth in the Master Lease or in this Consent to Sublease Agreement, including any claims for breach of the Master Lease or of this Consent to Sublease Agreement. The Sublease shall, in all events, terminate upon termination of the Master Lease for any reason, including, but not limited to, a termination which occurs as a result of court judgment.

4. Pursuant to the provision in the Master Lease requiring TENANT to pay rental based on percentage of gross sales, SUBTENANT agrees to and shall keep full, complete, and accurate records, and books of account in accordance with accepted accounting practices as showing the total amount of gross sales, as defined in the Master Lease, made each calendar month in, on or from the subleased premises. SUBTENANT shall keep said records and books of account within San Luis Obispo County and shall notify CITY in advance of their location at all times. Said records, books of account and all cash register tapes, including any sales tax reports that SUBTENANT may be required to furnish any government or governmental agency, including but not limited to those items listed in Exhibit B attached hereto and incorporated herein, shall at all reasonable times be open to the inspection of TENANT, CITY, CITY'S auditor, or other authorized representative or agent of TENANT or CITY.

5. The proposed use by SUBTENANT is as follows:

---

---

Percentage of Gross Rental Applicable to Permitted Use: \_\_\_\_\_

Said designated use shall not be changed without the prior written consent of CITY. SUBTENANT acknowledges that the percentage of gross payment required for the proposed use under the terms of the Master Lease is as set forth hereinabove. SUBTENANT agrees that any use by SUBTENANT of the subleased premises for a purpose other than that specified in this paragraph, whether or not permitted under the terms of the Master Lease, shall constitute an unauthorized use subject to those penalties set forth in the Master Lease. The location and size of the proposed use shall not be altered without the prior written consent of the CITY. Specifically, and in addition to any other terms and provisions of the lease, all parties agree that if SUBTENANT makes a use of the subleased premises which is not included within or permitted under the terms of the Master Lease, TENANT shall be liable for and shall pay to CITY, 10% of the gross revenue from such unpermitted use.

6. SUBTENANT shall not alter or improve the premises or any part thereof without first obtaining the prior written consent of CITY.

7. SUBTENANT agrees to submit a statement of previous business experience and agrees to submit current personal and business financial statements upon request and further agrees too submit such documents as part of the CITY's consideration of the consent to Sublease Agreement. SUBTENANT shall not assign, mortgage, or encumber the subleased premises in whole or in part without the prior written consent of CITY.

8. Unless SUBTENANT is included as an additional insured under the terms of TENANT's liability insurance, SUBTENANT agrees to maintain adequate liability insurance in the manner and form required under the Master Lease in an amount of not less than \$1,000,000 per occurrence and agrees to name the CITY OF MORRO BAY as an additional primary insured without offset against the CITY's insurance. SUBTENANT agrees to provide the certificates of insurance and copies of the actual insurance policies to the CITY as required under the Master Lease and otherwise comply with the insurance requirements set forth in the Master Lease. CITY reserves the right to require reasonable increases in the liability insurance coverage from time to time.

9. SUBTENANT and TENANT agree to indemnify and save CITY free and harmless from and against any and all claims, including reasonable attorney's fees and court costs arising from SUBTENANT's failure to comply with any of the terms of this Consent and Sublease Agreement.

10. This Agreement cannot be modified except by a written document mutually approved by the parties hereto. A waiver of any of the conditions or terms of this Consent or of the Master Lease shall not constitute a waiver of any future breach of any terms or conditions of this Consent or the Master Lease.

11. To the extent that the terms of the proposed Sublease are inconsistent with the terms of this Agreement or Master Lease with the CITY OF MORRO BAY, this Agreement or Master Lease shall supersede and be the controlling document. To the extent that this Consent to Sublease Agreement is inconsistent with the terms of the Master Lease, the Master Lease shall supersede and be the controlling document.

IN WITNESS WHEREOF, the parties hereto have executed this Consent to Sublease Agreement as of the day and year first above written at Morro Bay, California.

TENANT:

SUBTENANT:

\_\_\_\_\_  
  
\_\_\_\_\_

\_\_\_\_\_  
  
\_\_\_\_\_

CITY OF MORRO BAY:

\_\_\_\_\_  
Eric Endersby, Harbor Director

**EXHIBIT "B"**

**CONSENT TO SUBLEASE AGREEMENT**

At a minimum, certain books and records shall be kept by TENANT and SUBTENANT such as:

1. Pre-numbered and dated guest checks;
2. Pre-numbered sales invoices or daily cash register tapes;
3. Bank Statements;
4. Sales Tax Returns;
5. Sales Journals;
6. Cash Disbursement Journals; and
7. General Ledger

# Exhibit G

## City of Morro Bay

Harbor Department  
1275 Embarcadero  
Morro Bay, CA 93442  
Phone: 805-772-6254  
Fax: 805-772-6258



Fee:  
Check #:  
Date:

### APPLICATION

FOR ASSIGNMENT OF A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

**Lease Site Number**

**Physical Address**

**Proposed Assignment Date**

Current Master Tenant Name

Assignee Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Current Master Tenant Name

Assignee Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Master Tenant/Representative Signature

Date

Master Tenant/Representative Signature

Date

Assignee's Signature

Date

Assignee's Signature

Date

**SEE REVERSE**



# Exhibit G



## City of Morro Bay

Harbor Department  
1275 Embarcadero  
Morro Bay, CA 93442  
Phone: 805-772-6254  
Fax: 805-772-6258

Fee:  
Check #:  
Date:

### APPLICATION

FOR **CONSENT TO ENCUMBER** OF A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number

Physical Address

Proposed Amendment Date

Current Master Tenant Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Lender

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Loan Amount

Master Tenant/Representative Signature

Date

**SEE REVERSE**



# Exhibit G



## City of Morro Bay

Harbor Department  
1275 Embarcadero  
Morro Bay, CA 93442  
Phone: 805-772-6254  
Fax: 805-772-6258

Fee:  
Check #:  
Date:

### APPLICATION

FOR ADMENDMENT OF A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number                      Physical Address                      Proposed Amendment Date

\_\_\_\_\_  
Current Master Tenant Name

\_\_\_\_\_  
Business/Corporation Name

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
City,                      State                      Zip

\_\_\_\_\_  
Telephone                      / Email Address

\_\_\_\_\_  
Current Master Tenant Name

\_\_\_\_\_  
Business/Corporation Name

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
City,                      State                      Zip

\_\_\_\_\_  
Telephone                      / Email Address

\_\_\_\_\_  
Master Tenant/Representative Signature                      Date

\_\_\_\_\_  
Master Tenant/Representative Signature                      Date

**SEE REVERSE**





# Exhibit G

## City of Morro Bay

Harbor Department  
1275 Embarcadero  
Morro Bay, CA 93442  
Phone: 805-772-6254  
Fax: 805-772-6258

Fee:  
Check #:  
Date:

### APPLICATION

FOR A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number

Physical Address

Proposed Lease Date

Master Tenant Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Tenant Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Tenant/Representative Signature

Date

Master Tenant/Representative Signature

Date

**SEE REVERSE**



## CITY OF MORRO BAY

595 Harbor St.  
Morro Bay, CA 93442  
(805) 772-6200  
FAX (805) 772-7329

### INSURANCE REQUIREMENTS FOR LESSEES

Lessee shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Lessee's operation and use of the leased premises. The cost of such insurance shall be borne by the Lessee.

#### *Minimum Scope of Insurance*

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
2. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance (for lessees with employees).
3. Property insurance against all risks of loss to any tenant improvements or betterments.
4. Insurance Services Office Form Number C A 0001 covering Automobile Liability, code 1 (any auto).

#### *Minimum Limits of Insurance*

Lessee shall maintain limits no less than:

1. General Liability: **\$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be **twice** the required occurrence limit.
2. Employer's Liability: **\$1,000,000** per accident for bodily injury or disease.
3. Property Insurance: Full replacement cost with no coinsurance penalty provision.

#### *Deductibles and Self-Insured Retentions*

Updated: 1/6/17  
Spec C

City of Morro Bay  
Insurance Requirements for Lessees

Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Lessee shall provide a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

***Other Insurance Provisions***

The general liability policy is to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees, and volunteers are to be covered as insureds with respect to liability arising out of ownership, maintenance or use of that part of the premises leased to the Lessee.
2. The Lessee's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.
4. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of section 2782 of the Civil Code.

***Acceptability of Insurers***

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

***Verification of Coverage***

Lessee shall furnish the City with original certificates and amendatory **endorsements** effecting coverage required by this clause. The endorsements should be on forms provided by the City or on other than the City's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the City **before** use of City premises. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

***Sub-lessee***

Lessee shall include all sub-lessees as insureds under its policies or shall furnish separate certificates and endorsements for each sub-lessee. All coverages for sub-lessees shall be subject to all the requirements stated herein.

H. Lease Site Inspection Checklists

(immediately following this page and end of document)



# Exhibit H

## LEASE SITE INSPECTION CHECKLISTS

### Annual

#### Building and Site Exteriors

General building condition, cleanliness.  
Condition and cleanliness of walkways, curbs, hardscaping, features.  
Landscaping trimmed, cleaned and weeded.  
Walkways clear with no obstructions, including trip, slip and fall hazards.  
Trash, storage areas neat, clean and secured.  
Informational and warning signage in-place, current and legible.  
Address and building identification clear.  
Lighting operation.  
Condition and presence of cover plates, grates, mechanical protection.  
Condition of stairs, railings and handrails.  
Proper implementation of needed pest control measures.  
Access to electrical panels, service centers.  
Condition of under-wharf/pier plumbing and electrical.

#### Building Interiors

Suites/Units clearly identified.  
Condition of tenant finish items, walls, floors, ceilings.  
Pathways clear with no obstructions, including trip, slip and fall hazards.  
Restrooms clean and stocked.  
Lighting operation.  
Adequate housekeeping and trash removal.  
Presence of fire extinguishers, current inspection tags.  
Exit signs in place.  
Access to circuit breaker and electrical panels.  
Elevators and lifts serviceable, currently inspected.

#### Slips/Docks/Piers/Wharves

General condition of gangways, head floats, fenders, decking.  
Docks clear with no obstructions and minimally-stored items.  
No hazardous materials present.  
No open flame devices allowed on slips, docks, piers or wharves at any time.  
Power pedestals and shore power cords adequate and legal.  
Cleats, pile rings, dock hardware adequate and serviceable.  
Vessel tie-up lines adequate and serviceable.  
Lighting operation.

#### Administrative

Site/Operation in compliance with applicable Conditional Use, Minor Use, Temporary Use and Coastal Development permits.  
Site in compliance with applicable sign permit.

# Exhibit H

## Every Five Years

### Building and Site Exteriors

Annual inspection items, in addition to:  
Evidence of termites, rain leakage.  
Check roof and rain gutters.  
Operation and integrity of irrigation systems.  
Condition, integrity of roof vents, appurtenances.

### Building Interiors

Annual inspection items, in addition to:  
Check attic, basement areas.  
Inspect circuit breaker and electrical panels for condition, issues.  
Condition, operation of HVAC systems, filter replacement.  
Water heater and exposed plumbing for condition, leakage.  
Janitor, electrical and service closets clean and free of clutter.  
Operation of exit/emergency signs and lighting.

### Slips/Docks/Piers/Wharves

Annual inspection items, in addition to:  
Operation, integrity and code-compliance of electrical systems

### Administrative

Annual inspection items, in addition to:  
Current Health Department certificate for food service establishments.  
Current ABC licenses for alcohol-serving establishments.  
Evidence of periodic grease trap servicing.  
Evidence of structural inspection, evaluation or survey of seawalls, revetments, piers, pilings, slips, docks, wharves, structures and other water lease improvements



AGENDA NO: A-7

MEETING DATE: August 22, 2023

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** August 9, 2023

**FROM:** Greg Kwolek – Public Works Director  
Janeen Burlingame – Management Analyst

**SUBJECT:** 2023 Zero Emission Bus (ZEB) Rollout Plan

## **STAFF RECOMMENDATION**

Staff recommends the City Council adopt Resolution No. 53-23 approving the 2023 ZEB Rollout Plan.

## **FISCAL IMPACT**

There is no financial impact associated with the submission of the ZEB Rollout Plan to the California Air Resources Board (CARB). Adoption of this plan does not obligate the City to purchase ZEB vehicles or infrastructure in the manner outlined in the plan. The plan is to provide guidance on how the City plans to achieve compliance to the ICT regulation. However, there will be future vehicle and charging infrastructure costs associated with the transition. Staff will be able to apply for grants and use local restricted Transit Fund monies to fund these capital costs, and does not anticipate use of General Funds for this effort at this time.

## **ALTERNATIVES**

The City Council may choose not to approve the ZEB Rollout Plan. As a result, the City's transit system would likely be deemed out of compliance with the CARB Innovative Clean Transit (ICT) regulation. Additionally, the Federal Transit Administration (FTA) requires that any grant application for projects related to zero emission vehicles include a Zero Emission Transition Plan.

## **BACKGROUND**

The CARB ICT regulation became effective October 1, 2019. The ICT requires that public transit agencies transition bus fleets to zero-emission technologies by 2040. The ICT applies to all transit agencies that own, operate, or lease buses with a gross vehicle weight rating (GVWR) greater than 14,000 pounds. It includes standard, articulated, over-the-road, double-decker, and cutaway buses.

The ICT requires a percentage of new bus purchases to be ZEB and this percentage increases gradually with time. As the City operates its local transit system, Morro Bay Transit, a ZEB Rollout Plan must be developed and submitted to CARB that identifies how it will transition its bus fleet to 100% ZEB by 2040.

Small transit agencies, defined as an agency that operate fewer than 100 buses, are required to comply beginning in 2026. This means that new bus purchases must be a ZEB starting in 2026.

Prepared By: JB

Dept Review: GK

City Manager Review: YK

City Attorney Review: CFN

These requirements are phased in as follows:

- Effective January 1, 2026, 25 percent of the total number of new bus purchases in each calendar year must be zero-emission buses; and
- Effective January 1, 2029, all new bus purchases must be zero-emission buses with a goal of complete transition to ZEBs by 2040.

## **DISCUSSION**

The purpose of the ZEB Rollout Plan is to serve as a guide during the transition. The plan provides estimated timelines based on the City's replacement program and installation of charging infrastructure needs. It is considered a living document so as changes may occur to anticipated procurement timelines, grant funding awards, infrastructure construction/location timelines, the document can be updated and resubmitted to the CARB. Should the City no longer be the agency providing local transit services in Morro Bay, the City would no longer be subject to the ICT regulation. Since the City is currently a transit agency, assessing the state of infrastructure in relation to transit infrastructure needs relates to the City Council's goal of improving public infrastructure.

The ZEB Rollout Plan is required to include the following sections:

A. Transit Agency Information

Basic information regarding the transit agency (name, mailing address, air district, contact information, if your agency is part of a Joint Group).

B. Rollout Plan General Information

Statement whether the transit agency's Rollout Plan has a goal of full transition to zero emission technologies by 2040 that avoids early retirement of conventional transit buses. The City plans to fully transition to 100% battery-electric buses (BEB) between 2030 and 2036 and will not entail early retirement of any City transit vehicles.

C. Technology Portfolio

Statement of what type of ZEB technologies are planned to be deployed to reach full transition by 2040. The City plans to purchase a total of 2 BEB minibuses to replace 2 existing gasoline cutaway buses and 3 BEB trolley bus vehicles to replace 3 existing gasoline trolley bus vehicles. The City's Fleet Management Plan focuses on replacing its existing cutaways between 2030 and 2031 and its existing trolleys between 2032 and 2036. The City anticipates acquiring 5 plug-in depot chargers (62.5 kWh) to charge the buses overnight and during midday layovers.

D. Current Bus Fleet Composition and Replacement Schedule

Details related to the City's current fleet composition and an overview of the City's fleet replacement schedule.

E. Facilities and Infrastructure Modifications

Overview of transit facilities including detail related to the City's Corporation Yard where maintenance and storage of transit vehicles occurs.

F. Services in Disadvantaged Communities

Outlines any disadvantaged communities within the transit agency's service area. The City does not serve disadvantaged communities as listed in the latest version of CalEnviroScreen 4.0 or according to the OEHHA Disadvantage Communities map.

G. Workforce Training

Description of transit agency's plan and schedule for training of bus operators and maintenance staff on ZEB technologies. The City will use training provided by the bus and charger manufacturers for the training of bus operators and maintenance staff.

H. Potential Funding Sources

Identifies potential funding sources to use for acquisition of ZEB and charging infrastructure. Several federal, state, and local funding opportunities will be pursued by staff to fully fund future capital vehicle and infrastructure needs to meet the CARB ICT 2040 deadline.

**CONCLUSION**

Staff recommends the City Council adopt Resolution No. 53-23 approving the 2023 ZEB Rollout Plan.

**ATTACHMENT**

1. Resolution No. 53-23

**RESOLUTION NO. 53-23**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
APPROVING THE ZERO-EMISSION BUS ROLLOUT PLAN FOR MORRO BAY TRANSIT**

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

**WHEREAS**, California Code of Regulations Title 13, Division 3, Chapter 1, Article 4.3, Part 2023.1(d) Zero Emissions Bus Rollout Plans Requirements requires that a transit agency's Zero-Emission Bus Rollout Plan must be approved by its Governing Board; and

**WHEREAS**, the Zero-Emission Bus Rollout Plan sets forth the City of Morro Bay Morro Bay Transit's plan which meets the following requirements:

- A goal of full transition to zero-emission buses by 2040 with careful planning that avoids early retirement of conventional internal combustion engine buses;
- Identification of the types of zero-emission bus technologies Morro Bay Transit is planning to deploy;
- A schedule for zero-emission and conventional internal combustion engine bus purchases and lease options;
- A schedule for conversion of conventional internal combustion engine buses to zero-emission technologies;
- A schedule for construction of facilities and infrastructure modifications or upgrades, including charging, fueling, and maintenance facilities, to deploy and maintain zero-emission buses;
- Explanation of how Morro Bay Transit plans to deploy zero-emission buses in Disadvantaged Communities
- A training plan and schedule for zero-emission bus operators and maintenance and repair staff; and
- Identification of potential funding sources.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Morro Bay, hereby approves the City of Morro Bay/Morro Bay Transit's Zero-Emission Bus Rollout Plan as attached hereto and incorporated herein as Exhibit 'A'.

**BE IT FURTHER RESOLVED** that insofar as the provisions of any ordinance, resolution, document, or previous action of the City Council and/or its City Manager, prior to the date of this Resolution, are inconsistent with the provision of this Resolution or any policy adopted by this Resolution, this Resolution and the City policies adopted herein shall control.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 22<sup>th</sup> day of August 2023 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:  
RECUSE:

\_\_\_\_\_  
CARLA WIXOM, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk

# Zero-Emission Bus Rollout Plan

June 2023



Prepared For:



Prepared By:



## Section A. Transit Agency Information

**Address:**

City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442

**Air District:** San Luis Obispo County Air Pollution Control District

**Population:** 10,696

**Total Number of Buses in Annual Maximum Service:** 3

**Contact Information:**

Janeen Burlingame  
Management Analyst  
(805) 772-6263  
[jburlingame@morrobayca.gov](mailto:jburlingame@morrobayca.gov)

**Joint Group:** The City of Morro Bay is not part of a Joint Group.

## Section B. Rollout Plan General Information

The City of Morro Bay has a goal to fully transition to zero-emission buses ahead of the 2040 deadline. The City plans to fully transition to 100% battery- electric buses (BEB) between 2030 and 2036. This transition will not entail early retirement of any City vehicles.

For any additional information regarding the Rollout Plan, please contact:

Janeen Burlingame  
Management Analyst  
City of Morro Bay  
(805) 772-6263  
[jburlingame@morrobayca.gov](mailto:jburlingame@morrobayca.gov)

## Section C. Technology Portfolio

The City of Morro Bay will be purchasing a total of 2 BEB minibuses to replace two existing gasoline cutaway buses and 3 BEB trolley bus vehicles to replace 3 existing gasoline trolley bus vehicles. The City's Fleet Management Plan focuses on replacing its existing cutaways between 2030 and 2031 and its existing trolleys between 2032 and 2036. The City anticipates acquiring 5 plug-in depot chargers (62.5 kWh) to charge the buses overnight and during midday layovers.

## Section D. Current Bus Fleet Composition and Future Purchases

**Table 1: Individual Bus Information of Current Bus Fleet**

Number of Buses	Engine Model Year	Bus Model Year	Fuel Type	Bus Type
1	2016	2016	Gasoline	Cutaway
1	2019	2019	Gasoline	Cutaway
1	2009	2009	Gasoline	Trolley Bus
1	2009	2010	Gasoline	Trolley Bus
1	2019	2019	Gasoline	Trolley Bus

**Table 2: Future Bus Purchases (by Delivery Date)**

Year	Total Number of Buses to Purchase	Number of ZEB Purchases	Percentage of Annual ZEB Purchase	ZEB Bus Type	ZEB Fuel Type	Charging Technology	Number of Conventional Bus Purchase	Percentage of Annual Conventional Bus Purchases	Type(s) of Conventional Buses	Fuel Type(s) of Conventional Buses
2030	1	1	100%	Cutaway	EV	Plug-in Charging	0	0%	N/A	N/A
2031	1	1	100%	Cutaway	EV	Plug-in Charging	0	0%	N/A	N/A
2032	1	1	100%	Trolley Bus	EV	Plug-in Charging	0	0%	N/A	N/A
2035	1	1	100%	Trolley Bus	EV	Plug-in Charging	0	0%	N/A	N/A
2036	1	1	100%	Trolley Bus	EV	Plug-in Charging	0	0%	N/A	N/A

**Table 3: Schedule of Converting Conventional Buses to Zero-Emission Buses**

The City will not be converting any conventional buses to zero-emission buses.

## Section E. Facilities and Infrastructure Modifications

The City of Morro Bay currently has one Maintenance Facility which houses the City’s two (2) cutaways and (3) trolley buses. The current facility is located at 170 Atascadero Road. Charging infrastructure modifications will need to be made to the current facility.

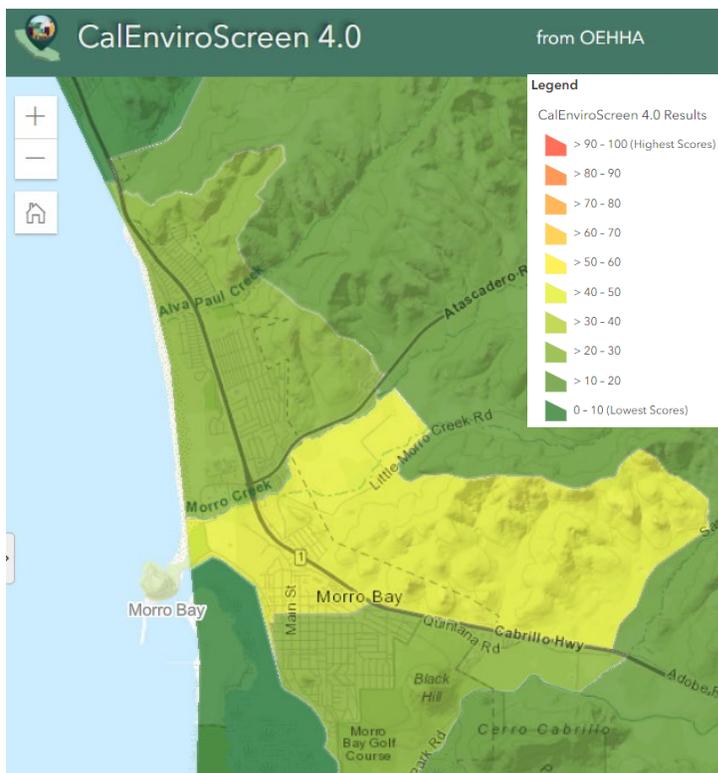
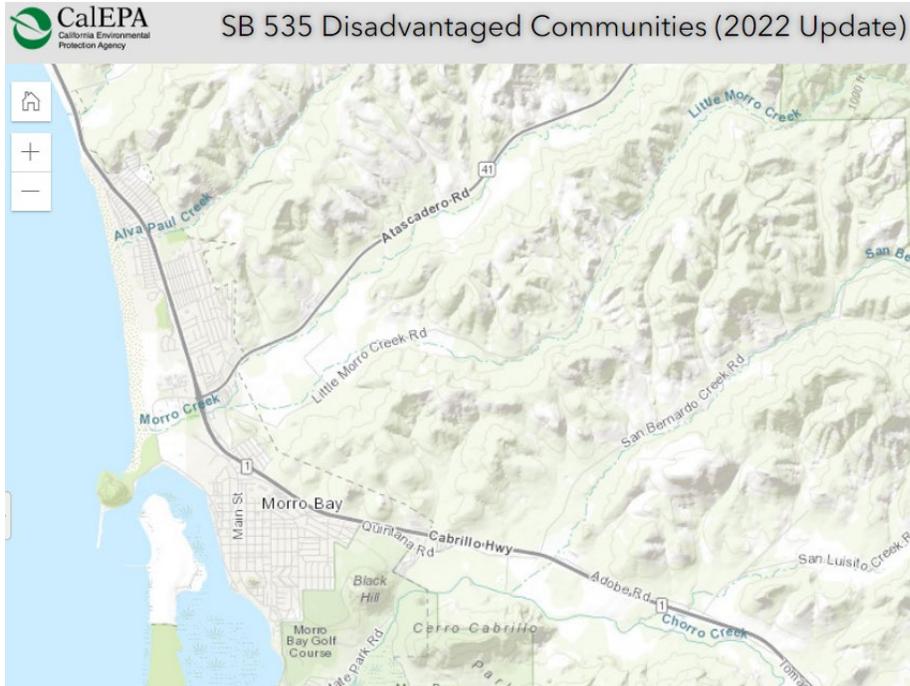
Facility Name	Address	Main Function	Types of Infrastructure	Service Capacity	Needs Upgrade (Y/N)	Estimated Construction Timeline
Corporation Yard	170 Atascadero Road	Maintenance Yard and Fleet Storage	5 plug-in depot chargers	2 cutaways and 3 trolley buses before and after installation of charging stations	Yes	TBD

City of Morro Bay Corporation Yard (outlined in red)



## Section F. Service in Disadvantaged Communities

The City of Morro Bay does not serve disadvantaged communities as listed in the latest version of CalEnviroScreen 4.0 or according to the OEHHA Disadvantage Communities map.



## Section G. Workforce Training

The City of Morro Bay will use training provided by the bus and charger manufacturers for the training of bus operators and maintenance staff for zero-emission bus technologies.

## Section H. Potential Funding Sources

Potential funding opportunities for the City of Morro Bay:

California Department of Transportation (Caltrans)

- Transit and Intercity Rail Capital Program (TIRCP)

California Air Resources Board (CARB)

- Carl Moyer Program
- Clean Air Incentive Grant
- Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP)
- Low Carbon Fuel Standard (LCFS)
- VW Mitigation Trust

California Energy Commission (CEC)

- Clean Transportation Program (also known as the Alternative and Renewable Fuel and Vehicle Technology Program)
- EnergIZE Commercial Vehicles

California Energy Commission and California Air Resources Board

- Clean Mobility Options (CMO)

Federal Transit Administration (FTA)

- Clean Fuels Grant Program
- Grants for Buses and Bus Facilities Program
- Low or No Emission (Low-No) Grant Program

Pacific Gas & Electric (PG&E)

- EV Fleet Program

San Luis Obispo County Air Pollution Control District (SLO APCD)

- Clean Air Incentive Grant Program

San Luis Obispo Council of Governments (SLOCOG)

- Rural Transit Fund (RTF)

Transportation Development Act (TDA)

- Local Transportation Fund (LTF)



**AGENDA NO: C-1**

**MEETING DATE: August 22, 2023**

# Staff Report

**TO: Honorable Mayor and City Council**

**DATE: August 15, 2023**

**FROM: Scot Graham, Community Development Director**

**SUBJECT: Consideration of Fifty Percent Fee Reduction request for Permit Fees Associated with Properties Damaged by the 2023 Winter Storms.**

## **RECOMMENDATION**

Staff recommends the City Council approve Resolution No. 54-23 temporarily reducing Building and Planning Permit fees by fifty percent for properties damaged by the 2023 winter storms. The fee reduction would run through the end of 2023 and be available to those that can demonstrate that other sources of recovery dollars (FEMA, Homeowners insurance) are insufficient to cover costs of repair and permitting.

## **ALTERNATIVES**

City Council may choose not to reduce permit fees or Council could choose to reduce permit fees by some other percentage agreed upon by a majority of Council.

## **FISCAL IMPACT**

Fiscal impact would vary based on valuation of the repair/replacement work, whether additional square footage was proposed and based on whether planning permits require Planning Commission or Staff approval. Examples of permitted repairs for storm damage may include electrical damage, structural repair of foundations, deck repair/reconstruction, and drywall replacement all the way up to replacement of an entire structure.

Building and Planning permit fee estimates for replacement of an existing 2,100 square foot single family home are as follow:

- Planning Fees (for PC Review) = \$16,067.00 x .50 = \$8,033.50
- Building Fees = \$12,920.70 x .50 = \$6,460.35

## **BACKGROUND/DISCUSSION**

Staff received a request from the property owner at 499 Little Morro Creek Road for a permit fee waiver related to the reconstruction of their home located at the confluence of Morro Creek and Little Morro Creek (See Attachment 1). The house was damaged to such an extent by flooding that it does not make sense to repair the home and the owners are moving forward with demolition and

Prepared By: SG

Dept Review: \_\_\_\_\_

City Manager Review: YK

City Attorney Review: LNL

reconstruction of a new residence (outside the floodplain). Staff discussed this request internally and thought it better to offer a permit fee reduction to all property owners that can demonstrate substantial damage from the 2023 winter storms. If the permit fee reduction is offered for a limited time, through the end of the year, staff anticipates receiving very few applications based on Building Division interaction with impacted property owners. Staff proposes such fee reduction in furtherance of the general public benefit and welfare as the 2023 winter storms posed unprecedented and unexpected damage impacts upon community members that may not have been otherwise positioned or prepared for processing permits needed to rebuild or repair their properties.

The fifty percent fee reduction program would include the following parameters:

1. Up to fifty percent of the City Planning and Building permit fees may be waived, but in no case can the fee reduction, when combined with insurance and/or FEMA reimbursement, exceed the cost of construction.
2. Fee waiver request must be received no later than December 31, 2023.
3. All fees associated with post-approval revisions to the project's Planning Department approval or building permit issuance will be charged in accordance with the City's Adopted Fee Schedule.
4. Fee waivers are not transferable. If a waiver is obtained, a Certificate of Occupancy will only be issued to the property owner who files the proof of primary residency at the time of the 2023 January/March flood events. All fees that were waived must be paid to the City before a Certificate of Occupancy is issued to an owner other than the one listed on the fee waiver.
5. Property owners are eligible for a fee waiver if the property that was destroyed or damaged by the January and/or March flood events was their primary residence at that time. All applicants requesting a fee waiver must submit proof of ownership and primary residency and provide photo identification and documentation of primary residency that will be reviewed by City staff. Accepted proof for primary residency includes: an active voter registration, a valid driver license, or other government-issued documentation with both the property owner name and the property address that was damaged or destroyed by the January/March 2023 flood events.

The above referenced fee reduction program parameters are included in Resolution No. 54-23, provided as Attachment 2 to this Resolution.

### **CONCLUSION**

The fee reduction request is similar to fee waiver/reduction policies other communities have implemented in response to damage from the 2023 winter storms. Given the limited duration of the recommended fee reduction period and other parameters of the fee reduction program, Staff anticipates minor fiscal impact from implementation of a fifty percent permit fee reduction for qualifying properties through the end of 2023 while serving as an impactful statement to demonstrate city's compassion for disaster victims. Staff also plans to check with the FEMA disaster recovery program to see if the potential revenue loss would qualify for FEMA assistance to City.

### **ATTACHMENTS**

1. 499 Little Morro Creek Road Fee Waiver request letter
2. Resolution No. 54-23

May 31, 2023

To the City of Morro Bay and/or Whom It May Concern,

My husband and I made the best choice to make Morro Bay home nearly 15 years ago when we both graduated from Cal Poly. Since then, we were fortunate to buy a home at 499 Little Morro Creek Road in 2015. Our 5-year-old daughter and 2-year-old son have loved having pets, gardening, playing, and living “the country life” on the special 1-acre property while still being able to take walks into town and the parks. My husband is an extremely hard working, self-employed farrier and I am a registered nurse at Twin Cities Community Hospital.

On January 9<sup>th</sup> 2023 we went about our normal day and our world was unexpectedly turned upside down. Our treasured 1934 adobe home flooded with 42” of water overflowing from the Morro and Little Morro Creeks. Needless to say, nearly all of our belongings were destroyed and we were immediately displaced. The day following the flood, with the help of generous friends, we leapt into action to clean out our home, salvage belongings, and begin a plan for repair. After consulting with an adobe expert, we were well on our way to properly drying out our home and preparing for next steps when on March 10<sup>th</sup> it flooded again. Fortunately, we had advance recommendation to sandbag and did so; however, our high-water mark was still roughly 36”. While less water entered the home the second time, the floodwaters spewed through the window and door frames directly impacting and eroding the exposed adobe bricks. The second flood dashed hopes that repairing the home is a sound financial decision if we are to remain at the property.

Since the March flood, we have been working diligently to plan for a rebuild, meeting with City planning and setting up all of the needed surveys and prep work. At the emergency meeting held by the city on January 16<sup>th</sup>, after the first flooding, it was indicated that permitting would be expediated and that flood victims would be assisted in any way possible. Due to the destruction caused by the federally declared natural disaster, we are requesting the city to support a waiver for any building and planning related fees; including the Planning Commission coastal development permit and any other associated fees in order for us to build our replacement home. I have many family members in the Napa County where the county offered similar waivers and building permit assistance to wildfire victims. We are currently working through the beginning processes for confirming a site plan and subsequent home design. Our goal is to build a home similar in size (roughly 2100sq ft) but elevated out of the flood plain. We are looking forward to an expedited process so we can get back to making memories with our little children at our property very soon.

We all appreciate your consideration to this request and look forward to discussing options for making this process as financially painless as possible.

Sincerely,

Heather Baker  
[hhbaker@outlook.com](mailto:hhbaker@outlook.com)  
(707)529-5455

**RESOLUTION NO. 54-23**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
TEMPORARILY REDUCING BUILDING AND PLANNING PERMIT FEES BY FIFTY  
PERCENT FOR PROPERTIES DAMAGED BY THE 2023 WINTER STORMS**

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

**WHEREAS**, the City of Morro Bay experienced significant rain events in January and March of 2023 resulting in Morro Creek and Little Morro Creek overtopping their banks and flooding adjacent nearby properties. Several properties were damaged as are result of the flooding resulting in a need for significant repair work; and

**WHEREAS**, some property owners are still in the process of repairing their properties and others will be embarking upon that process soon; and

**WHEREAS**, the City Council desires to assist in facilitating the needed repair work by reducing the City Planning and Building permit fees by fifty percent for repair work associated with the January/March 2023 flooding events. Such fee reduction furthers the general public benefit and welfare as the 2023 winter storms posed unprecedented and unexpected damage impacts upon community members that may not have been otherwise positioned or prepared for processing permits needed to rebuild or repair their properties; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay as follows:

**Section 1: Findings.** Based upon all the evidence, the Council makes the following findings:

California Environmental Quality Act (CEQA)

- A. Adoption of this resolution does not qualify as a project subject to CEQA because it constitutes (1) continuing administrative or maintenance activities, such as general policy and procedure making; (2) government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment; and (3) organizational or administrative activities of a public agency that will not result in direct or indirect physical changes in the environment. (State CEQA Guidelines, §§ 15060(c)(3).) Moreover, the approval of the Resolution does not qualify as a “project” because it does not have a potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, § 15378(a).)

**Section 2: Action.** The City Council does hereby reduce the Planning and Building permit fees by up to fifty percent for properties damaged as a result of flooding experienced during the January/March 2023 flooding events subject to the following requirements:

1. Up to fifty percent of the City Planning and Building permit fees may be waived, but in no case can the fee reduction, when combined with insurance and/or FEMA reimbursement exceed the cost of construction.
2. Fee waiver request must be received no later than December 31, 2023.
3. All fees associated with post-approval revisions to the project's Planning Department approval or building permit issuance will be charged in accordance with the City's Adopted Fee Schedule.
4. Fee waivers are not transferable. If a waiver is obtained, a Certificate of Occupancy will only be issued to the property owner who files the proof of primary residency at the time of the 2023 January/March flood events. All fees that were waived must be paid to the City before a Certificate of Occupancy is issued to an owner other than the one listed on the fee waiver.
5. Property owners are eligible for a fee waiver if the property that was destroyed or damaged by the January and/or March flood events was their primary residence at that time. All applicants requesting a fee waiver must submit proof of ownership and primary residency and provide photo identification and documentation of primary residency that will be reviewed by City staff. Accepted proof for primary residency includes: an active voter registration, a valid driver license, or other government-issued documentation with both the property owner name and the property address that was damaged or destroyed by the January/March 2023 flood events.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on this 22nd day of August 2023 on the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:  
RECUSE:

\_\_\_\_\_  
CARLA WIXOM, Mayor

ATTEST

\_\_\_\_\_  
DANA SWANSON, City Clerk

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AGENDA NO: C-2

MEETING DATE: August 22, 2023

# Staff Report

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

**FROM:** Greg Kwolek – Public Works Director  
Paul Amico, PE – Water Reclamation Facility (WRF) Program Manager

**SUBJECT:** Review and Comment on Fiscal Year 2023 Quarter 4 WRF Quarterly Report

## RECOMMENDATION

Staff recommends the City Council review and provide input on the Fiscal Year 2023 4<sup>th</sup> Quarter WRF Quarterly Report.

## QUARTERLY REPORT DISCUSSION

The Quarterly Report provides status updates on schedule, budget, contract management, cashflow, key activities, and critical path items as they relate to the WRF program. Staff is requesting the City Council review and provide feedback on the FY23 Quarter 4 (Q4) WRF Quarterly Report and provide feedback on the information presented in this report.

The FY23 Q4 WRF Quarterly Report covers the period from April 1, 2023, to June 30, 2023, and the major highlights from this period include the following:

- Final punch list items continued to be completed for the Water Resources Center (WRC) and Conveyance Facilities.
- Performed and completed Phases I and II of the ultraviolet (UV) disinfection challenge testing at the WRC. Phases III and IV of the test plan were approved by the California State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW).
- Amendments No. 8 for Anvil Builders (Anvil) and No. 9 for FBV were approved by City Council on May 24, 2023.
- Amendment No. 4 for Cogstone Resources Management was approved by City Council on May 24, 2023.
- GSI Water Solutions, Inc. (GSI) completed the Administration Draft Basis of Design Report (BODR) for the indirect potable reuse (IPR) recycled water injection and extraction program.
- The City received notification from the California Department of Water Resources (DWR) that its requested grant of \$1.2 Million for the RWF was awarded.
- Water Works Engineers initiated an IPR pipeline alignment alternatives analysis for conveying purified water to the injection well locations identified in the BODR.

The City and Program team continue to coordinate with the WRC and Conveyance Facilities contractors to finalize the major construction projects and to complete punch list work items. The four

Prepared By: AC

Dept Review: GK

City Manager Review: YK

City Attorney Review: JWP

phase UV challenge testing was been halfway completed by the end of the reporting period, and the two remaining two phases, (III and IV) were completed in July 2023.

For the Recycled Water component of the program, GSI Water Solutions (GSI) completed the Administrative Draft BODR for the Indirect Potable Reuse (IPR) recycled water injection and extraction program. The Administrative Draft BODR was reviewed by the program team and peer reviewed by Cleath Harris Geologist. Additionally, Water Works Engineers initiated a recycled water pipeline alternatives analysis with consultation from Rincon Consultants on environmental impacts and the permitting processes associated with the proposed infrastructure alternatives. Lastly Carollo has initiated preparation of the Report of Waste Discharge (ROWD) for the IPR program and will continue to work on this application as the project continues.

The current program budget was approved by City Council on June 28, 2022 at \$159.84M and \$139.57M has been spent to-date as of Q4.

Recycled Water Facilities, and General Project components will continue to meet the timing and regulatory agency requirements of the entire WRF project.

### **ATTACHMENT**

1. Fiscal Year 22/23 Quarter 4 Quarterly Report



City of Morro Bay  
Water Reclamation Facility Program

QUARTERLY REPORT -  
ENDING JUNE 30, 2023

FY 2022-2023 – 4th Quarter  
April 1 through June 30, 2023



## Contents

Executive Summary	1
ES.1 Progress During Q4 FY 22/23	1
ES.2 Budget Status	1
ES.3 Key Q4 FY 22/23 Accomplishments	1
ES.4 Challenges and Upcoming Activities	1
Section 1 - Program Management Summary	2
1.1 Purpose of the Quarterly Progress Report	2
1.2 Program Budget	2
1.3 Cashflow Projections and Actual Expenditures	3
1.4 Program Funding	4
1.5 Program Schedule Overview	4
Section 2 - WRC Project	7
2.1 Construction Progress Summary	7
2.2 Project Photographs	8
2.3 Contract Amendment Summary	8
2.4 Project Schedule	8
Section 3 - Conveyance Facilities Project	10
3.1 Construction Progress Summary	10
3.2 Project Photographs	11
3.3 Change Order Summary	11
3.4 Project Schedule	11
Section 4 - Recycled Water Facilities Project	13
4.1 Project Progress Summary	13
4.2 Project Schedule	13

## Appendices

Appendix A	Abbreviations
Appendix B	Quarterly Expenditures by Budget Code
Appendix C	WRF Program Funding Requests and Reimbursements Status Summary
Appendix D	Program Milestones
Appendix E	FBV Amendment Details
Appendix F	Anvil Amendment Details

## Tables

Table 1	WRF Program Budget	2
Table 2	Project Component Contract History	2
Table 3	WRF Program Expenditures	3
Table 4	WRF Program Funding Sources	4
Table 5	WRC Project Contract Amendment Summary	8
Table 6	Conveyance Facilities Contract Amendment Summary	11

## Figures

Figure 1	Program Cash Actual and Forecasted Expenditures	5
Figure 2	Program-Wide Summary Schedule	6
Figure 3	WRC Project Component Schedule	9
Figure 4	Conveyance Facilities Project Component Schedule	12
Figure 5	RWF Project Component Schedule	14

## EXECUTIVE SUMMARY

“Our Water” is the City of Morro Bay’s (City) program to plan and build water and wastewater infrastructure for a sustainable future for the environment, our economy, and the community. This report summarizes key accomplishments and challenges during the fourth quarter (Q4) of the 2022-23 fiscal year (FY 22/23). It includes information and data on the overall program budget and the status of the individual program components.

### ES.1 Progress During Q4 FY 22/23

The Water Resources Center (WRC) and Conveyance Facilities are substantially complete and operational. The WRC is 94.2 percent and Conveyance Facilities is nearly 100 percent complete (based on contract values) with several punch list items outstanding. The program management team continued to coordinate WRC punch list items with Filanc Black & Veatch (FBV) and major Conveyance Facilities construction is complete and the punch list is anticipated to be complete by the end of August. The Recycled Water Facilities (RWF) is 15 percent complete and is anticipated to be complete by Spring 2025. Major accomplishments are summarized below.

### ES.2 Budget Status

The current program budget is \$159.84 million and \$139.57 million has been spent to date.

### ES.3 Key Q4 FY 22/23 Accomplishments

- Final punch list items continued to be completed for the WRC and Conveyance Facilities.
- Performed and completed Phases I and II of the ultraviolet (UV) disinfection challenge testing at the WRC. Phases III and IV of the test plan were approved by the California State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW).
- Amendments No. 8 for Anvil Builders (Anvil), No. 9 for FBV, and No. 4 for Cogstone Resources Management were approved by City Council on May 24, 2023.
- GSI Water Solutions, Inc. (GSI) completed the Administration Draft Basis of Design Report (BODR) for the indirect potable reuse (IPR) recycled water injection and extraction program.
- The City received notification from the California Department of Water Resources (DWR) that its requested grant of \$1.2 million for the RWF was awarded.
- Water Works Engineers initiated an IPR pipeline alignment alternatives analysis for conveying purified water to the injection well locations identified in the BODR.

### ES.4 Challenges and Upcoming Activities

Both projects are beyond completion dates and the conditions for final completion are being negotiated with the contractors. The four-phased UV disinfection challenge testing is halfway complete, and Phases III and IV are anticipated to be completed in July 2023.

The program team continues to progress RWF planning and permitting activities. The RWF program manager, Confluence Engineering Solutions (ConfluenceES), continues to develop the Phase 1 RWF Implementation Strategy using findings from the Water Supply Evaluation Model, BODR, and IPR Pipeline Alignment Alternatives Analysis.

## Section 1

# PROGRAM MANAGEMENT SUMMARY

### 1.1 Purpose of the Quarterly Progress Report

The Water Reclamation Facility (WRF) program quarterly progress report describes current budget status, funding agency reimbursements, planning/design and construction activities, and project component schedules. Abbreviations used throughout this quarterly progress report are found in Appendix A.

### 1.2 Program Budget

Table 1 shows the current program budget.

Table 1 WRF Program Budget

Program Component	Baseline <sup>(1)</sup>	FY 2021/2022	FY 22/23 and Prior Quarter	Current Quarter <sup>(2)</sup>	Current % Change From Baseline
WRC Plant	\$62,414,000	\$77,687,023	\$79,643,216	\$79,643,216	28%
Conveyance Facilities	\$21,087,000	\$37,982,000	\$39,774,724	\$39,774,724	89%
RWF	\$8,593,000	\$6,668,000	\$9,424,174	\$9,424,174	10%
General Project	\$24,403,000	\$15,445,000	\$30,998,235	\$30,998,235	27%
Construction Contingency	\$9,444,000	\$6,892,854	Note 2	Note 2	N/A
<b>Total</b>	<b>\$125,941,000</b>	<b>\$144,674,877</b>	<b>\$159,840,349</b>	<b>\$159,840,349</b>	<b>27%</b>

Notes:

Abbreviations: FY - fiscal year.

(1) Baseline budget established Q4 of FY 2017/2018.

(2) The FY 22/23 budget adopted by City Council on June 28, 2022, was \$159,840,349. As of FY 22/23, the construction and overall program contingency is budgeted within each Program Component.

Table 2 shows the initial and current contract values by project component.

Table 2 Project Component Contract History

Project Component	Contractor	Initial Contract Value	Current Contract Value	% Change
<b>WRC Plant</b>		<b>\$67,234,512</b>	<b>\$78,424,326</b>	<b>17%</b>
Design/Build	FBV (Overland)	\$67,234,512	\$78,424,326	17%
<b>Conveyance Facilities</b>		<b>\$33,321,277</b>	<b>\$41,340,641</b>	<b>24%</b>
Design	Water Works Engineers	\$1,360,565	\$2,615,112	92%
Construction	Anvil	\$31,493,675	\$36,384,606	16%
Permitting	Cogstone, Far Western, KMA	\$467,037	\$2,340,923	401%

Project Component	Contractor	Initial Contract Value	Current Contract Value	% Change
<b>RWF</b>		<b>\$752,832</b>	<b>\$1,584,020</b>	<b>110%</b>
Planning and Modeling	GSI, CHG	\$351,000	\$1,173,513	234%
Pilot Injection Well Construction	ABC Liovin, Pacific Coast Well Drilling	\$358,300	\$366,975	2%
Environmental Permitting	Rincon	\$43,532	\$43,532	0%
Injection Wells Construction	To Be Determined	--	--	--
<b>General Project</b>		<b>\$293,000</b>	<b>\$14,643,120</b>	<b>4,898%</b>
Program and Construction Management - WRC, Conveyance	Carollo <sup>(1)</sup>	\$293,000	\$13,508,401	4,510%
Program Management - RWF	ConfluenceES <sup>(2)</sup>	\$582,619	\$582,619	0%
City Contracts	Note 3	Note 3	\$552,100	--
<b>Total</b>		<b>\$101,601,621</b>	<b>\$135,992,107</b>	<b>--</b>

Notes:

Abbreviations: Carollo - Carollo Engineers, Inc.; CHG - Cleath-Harris Geologists; KMA - Kevin Merk Associates.

- (1) Carollo’s program management costs for the WRC and Conveyance Facilities include permitting, public outreach, funding support, and construction oversight/management.
- (2) ConfluenceES’s program management costs are for RWF.
- (3) Initial City Contract values for previous and/or inactive consultants (such as Michael K. Nunley and Associates, Black & Veatch, Environmental Science Associates, and Kestrel) are unknown. Current contract values are shown only for currently active consultants including Bartle Wells Associates, ConfluenceES (Interim City Engineer Services), Cannon, and James S. Phillips Automation.

### 1.3 Cashflow Projections and Actual Expenditures

Figure 1 shows cashflow projections and actual expenditures through the current period.

Table 3 lists actual expenditures for each program component and the percent of the budget expended.

Table 3 WRF Program Expenditures

Program Component	Previous Total	Current Quarter <sup>(1)</sup>	Total To Date	FY 22/23 and Current Quarter Budget <sup>(2)</sup>	Percent Budget Expended
WRC Plant	\$71,676,974	\$3,393,091	\$75,070,065	\$79,643,216	94%
Conveyance Facilities	\$37,740,557	\$2,114,633	\$39,855,190	\$39,774,724	100%
RWF	\$1,238,488	\$194,788	\$1,433,276	\$9,424,174	15%
General Project	\$22,492,373	\$722,489	\$23,214,862	\$30,998,235	75%
<b>Total</b>	<b>\$133,148,392</b>	<b>\$6,425,002</b>	<b>\$139,573,394</b>	<b>\$159,840,349</b>	<b>87%</b>

Notes:

- (1) Q4 FY 22/23 total expenditures as tallied on the Accounts Payable Report run on August 4, 2023, which may not include all invoices paid through June 30, 2023, services (to be included with the first quarter FY 2023/2024 report). See Appendix B Note 2 for additional details.
- (2) The FY 22/23 budget adopted by City Council on June 28, 2022, was \$159,840,349.

### 1.4 Program Funding

Table 4 lists WRF program funding sources.

Table 4 WRF Program Funding Sources

Funding Agency	Funding Type	Amount Financed	Initiation Date	Terms
SWRCB – CWSRF Construction Loan	Low Interest Loan	\$66,604,638	7/1/2021	0.9%, 30 years
EPA – WIFIA	Low Interest Loan	\$61,700,336	3/9/2020	0.83%, 35 years
SWRCB – CWSRF Planning Loan	Low Interest Loan	\$10,300,000	12/11/2015	0.9%, 30 years
Recycled Water Planning Grant	Grant	\$75,000	9/10/2015	Costs reimbursed upon request
<b>Total</b>		<b>\$138,679,974</b>		

Notes:

Abbreviations: CWSRF - Clean Water State Revolving Fund; EPA - Environmental Protection Agency; WIFIA - Water Infrastructure Finance and Innovation Act.

Appendix C provides detailed information on funding reimbursements.

### 1.5 Program Schedule Overview

In June 2018, the City received a Time Schedule Order (TSO) from the Regional Water Quality Control Board that required the City to achieve full operation of the new WRC by February 2023. The key milestones included in the TSO are included in Appendix D, and the overall program schedule is shown in Figure 2. The current construction progress percent complete to date per contract spent is 94.2 percent for the WRC and 100 percent for Conveyance Facilities. Figure 3 shows the current progress schedules with respect to major milestones. The RWF currently is at a project progress of 15 percent which represents the completion of the pilot injection study and initial development of the hydrogeological engineering report and beginning of the site feasibility study.

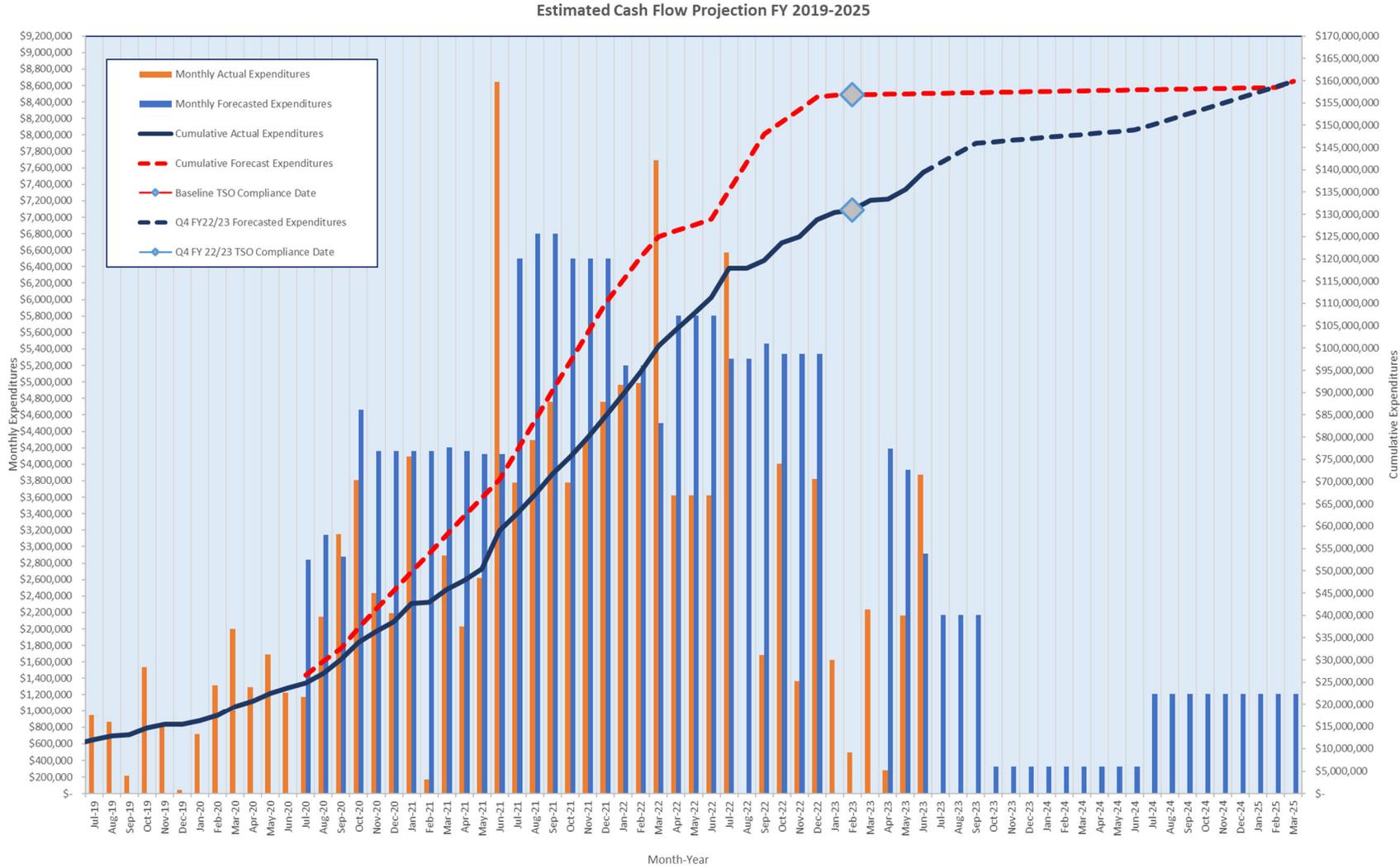


Figure 1 Program Cash Actual and Forecasted Expenditures



## Section 2

# WRC PROJECT

### 2.1 Construction Progress Summary

Major accomplishments during this period are summarized below.

#### *General and Administrative*

- The City has completed the TSO milestone requirement of full operation of wastewater treatment facilities in compliance with the State National Pollutant Discharge Elimination System (NPDES) permit and other regulatory requirements.
- Contractor continues with the correction of punch list and warranty items.
- Contractor continues to adhere to pertinent Mitigation Measures stipulations.
- Contractor/subcontractors continue to comply with Davis-Bacon Act requirements.
- Contractor has discontinued submitting critical path method schedule updates.
- Black & Veatch with Carollo oversight have continued to develop the UV disinfection challenge testing Phases I through IV and have coordinated with DDW for acceptance. Phases I and II have been completed with the test plan sent to DDW. Phases III and IV are expected to be completed in July 2023.

#### *Headworks*

- Completed and in service.

#### *Biological Nutrient Removal/Membrane Bioreactor Treatment*

- Completed and in service.

#### *Reverse Osmosis/UV Advanced Oxidation Process (AOP)*

- Facility is completed.
- Phase I and II of the UV challenge testing are complete.

#### *Purified Water Facilities*

- Facilities are completed and tested with clean water (not commissioned).

#### *Residuals/Sludge Processing*

- Completed and in service.

#### *Electrical and Controls*

- Completed and in service.

#### *Chemical Storage and Feed*

- Completed and in service.

#### *Operations Building*

- Building is completed and occupied by City staff.

*Maintenance Building*

- Building is completed and occupied by City staff.

*City Yard Facilities*

- Buildings are completed and occupied by City staff.

**2.2 Project Photographs**

There are no construction photographs to include since the plant construction is complete and operational.

**2.3 Contract Amendment Summary**

Table 5 contains a summary of the contract amendments for the WRC project component. Each amendment included multiple change orders to address changes in scope from the original proposal. A detailed summary of each amendment is provided in Appendix E.

Table 5 WRC Project Contract Amendment Summary

Amendment No.	Council Approval Date	Amount
1	May 2019	\$1,636,060
2	March 2020	\$63,937
3	May 2020	\$5,992,218
4	November 2020	\$835,097
5	March 2021	\$(195,946)
6	September 2021	\$1,132,117
7	June 2022	\$0
Revised 7	August 2022	\$359,885
8	November 2022	\$957,418
9	May 2023	\$409,028
<b>Total</b>		<b>\$11,189,814</b>

**2.4 Project Schedule**

Figure 3 shows the WRC construction and start-up schedule.



Morro Bay WRF Program  
 Program Wide Schedule Summary  
 Updated: FY22/23 Q4

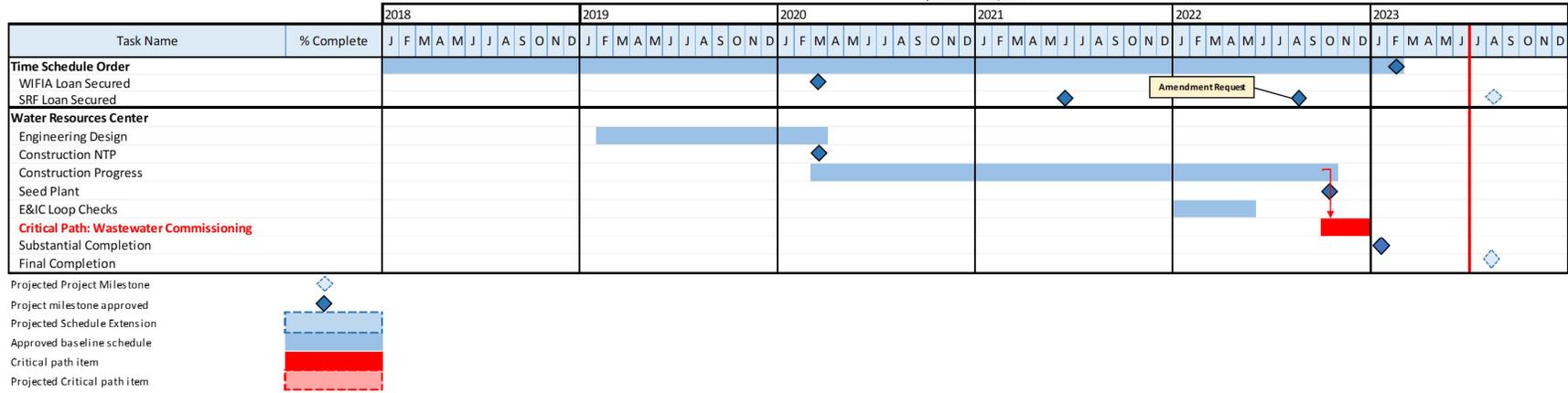


Figure 3 WRC Project Component Schedule

## Section 3

# CONVEYANCE FACILITIES PROJECT

### 3.1 Construction Progress Summary

Major accomplishments during this period are summarized below.

#### *General and Administrative*

- The City has completed the TSO milestone requirement of full operation of the wastewater treatment facilities in compliance with the State NPDES permit and other regulatory requirements.
- Contractor continues to resolve all punch list items and is responsive to warranty items.
- Contractor/subcontractors complied with Davis-Bacon Act requirements.
- Contractor continued to provide equipment operations and maintenance manual submittals.

#### Sanitary Sewer Pump Stations

##### *Pump Station A*

- Pump Station facility is completed and in service.

##### *Pump Station B*

- Pump Station facility is completed and in service.

##### *Existing Lift Station 2*

- Pump Station connection is completed and in service.

##### *Existing Lift Station 3*

- Connection to existing Lift Station 3 was completed.

#### Pipelines

##### *Segment 1 – Atascadero Road (Existing City Wastewater Treatment Plant to Bike Path)*

- Pipelines and other facilities in this segment are completed and in service.

##### *Segment 2 – Bike Path (Atascadero Road to Morro Creek Foot Bridge)*

- Pipelines and other facilities in this segment are completed and in service.

##### *Segment 3 – Bike Path (Morro Creek Foot Bridge to Main Street)*

- Pipelines and other facilities in this segment are completed and in service.

##### *Segment 4 – Main Street (Bike Path to Quintana Road)*

- Pipelines and other facilities in this segment are completed and in service.

##### *Segment 5 – Quintana Road (Main Street to Morro Bay Boulevard)*

- Pipelines and other facilities in this segment are completed and in service.

*Segment 6 – Quintana Road (Morro Bay Boulevard to La Loma Avenue)*

- Pipelines and other facilities in this segment are completed and in service.

*Segment 7 – Quintana Road (La Loma Avenue to South Bay Boulevard)*

- Pipelines and other facilities in this segment are completed and in service.

*Segment 8 – South Bay Boulevard (Quintana Road to New Morro Bay WRC)*

- Pipelines and other facilities in this segment are completed and in service.

*Segment 9 – Vistra Property (Bike Path to Existing Lift Station 2)*

- Pipelines and other facilities in this segment are completed and in service.

### 3.2 Project Photographs

There are no construction photographs to include since the Conveyance Facilities construction is complete and operational.

### 3.3 Change Order Summary

Table 6 contains a summary of the contract amendments for the Conveyance Facilities project component. Each amendment included multiple change orders to address changes in scope from the original proposal. A detailed summary of each amendment is provided in Appendix F.

Table 6 Conveyance Facilities Contract Amendment Summary

Amendment No.	Council Approval Date	Amount
1	October 2021	\$674,485
2	January 2022	\$587,502
3	March 2022	\$241,317
4	June 2022	\$(54,065)
5	August 2022	\$1,253,667
6	November 2022	\$646,763
7	February 2023	\$124,970
8	May 2023	\$1,416,292
<b>Total</b>		<b>\$4,890,931</b>

### 3.4 Project Schedule

Figure 4 shows the Conveyance Facilities construction and start-up schedule.



## Section 4

# RECYCLED WATER FACILITIES PROJECT

### 4.1 Project Progress Summary

The RWF project of the WRF program is currently in the planning phase. GSI has completed Phase 1 and is currently working on Phase 2 of the hydrogeological work, which resulted in the selection of the west injection area and preliminary siting of the injection wells. The following activities were completed during this period:

- GSI completed the Administration Draft BODR for the IPR recycled water injection and extraction program.
- CHG completed a peer review of the Draft BODR.
- GSI prepared a response to the peer review comments of the Draft BODR peer review and began development of the Administration Draft BODR.
- The City received notification from the California DWR that its requested grant of \$1.2 million for the RWF was awarded.
- The WRF program team prepared the test plan and received approval from DDW to proceed with the UV/AOP challenge test.
- Water Works Engineers initiated an IPR pipeline alignment alternatives analysis to inform the WRF program team on options for conveying advanced purified water to the injection well locations identified in the Administration Draft BODR.
- Rincon Consultants provided input on the environmental review requirements for the IPR pipeline alignment alternatives.
- Carollo initiated preparation of the Report of Wastewater Discharge Application for the IPR Program.
- ConfluenceES updated the Water Supply Evaluation Model to evaluate near-term and build-out IPR recycled water requirements for providing the City with a reliable and resilient water supply portfolio.
- ConfluenceES began development of the Phase 1 RWF Implementation Strategy, incorporating findings from the Water Supply Evaluation Model, BODR, and IPR Pipeline Alignment Alternatives Analysis.

There were no construction progress or project photographs taken this reporting period.

### 4.2 Project Schedule

Figure 5 shows the RWF construction and start-up schedule.



Morro Bay WRF Program  
Program Wide Schedule Summary  
Updated: FY22/23 Q4

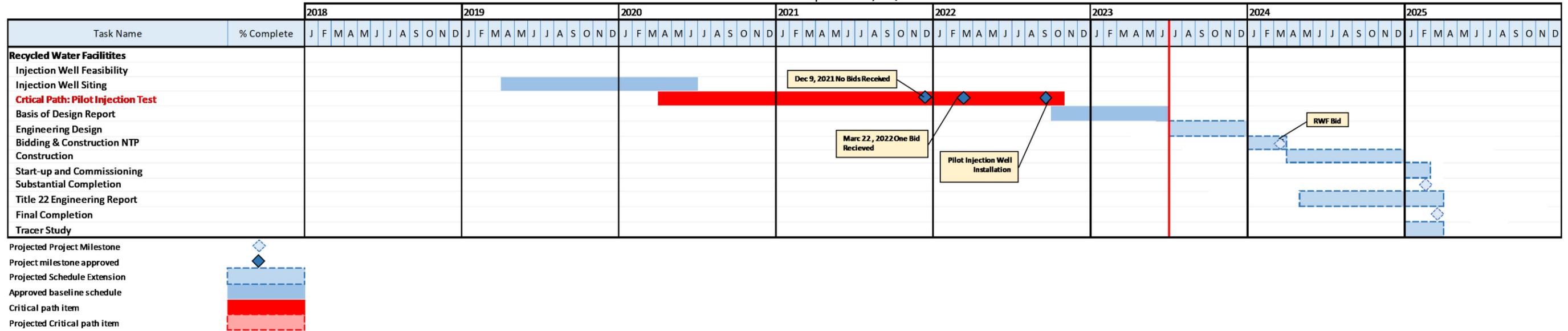


Figure 5 RWF Project Component Schedule

# Appendix A

## ABBREVIATIONS

## Appendix A

# ABBREVIATIONS

Anvil	Anvil Builders
AOP	advanced oxidation process
BODR	Basis of Design Report
Carollo	Carollo Engineers, Inc.
CHG	Cleath-Harris Geologists
City	City of Morro Bay
ConfluenceES	Confluence Engineering Solutions
CWSRF	Clean Water State Revolving Fund
DDW	California State Water Resources Control Board, Division of Drinking Water
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FBV	Filanc Black & Veatch
FY	fiscal year
FY 22/23	2022-23 fiscal year
GSI	GSI Water Solutions, Inc.
IPR	indirect potable reuse
KMA	Kevin Merk Associates
NPDES	National Pollutant Discharge Elimination System
Q4	fourth quarter
RWF	Recycled Water Facilities
SWRCB	State Water Resources Control Board
TSO	Time Schedule Order
UV	ultraviolet
WIFIA	Water Infrastructure Finance and Innovation Act
WRC	Water Resources Center
WRF	Water Reclamation Facility

## Appendix B

# QUARTERLY EXPENDITURES BY BUDGET CODE

## Appendix B

# QUARTERLY EXPENDITURES BY BUDGET CODE

City Budget Code	Fund Name	Total Q4 FY22/23 Expenditures	Vendor Name	Project Component	
4110	Regular Pay				
4599	Other Pay				
4910	Employer Paid Benefits		Summarized in Total Personnel Services		
4911	Pension Normal Cost				
4999	Labor Costs Applied				
<b>Total Personnel Services</b>		<b>\$10,742.32</b>		<b>City of Morro Bay</b>	<b>General Project</b>
5199	Miscellaneous Operating Supplies	\$47,273.17		Brenntag Pacific	General Project
<b>Total Supplies</b>		<b>\$47,273.17</b>	<b>Brenntag Pacific</b>	<b>General Project</b>	
6161	Licenses and Permits	\$1,347.00	State Water Resources Control Board	General Project	
7116	Legal Services - General	\$49,726.00	Aleshire and Wynder	General Project	
<b>Total Services</b>		<b>\$51,073.00</b>	<b>Various</b>	<b>General Project</b>	
6104	Engineering Services	\$130,480.13	GSI Water Solutions, Cleath Harris	RWF	
6104	Engineering Services	\$7,772.75	Cannon	General Project	
6104 6105	Program Management & DB Procurement	\$57,576.25	Confluence	General Project	
6196	Program Management & DB Procurement	\$548,051.96	Carollo Engineers	General Project	
<b>Total Project Soft Costs</b>		<b>\$743,881.09</b>	<b>Various</b>	<b>RWF, General Project</b>	
6106	Contractual Services	\$2,085,116.23	Anvil Builders	Conveyance	
7105	Planning & Permitting	\$29,516.93	Far Western, KMA	Conveyance	

City Budget Code	Fund Name	Total Q4 FY22/23 Expenditures	Vendor Name	Project Component
7107	WRC - On-Site Imprv - Build	\$3,393,090.86	FBV	WRC
7108	Injection Well Construction - WRF	\$64,308.00	Pacific Coast Well Drilling	RWF
<b>Total Construction Costs</b>		<b>\$5,572,032.02</b>	<b>Various</b>	<b>Conveyance, WRC, RWF</b>
<b>Total Quarterly Expenditures</b>		<b>\$6,425,001.60</b>		

Notes:

- (1) City Budget Codes are from the latest Accounts Payable Report run on August 4, 2023.
- (2) Total quarterly expenditures shown only include invoices paid by the City in this quarter and are derived from a cash basis of accounting using the Accounts Payable reports provided by the City approximately one week after the end of the quarter. Total quarterly expenditures shown may differ from City fiscal year-end budget performance reports that are based on a modified accrual basis of accounting, which reallocates current quarter expenditures for services rendered in prior fiscal year back to the prior fiscal year.

Appendix C

WRF PROGRAM FUNDING REQUESTS AND  
REIMBURSEMENTS STATUS SUMMARY

## Appendix C

# WRF PROGRAM FUNDING REQUESTS AND REIMBURSEMENTS STATUS SUMMARY

Agency	Description	No.	Date Submitted	Requested Amount	Approved Amount	Received
SWRCB	CWSRF Planning Loan	1	12/18/2022	\$289,595	\$217,441	Yes
SWRCB	CWSRF Planning Loan	2	11/19/2022	\$6,431,295	\$5,312,748	Yes
SWRCB	CWSRF Planning Loan	3	10/20/2022	\$3,910,211	\$2,415,669	Yes
SWRCB	CWSRF Planning Loan	4	10/21/2022	\$930,385	\$484,617	Yes
SWRCB	CWSRF Planning Loan	5	4/22/2022	\$0 (see 5A)	Not Applicable	Not Applicable
SWRCB	CWSRF Planning Loan	5A	9/26/2022	\$0	Not Applicable	Not Applicable
SWRCB	CWSRF Planning Loan	5B	11/22/2022	\$1,982,581	\$1,869,525	Yes
SWRCB	CWSRF Construction Loan	1	9/21/2022	\$11,185,433	\$11,185,433	Yes
SWRCB	CWSRF Construction Loan	2	11/21/2022	\$10,886,581	\$10,886,581	Yes
SWRCB	CWSRF Construction Loan	3	12/21/2022	\$5,463,514	\$5,463,514	Yes
SWRCB	CWSRF Construction Loan	4	2/22/2022	\$5,943,019	\$5,943,019	Yes
SWRCB	CWSRF Construction Loan	5	3/22/2022	\$6,095,373	\$6,095,373	Yes
SWRCB	CWSRF Construction Loan	6	5/22/2022	\$3,237,138	\$3,237,138	Yes
SWRCB	CWSRF Construction Loan	7	6/22/2022	\$2,145,403	\$2,145,403	Yes
SWRCB	CWSRF Construction Loan	8	7/22/2022	\$4,245,018	\$4,245,018	Yes
SWRCB	CWSRF Construction Loan	9	8/22/2022	\$3,896,973	\$3,896,973	Yes
SWRCB	CWSRF Construction Loan	10	9/30/2022	\$2,360,768	\$2,360,768	Yes
SWRCB	CWSRF Construction Loan	11	12/5/2022	\$2,744,578	\$2,744,578	Yes
SWRCB	CWSRF Construction Loan	12	2/2/2023	\$1,791,012	\$1,791,012	Yes
SWRCB	CWSRF Construction Loan	13	3/28/2023	\$1,572,840	\$1,572,840	Yes
SWRCB	CWSRF Construction Loan	14	7/7/2023	\$4,170,989	Pending	No
EPA	WIFIA Loan	1	5/20/2022	\$1,100,944	\$1,100,944	Yes
EPA	WIFIA Loan	2	6/20/2022	\$61,014	\$50,486	Yes
EPA	WIFIA Loan	3	7/20/2022	\$3,489,409	\$3,489,409	Yes
EPA	WIFIA Loan	4	7/20/2022	\$2,461,121	\$2,461,121	Yes
EPA	WIFIA Loan	5	8/20/2022	\$142,863	\$142,863	Yes
EPA	WIFIA Loan	6	10/20/2022	\$1,635,106	\$1,635,106	Yes
EPA	WIFIA Loan	7	12/20/2022	\$3,008,572	\$3,008,572	Yes
EPA	WIFIA Loan	8	12/20/2022	\$3,671,499	\$3,671,499	Yes
EPA	WIFIA Loan	9	1/21/2022	\$5,553,851	\$5,553,851	Yes
EPA	WIFIA Loan	10	3/21/2022	\$2,440,399	\$2,440,399	Yes
EPA	WIFIA Loan	11	4/21/2022	\$1,621,783	\$1,621,783	Yes
EPA	WIFIA Loan	12	5/21/2022	\$2,988,342	\$2,988,342	Yes

Agency	Description	No.	Date Submitted	Requested Amount	Approved Amount	Received
EPA	WIFIA Loan	13	6/21/2022	\$3,544,987	\$3,544,987	Yes
EPA	WIFIA Loan	14	7/21/2022	\$2,692,977	\$2,692,977	Yes
EPA	WIFIA Loan	15	8/21/2022	\$1,328,552	\$1,328,552	Yes
EPA	WIFIA Loan	16	9/21/2022	\$488,601	\$488,601	Yes
EPA	WIFIA Loan	17	10/21/2022	\$321,117	\$321,117	Yes
EPA	WIFIA Loan	18	11/21/2022	\$346,279	\$346,279	Yes
EPA	WIFIA Loan	19	12/21/2022	\$1,005,341	\$1,005,341	Yes
EPA	WIFIA Loan	20	1/22/2022	\$337,646	\$337,646	Yes
EPA	WIFIA Loan	21	3/22/2022	\$956,562	\$956,562	Yes
EPA	WIFIA Loan	22	4/22/2022	\$395,308	\$395,338	Yes
EPA	WIFIA Loan	23	5/22/2022	\$1,315,288	\$1,315,288	Yes
EPA	WIFIA Loan	24	6/30/2022	\$155,599	\$155,599	Yes
EPA	WIFIA Loan	25	7/28/2022	\$169,286	\$169,286	Yes
EPA	WIFIA Loan	26	8/22/2022	\$723,244	\$723,244	Yes
EPA	WIFIA Loan	27	9/30/2022	\$653,121	\$653,121	Yes
EPA	WIFIA Loan	28	10/26/2022	\$968,147	\$968,147	Yes
EPA	WIFIA Loan	29	12/20/2022	\$433,862	\$433,862	Yes
EPA	WIFIA Loan	30	2/1/2023	\$262,959	\$262,959	Yes
EPA	WIFIA Loan	31	4/25/2023	\$721,433	\$721,433	Yes
EPA	WIFIA Loan	32	6/28/2023	\$609,260	Pending	No
<b>Total</b>				<b>\$124,887,177</b>	<b>\$116,852,363</b>	

## Appendix D

# PROGRAM MILESTONES

## Appendix D

# PROGRAM MILESTONES

Milestone	Planned Completion Date
<b>General Project</b>	
Compliance with the TSO	2/23/2023
WIFIA Loan Secured	3/9/2020
SRF Loan Secured	7/31/2021
<b>WRC</b>	
Begin Design	11/5/2018
Construction Notice to Proceed	3/20/2020
Plant Seeding	10/4/2022
Substantial Completion	1/15/2023
Final Completion	8/31/2023
<b>Conveyance Facilities</b>	
Deliver 100 Percent Design	6/15/2020
Bid Advertisement	6/16/2020
Award Construction Contract	11/10/2020
Construction Notice to Proceed	12/14/2020
Substantial Completion	4/28/2023
Final Completion	TBD
<b>RWF</b>	
Select Preferred Injection Area	6/17/2020
Pilot Injection Well - Complete	10/1/2022
Basis of Design of Report - Complete	1/31/2023
Engineering Design - Begin	2/1/2023
Construction Notice to Proceed	3/15/2024
Substantial Completion	2/15/2025
Final Completion	3/15/2025

## Appendix E

# FBV AMENDMENT DETAILS

No.	Item	Approved Amount (\$)	Cal Days	Amendment No.	Description
1	New Sodium Hypochlorite Feed for Plant Water	78,576	0	1	Add a sodium hypochlorite (disinfection) chem feed pump, add sodium hypochlorite double contained piping from the Chemical Facility to the Recycled Water pumps. Additional electrical and controls for the new sodium hypochlorite pump. The added pump is needed for redundancy.
2	Change Architecture of Operations Building	(21,623)	0	1	The City requested to change the Operations Building exterior architecture back to a basic style, to delete the clerestory but to include cupolas and solatubes. The City requested the change to reduce project costs.
4	Headworks Odor Control	18,422	0	1	Adding foul air ducting from the Fine Screens and SAFE Diversion Box to the Headworks Odor Control Biofilter. Cost also includes adding a cover to the SAFE Diversion Box. The ducting and cover were adding to reduce foul air emissions.
5	Remove Canopy and Monorail at MBR	(185,434)	0	1	The MBR tank was originally design with a canopy cover and monorail/crane hoist. The monorail and crane hoist were originally included to move MBR cassettes in and out of the tank for cleaning and maintenance. The City requested the change to reduce project costs. In the future the City will use a crane or boom truck to remove MBR cassettes when necessary.
9	Consolidate Chemical Facilities	218,978	0	1	The original design provided chemical feed pumps and storage tanks at various locations where needed on site. The City requested to centralize all chemical storage tanks and feed equipment to one facility. Work includes a larger Chemical Facility structure, and additional chemical ductbanks and double containment piping.
10	Modify Chemical Piping	(15,856)	0	1	Revise underground chemical piping, to change double containment carrier piping from rigid pipe to flexible ducting. The City accepted this change to reduce project costs.
15	Remove Solids Dumpster Lid	14,543	0	1	At the Solids Handling Area, delete the Solids Dumpster Lid and delete the Hypalon Splash Guards. Add a canopy / awning structure over the dumpster area by extending the Solids handling Area canopy. The City prefers the open-air solids dumpster while providing the canopy to protect dewatered solids from rain and atmospheric moisture.
16	Modify Outfall Pump Station	367,632	0	3	Increase the guaranteed pump station capacity to 8.14 MGD. Change the original design of 3 medium sized VFD controlled pumps, to a modified configuration using 2 smaller pumps and 2 larger pumps, all with VFDs. Also add and modify pump station manifold piping and valving as necessary. The City requested the change to ensure adequate future flow capacity and maximize pumping efficiency.
17	Add SAFE Equalization Tank	504,116	0	1	Add SAFE Settle Tank (water bearing concrete structure) upstream of the SAFE system. The SAFE Settle Tank is added to the Sludge Holding Tank concrete structure. The new SAFE Settle Tank will either overflow to the SAFE System, or be pumped back to the SAFE Diversion Box using Solids Handling Pumps. Various segments of SAFE System diversion piping are upsized as required.
18	Instrumentation and Control Changes	75,266	0	1	The City prepared and issued a SCADA Master Plan for the WRF program. In January 2019, City staff and the DB team met and agreed on multiple technical items to coordinate between the City's SCADA Master Plan requirements and the DB Agreement scope. The PCO #18 proposal document includes a 6 page table of the multiple hardware and software changes.
19	Reduce Size of the Product Water Tank	(129,681)	0	3	The original DB Agreement included a 500,000 gallon bolted steel glass lined Product Water Tank. The City requested to decrease volume of Tank to 200,000 gallons. This was done to save project costs while also maintaining a suitable Product Water storage capacity on site.
21	Revise Maintenance Building Layout and Size	516,583	0	1	The Maintenance Building footprint is expanded from 50'x70' to 60'x90' and a second vehicle sized roll-up door is added. The change order also includes revised site grading and eliminating a step in the building foundation slab, such that the new layout providing a larger, single level, vehicle accessible, shop area.
22	Influent Piping and Metering	411,766	0	1	The original design included a single 18" influent raw sewage pipeline from Teresa Rd to the new Headworks and an 18" influent flow meter at the Headworks. The City requested to change the design to parallel 16" and 12" HDPE influent pipelines, each pipeline with a separate flow meter at the Headworks. The City requested the change to add redundancy to the influent piping system.

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23	Outdoor-Rated Blowers (BNR)	(58,210)	0	1	Replace the specified Turbo Blowers with Outdoor Rated Dry Screw Positive Displacement Blowers. The change order includes various revisions to blower controls, valving, and Aeration Air piping. The change was made to reduce project costs while still providing a suitable capacity of Aeration Air for the biological facility process.
24	Remove Bypass of Coarse Screens	(37,137)	0	1	Delete the Coarse Screens bypass line, including both above grade and below grade 16" piping, valving, and fittings at the Headworks. The City requested the change to reduce project costs, as the bypass line was deemed not necessary.
26	SAFE Diversion Box Additions	58,304	0	1	Add a removable FRP cover over the SAFE Diversion Box. The new cover includes multiple FRP panel sections that are removable by hand and structurally rated to support foot traffic. The change also adds an access ladder and handrail to the top of the Diversion Box. The changes were requested by the City to improve access to the Diversion Box.
28	Size Dewatering as a Building in the Future	30,983	0	1	Expand the Solids Handling Area concrete foundation slab and canopy to 36'x45'. The change also includes reconfiguring the dewatering belt press, pumps, piping, etc. This change will allow walls to be added around the equipment in the future. The City requested this change in case excessive foul air is emitted in the future and odor control measure become necessary.
30	Match Blowers at SHT, BNR, and MBR System	17,426	0	4	There are 3 set of air blowers on the project: 2 each for MBR Air Scour, 3 each for BNR Aeration, and 2 each for Sludge Holding Tank mixing. The 2 each MBR Air Scour Blowers are Aerzen Blowers. The City requested that the 3 each BNR Aeration Blowers and 2 each Sludge Holding Tank Blowers also be supplied by Aerzen. The City requested this change for uniformity of equipment providers.
31	Coarse Screens and Grit Basins Stairs	52,870	0	1	The original design included various metal ladders to access the Headworks Coarse Screen and Grit Tank platform skids. This change deletes the ladders and adds 2 each 4 ft tall stair sets to the Course Screens and adds 2 each 8 ft tall stair sets to the Grit Tank area. This change also extends the Headworks foundation slab as required to provide foundations and landings for the added stairs.
32	Sulfuric Acid System	315,652	0	3	The City requested to add Sulfuric Acid feed pumps and a storage tank at the Chemical Facility. This change includes increasing the size of the Chemical Facility structure, adding double containment piping to both the RO Feed Tanks and the RO/UV Building, and adding all necessary electrical and controls. The City deemed that Sulfuric Acid addition is necessary for pH control/neutralization.
37	PLC/SCADA Software Uniformity	201,577	0	3	This PCO includes the cost to change PLC hardware and SCADA software from the standard offerings of the MBR, RO, and Headworks manufacturers to the City requested Allen Bradley and Wonderware products. This PCO applies to only those three equipment items and a separate PCO will be generated if a similar change is required for future procurements. The City requested this uniformity.
38	IPR Product Water Tank Bypass	(26,087)	0	1	Delete the Product Water Tank bypass line, including both above grade and below grade 8" piping, valving, and fittings at the Product Water Area. The City requested the change to reduce project costs, as the bypass line was deemed not necessary.
39	NTP Delay	1,220,532	0	3	This PCO includes extended general conditions costs due to the delay in receiving construction NTP from April 29, 2019 to March 20, 2020. The amount for the period April 29, 2019 to October 23, 2019 was in dispute and a reduction is provided to reflect the results of a negotiation.
40	Headworks Valve Automation	249,946	0	3	The change adds motor operated valving and controls to the Headworks treatment trains. This allows for automated shifting of flows from one treatment train to the other, as may be needed due to equipment malfunction or other alarm conditions, especially during periods when no operators are on site. The change includes adding 8 each motor operated valves, plus electrical and controls.
41	Perimeter Barbed Wire Fence	79,935	8	s 3&4	City requested that FBV install a 5-strand barbed wire fence around the entire 27-acre project/property boundary, and along the Temporary Construction Easement (TCE) on the eastern boundary of site. The eastern boundary TCE fence will be relocated to the actual project/property boundary at project completion.
42	UV/AOP System Modifications	(33,481)	0	3	The City requested to delete the Standby UV Reactor from the scope of work to reduce project costs. The change includes FBV added costs for: UV system investigation, technical memoranda, development of alternatives, and resulting design revisions for associated mechanical, electrical, and controls.

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44	Tank Access Improvements	210,327	0	3	This Change adds staircases to replace ladders throughout the site for improved access to treatment process basins. The change adds stairs, catwalks, and handrails at the BNR tanks, adds stair and landings at the SHT, add stairs and a grating platform at the MBR tank, and adds stairs, catwalk, and handrails at the SAFE system.
45	Maint. Building Ceiling and Auto Roll-Up Door	21,009	0	3	The City requested to add a motor actuator on one of the 14'X14' roll-up door at the Maintenance Building. This change includes the required added electrical and controls.
46	Curbed Washdown Areas	76,250	0	3	This change adds containment curbs, sloped slabs, floor drains, and drainage piping to sewer for various wastewater washdown areas. The change adds curbed washdown areas for the MBR cassette maintenance area, the solids/sludge dewatering area, and the Headworks Coarse Screen and Grit Tank area. The City requested the curbed washdown areas to better contain sewage spills.
47	Changes to Building Furnishings and Equipment	85,194	0	3	This Change adds office furnishings and appliances for the Operations and Maintenance Buildings, including desks, chairs, tables, shelves, cabinets, control room console, flat-screen monitors, kitchen and laboratory appliances, lockers, and maintenance building storage racks. The items were discussed and requested by the City during design meetings with the DB team Architect.
50	Water/Sewer Supply Shed Revisions	13,142	0	3	The original design includes a Water and Collections Storage Shed, with two equal sized rooms each with an exterior double-wide pedestrian door. This change deletes the double doors and adds 10 ft wide roll-up doors and single pedestrian doors for each room.
52	Analyzer Relocation and Enclosures	76,555	0	3	Relocate analyzers at Outfall/IPR Pump Station to indoors at the RO/UV Building, including adding 120' of sample piping between the sample point and building. Relocate analyzers at Dechlorination Facility to indoors at the Water/Collections Storage Shed, including adding 70' of sample piping between the sample point and building, and adding 70' of drainage piping to sewer.
55	Notice of Dispute - PG&E Temporary Power	13,163	0	3	This PCO addresses the cost paid to PG&E for temporary power service. It has been a disputed item and negotiation has led to an agreement to split the cost 50/50.
56	Impacts of Water Quality Changes	282,420	0	3	In September 2019, the City provided updated influent Water Quality data to use as the basis of design. Multiple parameters were significantly different than listed in the DB Agreement. The revised Water Quality data impacted the RO equipment design. The added costs are for H2O Innovations (RO manufacturer) as well as for electrical and control changes by Electricraft.
57	Soil Lateral Earth Pressure	116,329	0	3	This change adds foundation sub-drains around below grade water bearing concrete structures as recommended by FBV and the Geotechnical Engineer. This change adds Miradrain Panels and 4" PVC drain piping around the perimeter of the BNR basin and Sludge Holding Tanks, to relieve lateral soil pressure on the concrete structures.
58	Permanent Exclusion Fencing	855,991	0	3	As required by environmental regulatory agencies, a concrete barrier wall for wildlife exclusion is added along the entire Eastern boundary of the site from Teresa Rd to the northern most tip of the site. The concrete barrier wall shall extend 24 inches above grade and 36 inches below grade, and include a nominal 6-inch top lip to serve as a climbing barrier.
59	Increased Escalation Costs	1,232,677	0	3	This PCO includes escalation costs due to the delay in receiving construction NTP from October 23, 2019 to March 20, 2020.
61	Potential Change Order (PCO) Design Impacts	158,172	0	3	This PCO is in response to FBV's claim for engineering redesign costs from changes requested by the City but subsequently reversed due to the cost being too high or otherwise excessive. The PCO also addresses FBV's claim for inefficiencies resulting from "changes in direction throughout the design development process".
62	Conduit Alternative Design	(268,400)	0	3	This change removed the original DB Agreement, Exhibit B, requirement to use PVC coated galvanized rigid steel conduit systems in all exterior and/or process areas on site. FBV proposed to use galvanized rigid steel conduit systems (without PVC coating) in all project locations as a value engineering suggestion. The City accepted the proposal in an attempt to reduce project costs.

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64	Reduce Performance Period	(35,450)	0	3	The DB Agreement requires 6-months of FBV support during the Performance Test Period. The City requested to delete this requirement as not necessary. Note FBV remains responsible for the 12-month warranty against equipment and/or system malfunctions. The credit amount is taken directly from FBV's original bid proposal document.
65	Davis Bacon Wage Increases	63,937	0	2	The Contract amount is increased to compensate for the required implementation of CA Wage Determination dated 10/5/2018. FBV's original bid proposal document was based on CA Wage Determination dated 1/5/18
66	Caltrans Intersection Improvements	(21,893)	0	3	Delete scope of work to extend intersection at Teresa Road and South Bay Blvd for the new WRF Access Road. Adjust centerline of the WRF Access Road to be offset from the centerline of South Bay Blvd.
67	BNR System Modifications	742,405	0	3	This change was requested by City to increase Aeration Air systems as required for full nitrification in the biological process. The costs include upsizing 3 each aeration blowers, stainless steel aeration piping, air meters, air valves, and adding aeration diffusers in the BNR basins. The change also adds Ammonium Sulfate pumps, tank, piping, and increases the size of the Chemical Facility.
68	SAFE Equalization Settle Tank Drain Piping	62,215	0	3	This change is requested by the City to provide a new pipeline to drain the SAFE Settle Tank. This pipeline will tie in to the existing dewatering feed pumps and will allow draining the tank back to the SAFE Diversion Box. The work includes adding 80 lf of 6" piping and adding 2 each 6" manual valves.
69	Third Party Testing and Inspection	100,000	0	3	The responsibility for 3rd party testing and inspection costs were in dispute for several months prior to construction. In April 2020 the City and FBV agreed that the cost of these services would be split 50/50 between the parties, up to a cap of \$200K. The agreement included the provision that if additional services are required above \$200K, it would be paid by the City.
71	CDFW Restrictions (Direct Costs & Inefficiencies)	254,443	0	4	The construction NTP on 3-20-2020 included restrictions from working in the designated spoils disposal area on site. The restrictions by CDFW were due to an erosional feature and were not resolved until 7-14-2020. As a result of the restrictions, FBV was required to stockpile spoils outside the disposal area, and then haul and grade the material a second time after the restrictions was lifted.
72	Owner Trailer Utility Hook Ups	19,593	0	4	This change provides utility connections to the Owner/Carollo field office trailer at the WRF. The work includes grading the trailer site, installing a temporary potable water connection, connecting temporary electrical, and providing electrical power through the project duration. The work also includes installing a temporary USPS jobsite mailbox.
73	Main Gates in Perimeter Fence	27,031	0	4	This change was requested by the City to add 2 pedestrian gates in the WRF perimeter fence, one north of the Operations Building and one at the northern most tip of site. Along with the pedestrian gate north of the Operation Building, also provide a 4' wide set of concrete stairs and a 4' wide sidewalk between paved areas.
74	Parking Canopy Electrical Receptacles	42,346	0	4	This change adds 7 outdoor rated duplex 120VAC electrical outlets on canopy poles around the Vehicle/Equipment Storage Canopy, and the WRF Parking Canopy. The work includes a new 480V circuit from the RO Building Electrical Room, a new 5KVA transformer, and all required underground and exposed power conduits, junction boxes, and outlet receptacles.
75	Security Windows at Admin Building	11,079	0	4	This change was requested by the City to add a security window in the lobby of the new Operations Building to separate City staff from members of the public in the lobby (similar to City Hall).
76	Additional Sodium Bisulfite Pump	58,243	0	4	This change was requested by the City to provide a redundant (second) Sodium Bisulfite feed pump at the Chemical Facility, including all associated mechanical work, piping, electrical and controls. This change also provides heated tote blankets for the Sodium Bisulfite storage totes to control temperature during cold weather. An electrical outlet is also added for the heated tote blankets.

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77	Covid-19 Impacts	125,000	0	6	The DB Agreement stipulates that an "epidemic" or "quarantine restriction" is a compensable Force Majeure event. FBV originally submitted costs in the amount of \$152K for COVID-19 impacts based on added janitorial service, added COVID protective supplies, added Safety Officer time, added costs to send infected workers home for quarantine, and loss of efficiency (1 hr. per worker per day from 3/20/20 to 6/1/20 and 10 min. per worker per day from 6/1/20 to 3/20/21. The City was able to negotiate this cost down to \$125K based on a reduction of the assumed inefficiencies and was able to gain FBV agreement that this costs is considered final (i.e., that any future infections would be based on individuals deciding not to be vaccinated rather than Force Majeure).
78	Soil Slip Differing Site Conditions	280,013	0	4	On May 5, 2020 an unidentified ancient landslide was discovered when mass grading the cut slope above the Operations Building. This is a differing subsurface condition per Section 3.10.2 of the Agreement. The costs represent the additional effort associated with remediating the landslide.
79	Water/Sewer Shed Revisions (Ref. PCO 50)	10,847	0	4	This item is a continuation of PCO 50. FBV claims that their previous quote did not include all costs associated.
82	PLC/SCADA Uniformity Complete (Ref. PCO 37)	108,887	0	4	This PCO includes the cost to change PLC hardware and SCADA software from the standard offerings of the Belt Press and Cloth Disk Filter (SAFE) manufacturers to the City requested Allen Bradley and Wonderware products. This PCO applies to only those equipment items. PCO #37 was similarly for other equipment manufacturers on the project.
84	Alternate Red Legged Frog Barrier (Ref. PCO 58)	(468,768)	0	5	Environmental agencies overseeing the project have allowed an alternate wildlife barrier along the Eastern boundary of site. The PCO 58 concrete barrier is only required from Teresa Rd to the facility gate (400'). The remaining 1700' of exclusionary barrier shall be 2 mm thick HDPE attached to 6' chain link fencing, 24" above grade, 36" below grade, with a rigid 4" FRP top lip climbing barrier.
86	Pothole Existing Water Valve in Teresa Road	5,189	0	4	The City requested that FBV pothole an existing City water line and shut off on Teresa Road. On the next day, the City requested FBV pothole the 8" branch line service to the WRF property. The work was on T&M.
87	Modify Conduit Design Scope (Ref. PCO 62)	272,822	0	5	This change provides PVC coated electrical conduit systems (conduits, boxes, accessories) for all wastewater and product water processing and washdown areas, including outdoor process areas and indoors at the RO/UV Building. PVC coated Galvanized Rigid Steel (GRS) conduits provide superior corrosion protection. This PCO essentially reverses previous PCO #62.
88	Dead-Front Control Panels	37,774	0	6	City staff requested that all control panels be dead-front type, wherein no controls are exposed, and that a solid front door is furnished (i.e. keyed or with padlock hasp). FBV has submitted costs in the amount of \$37K and the City is in agreement. This change is being implemented on the following system control panels: Kusters (Headworks), Suez (MBR), Aerzen (Blowers), Gierlich-Mitchell (Sanitary Lift Station), Charter Machine (Dewatering), and other minor panels as required.
90	24Vdc Digital Output Circuits	25,689	0	6	City staff requested that all control digital output circuits be 24vDC to match the 24vDC input signals as required by the DB Agreement. The City requested this to prevent potential signal interference. FBV had planned to use 120vAC digital outputs as the DB Agreement only stipulated the 24vDC signals on inputs (not outputs). This could potentially cause signal interferences and various control system disruptions. This item was disputed by the City as matching input and output signals is a design standard for some design firms (including Carollo). As part of negotiations the City elected to accept the proposed costs which include additional relays and power supply units in various Motor Control Centers (power distribution panels) for the 24Vdc PLC digital circuits being added.
91	Equipment Color (Tnemec 32GR Light Gray)	12,500	0	6	City staff requested that a standard color be established for all manufactured equipment, piping, etc., including for all field applied coatings. This is being implemented so that plant staff only need to maintain supply of one coating color, to simplify coating spot repairs during normal maintenance. The selected color is Tnemec 32R Light Gray or equal. FBV coordinated and made requests to each equipment supplier to change their standard or typical factory color to the Tnemec Light Gray or equal. Some supplier had costs impacts for the equipment color change.

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92	West Cut-Slope Soil Slip Reactivation (2021)	825,300	0	6	On January 28, 2021, the previous cut-slope landslide area reactivated during a major storm. The DB team has performed extensive site investigation, and develop preliminary remediation drawings, and submitted total costs in the amount of \$825,300 to address the known conditions. The remediation scope of work includes: removal and stockpiling of approximately 17,000 cy of loose material to the mapped slip plane, benching into competent native subgrade material, installing a subdrain system at each bench with drainage to surface, placement and compaction of \$17,000+ cy of engineered fill, surface contours to enhance precipitation run-off, concrete v-ditches to divert run-off from the areas, and the installation of two inclinometer for future monitoring by the City (monitoring not included).
93	NEMA 4X Electrical Enclosures	40,000	0	6	The City is requiring that all exterior electrical enclosures be NEMA 4X type. FBV submitted costs in the amount of \$97K to provide the NEMA 4X enclosures. The City does not agree with the contractual merits of this cost request. The City's contention is that the DB Agreement calls for all exterior and exposed electrical and control enclosures are to be NEMA 4X rated. FBV has argued that their intention, and the approved IFC design documents indicate reasonable alternatives to NEMA 4X. The City and FBV have agreed to the settlement amount noted herein and all applicable panels will be NEMA 4X rated.
94	Security System Revisions	25,659	0	6	The City requested the following improvements to the facility security system: add one exterior security camera to enhance coverage of the facility grounds (6 other cameras already in design), add door detectors and motion sensors at the RO Bldg, Storage Shed, Electrical Bldg (detectors and sensors at Ops Bldg and Maint Bldg are already in design). FBV submitted costs in the amount of \$25K and the City is agreeable to the proposed amount.
96	January 2021 Storm Event (1-26 thru 1-29)	40,195	7	6	FBV has submitted costs in the amount of \$40K for actual expenditures associated with the January 2021 major storm (8"+ of precipitation in 48 hours). The work included: actual labor, equipment, and materials to prepare for the storm, maintain the site during the storm while work was otherwise shutdown, and significant post storm efforts to clean and repair storm drain facilities, repair damaged embankments, and repair other erosional damage. The DB Agreement stipulates that "storms" are compensable Force Majeure events. As part of the settlement, City and FBV agree to amend the DB Agreement in that only non-compensable time extensions will be requested by FBV, and/or granted by the City, for any future weather related delay or impact.
97	Hydroseeding Soil & Coverage	25,932	0	8	FBV is reimbursed for additional expenditures related to providing hydroseeding and associated SWPPP and temporary irrigation for the soil slip area.
98	Materials Testing & Inspection (3rd Party)	143,120	0	7	Filanc-Black&Veath (FBV) is reimbursed for costs associated with 3rd party materials testing and special inspections. Under previous Amendment #3, FBV and the City agreed "... All 3rd party testing and inspection shall be provided by FBV up to \$200,000. Anything in excess of \$200,000 shall be borne by the City". This change amount is based on actual applicable testing and inspection costs above \$200,000.
100	Add Thin-Client Licenses and Work Station	17,229	0	7	FBV is reimbursed and compensated for extra work associated with additional Control System elements as follows: (1) Add a thin client workstation in the Maintenance Building, including thin client machine with keyboard and mouse, currently there is just a 42" monitor; and (2) Add two additional Wonderware Supervisory Client License w/ Historian Client and one (1) Dell Wyse 570 Thin Client w/ Windows Server.
101	COVID-19 Related Material Cost Escalation	48,744	0	7	FBV is reimbursed for extra costs associated with COVID-19 material cost escalations from EDI (air diffusers), Jensen Precast (vaults and manholes), Miltimore Tile (bathroom tile), Pacific Acoustics (ceiling tiles) and S&M Fire (fire protection systems). FBV is requesting this material cost escalation reimbursement beyond normal yearly inflation statistics based on terms included in Design-Build Agreement between the City and FBV.
102	City Requested SCADA Screen Revisions	60,000	0	7	FBV is reimbursed for extra work associated with the following City requested SCADA screen upgrades: City and FBV screen development subcontractor shall meet to agree on upgrades to the control screen features, then screen development subcontractor shall implement City preferences including screen readability, graphics use, color use, layout of equipment, use of navigational features, etc. This change item also includes costs for similar modifications to control screens provided by equipment vendors to match the new standard, and costs for two additional empty SCADA server racks in Operations Building for the City's future use.

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103	SRF Reimbursement Request Requirements	119,319	0	8	FBV is reimbursed for additional expenditures to assist the City with monthly billing information required for SRF funding, i.e. preparing a separate SRF formatted billing along with cost breakdown as per designated SRF categories, and provide all invoices. This task is performed on a monthly basis with FBV's payment application. Also includes costs to prepare an SRF formatted reconciliation breakdown for Pay Applications 1 to 31.
105	WRF Monument Entry Sign Modifications	23,738	0	7	
106	Add Wash Rack Grease and Sand Interceptor	35,287	0	8	FBV is reimbursed for additional expenditures to provide and install a grease and sand interceptor facility at the WRF Wash Rack (vehicle wash bay) as requested by City staff to match normal developer requirements. This includes an additional underground multiple chamber vault and underground piping modifications.
107	Vactor Unloading Facility Revisions	38,880	0	8	FBV is reimbursed for additional expenditures to provide and install vactor unloading station modifications requested by City staff, including procure and install two (2) 10' section of concrete k-rail with stainless steel brackets, fabrication and installation of stainless steel sluice gate within vactor trench drain, and installation of concrete weir wall in the downstream sewer manhole.
108	Defer SEED PLANT Milestone and Commission	750,000	187	8	FBV is reimbursed for additional expenditures related to deferring the planned seed plant activity from early July 2022 to early October 2022 (3 months) including, revising sequencing and coordination expenses, deferred maintenance period expenses through October 4, 2022, commissioning inefficiencies and remobilization expenses, extended overhead and added site expenses through October 4, 2022, increased cost for Builders Risk insurance, and allowed mark-ups and fees.
109	Procurement of Teletruck for City Staff	74,562	0	7	FBV is reimbursed for the procurement of a JCB Teletruck from Central California Power for City staff use after the project. Details of the purchase are encompassed in the quote dated 2/7/22 from Central California Power (JBC Dealer) to the City of Morro Bay (Stock Order/Serial No:3405218 - Model 30G4x4 CON).
110	Chem Facility Fencing Revisions	24,767	0	7	FBV is reimbursed for extra work associated with modifying the chain link fencing enclosure at Chemical Facility as per the City's direction. The changes entails widening 6 each double swing gates that had already been installed at each chemical bay. The work required removal of existing fence posts, fencing, and anchors, patching of concrete, re-installation of gate posts, and procurement, delivery, and installation of new wider gate panels (12 total).
113	Modify H2O SCADA Screen for RO System	13,264	0	7	FBV is reimbursed for extra work associated with the following City requested SCADA screen upgrades: City and RO System supplier (H2O Innovations) agreed on upgrades to the screens, and H2O Innovations provided additional RO System SCADA screen re-work so that color use and terminologies match the other project SCADA screens.
114	RO/UV Building Insulation (Disputed)	32,025	0	7	FBV was directed on 3/3/22 to provide wall and ceiling insulation at Building 16, Storage Shed and Building 50, RO/UV Facility. The City's directive was based upon an ICC Inspection Report dated 10/22/21, from a Certified Deputy Inspector for Code compliance, stating "the R.O. Building has heating, but no insulation at this time, but per Title 24 should be insulated." FBV considered this outside the original GMP scope and submitted original costs of approximately \$109K on 5/2/22. On 7/28/22, FBV notified the City that the materials had been purchased and submitted a cost of \$32,025 for insulation materials. Because the City and FBV disagree on whether the installation is included in the GMP, the City has agreed to take possession of the insulation materials until the installation cost matter has been resolved. Materials are currently stored on site.
117	Water Main Connection on Teresa Road	37,503	0	7	FBV is reimbursed for extra work associated with providing and additional length of 18" water line piping, fittings, and gate valve for the new WRF City Water service connection. FBV had originally assumed their connection would be near the edge of pavement on Teresa Road. The final installation includes additional trenching, piping, fittings, and a valve extended to a connection point in the center of Teresa Road. This change also includes installing temporary piping and appurtenances to obtain construction water for the project site until the final connection is completed.

No.	Item	Approved Amount (\$)	Cal Days	Amendment No.	Description
118	Fine Screen LOTO Capability (Disputed)	26,905	0	7	FBV is reimbursed for work associated with changes to the fine screens control panel and power feed that will facilitate safe and proper Lockout/Tagout procedures as follows: (1) Relocate flow meter transmitter 180 degrees from current position adjacent to fine screens vendor LCP to make room for new enclosures/equipment. (2) Remove fine screens and conveyor starters, circuit breakers, load monitors, and control wiring. (3) Relocate starters, circuit breakers, load monitors, and control wiring to new individual enclosures for each fine screen and conveyor. (4) Install one 480V main fused disconnect switch for local shutdown of existing 480V circuit. (5) Install one 480V fused disconnect on each new starter enclosure for individual load shutdown. Three individual 480V circuits will tap off of existing 480V circuit per NEC tap rule. (6) Install new 120V circuit from electrical building electrical panel, through local plant control panel, and terminate in vendor LCP for new control power. (7) Remove vendor control power transformer and re-wire door switch. (8) Install galvanized anchor based stand and kickers to support new enclosures. (9) Modify vendor LCP shroud to install conduits for extending new 480V power conductors and 120V control wiring. (10). Energize and test.
119	Credit for Chemicals Supplied by City	(141,972)	0	7	The City is credited back and reimbursed for process facility chemicals to be purchased and supplied by the City rather than FBV as was otherwise required by the Design Build Agreement.
120	Seed Sludge Maintenance Period	133,784		9	The claim includes staff time and site overhead expenses (reasonable for 7 day delay period), plus costs to truck sewage from WWTP to WRC, and other expenses. It was City/Carollo decision to defer the WRC commissioning until 10/10/22, and Carollo/City agreed on October 6 that this change was compensable.
121	Credit for Alternate Frog Barrier (Alum. Top Lip)	(12,000)	0	8	The City is reimbursed for the cost reduction to provide install an aluminum anti-climbing lip at the top of the HDPE frog barrier rather than FRP, which will provide a longer lifespan (over 30 years compared to the 10 to 20 year estimate for FRP).
125	Total Chlorine Analyzer at Dechlor Facility	46,146	0	9	The cost proposal includes an Electricraft/TSI invoice and FBV field labor/equipment costs to install systems including new sample line. Cost appear reasonable based on cursory review. City staff have disputed this item citing permit requirements for CHL monitoring at Dechlor. FBV design engineer has disagreed.
128	Granite Material Escalation	63,432	0	9	FBV has received a claim letter from Granite Construction in the amount of \$55,966 for material and labor price escalation. The claim includes the Granite claim amount plus normal FBV mark-ups.
132.2	Add'l Paving at WRC Entrance	53,929	0	9	In a previous amendment FBV provided a \$16K credit for deleted paving that Anvil would complete including a 4" thick zone & 1.5" overlay zone. FBV portion of paving was found to be defective so the paving scope (and \$16K) is being returned to FBV. Remaining costs are disputed (included in FBV scope).
133	Rancher Gate	2,825	0	9	The work was requested by City/ConfluenceES. Costs appear to be reasonable and are tentatively recommended.
134	UV Sample Line and UVT Analyzer	37,345	0	9	The added work was required by State DDW, and assumed to have been directed by the City. Costs appear to be reasonable and are tentatively recommended.
<b>TOTAL</b>		<b>\$11,189,814</b>	<b>202</b>		

## Appendix F

# ANVIL AMENDMENT DETAILS



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 001**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** October 12, 2021      **Project Manager:** Gary Silveira

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
1	SHPO Delay (35 days no dig moratorium)	REG	\$ 443,000.00	40 Days
2	Add 2 Each 10-in Valves and 10-in Tee	CR1	\$ 23,498.00	0 Days
3	PS-B MAS-Relay Pump Protection Module per DC-01	CR1	\$ 13,477.00	0 Days
4	PS-A & PS-B Conduit Changes per DC-02	CR1	\$ 6,436.00	0 Days
7	Extend Waterline Relocation from Sta 71+00 to Sta 77+43	DSC	\$ 131,096.00	0 Days
12	CA-SLO-2232H Work Interruptions from Stat 147 to Sta 150	REG	\$ 56,978.00	0 Days
NET CHANGE ORDER ADJUSTMENT			\$ 674,485.00	40 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ -
Previous Contract Amount	\$ 31,493,675.00
Adjustments by this Change Order	\$ 674,485.00
New Contract Amount	\$ 32,168,160.00

CURRENT FINAL COMPLETION DATE	2/22/2022
Extension Days s (Calendar)	40 Days
NEW FINAL COMPLETION	4/3/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order.

When signed by the Owner and Construction Manager and received by Contractor, this document becomes effective IMMEDIATELY, and the Contractor shall proceed with the change(s) described above.

ACCEPTED  
 Anvil Builders Inc.  
 Contractor (Company Name)  
 \_\_\_\_\_  
 (Authorized Signature) (Date)  
 Gary Silveira - Project Manager  
 (Print Name and Title)

APPROVED  
 Carollo Engineers Inc  
 Construction Manager  
 \_\_\_\_\_  
 Authorized Signature (Date)  
 Paul Amico - Project Manager  
 (Print Name and Title)

ACCEPTED  
 City of Morro Bay  
 Owner  
 \_\_\_\_\_  
 Authorized Signature (Date)  
 Scott Collins - City Manager  
 (Print Name and Title)



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 001**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** October 12, 2021

PCO #	TILE	DESCRIPTION OF CHANGE	Reason For Change
1	SHPO Delay	Project NTP was issued on 12-14-20. Based on a notification from SHPO, a stop work order was issued by the City on 2-16-21 restricting Anvil from conducting any ground-disturbing activities. Upon resolution of SHPO concerns, Anvil was allowed to begin most project ground-disturbing activities on 3-15-21 (35 calendar days later). This issue arose from the Section 3 Consultation between EPA and SHPO required as part of the City's WIFIA loan. The process included submittal of a Monitoring Plan to EPA that SHPO needed to approve before any ground-disturbing activities could begin. The Monitoring Plan was submitted to EPA on 10-3-2020, and EPA sent the document to SHPO in early November 2020. SHPO has a statutory requirement to provide a response within 30 days. EPA received SHPO comments in February 2021, past the 30 day limit. Under the regulations, EPA and the City could have moved forward since the statutory 30 day requirement was not met. However, EPA was not willing to do so. Consequently, the City was not approved by SHPO to move forward with any ground disturbing activities until 3-15-2021. Anvil subsequently filed a delay claim and time impact analysis resulting in this change order.	REG
2	Add 2 Each 10-in Valves and 10-in Tee	Anvil exposed the existing Waterline near Sta 121+30 as required to relocate the line per Contract. The existing piping configuration was discovered to be different from what was shown on the as-built drawings. After a review, City staff concluded that a new 10" Valve and 10" Tee fitting were needed to replace the existing piping configuration. This change will increase the reliability and operability of the water distribution system.	CR1
3	PS-B MAS Pump Relay Module per DC-01	The electrical Design Engineer issued Clarification No. 1 on 3-12-2021, indicating that the Pump Station B Pumps have been provided with a different pump protection system than shown in the design. The conduit and wire changes are required to incorporate the pump protection module. As a result conduit/wiring revisions were necessary at PS-B on Drawings 20-E-02, 03, 04, 05, 08 & and 20-I-01.	CR1
4	PS-A & PS-B Conduit Changes per DC-02	The electrical Design Engineer issued Clarification No. 2 on 4-19-2021, indicating that isolation of AC and DC signals is desired to prevent potential signal interferences. The following revisions will isolate the AC signals from the DC signals. As a result conduit/wiring revisions were necessary at PS-A on Drawings 10-E-3, 10-E-6, and 10-E-7, and at PS-B on Drawings 20-E-4, 20-E-5, 20-E-8, and 20-E-9.	CR1
7	Extend 12" RO Waterline Relocation	The original Contract includes relocating an existing 12" Waterline on Quintana between Sta 77+43 and Sta 82+05, due to the waterline being in conflict with the main Joint trench. Anvil's trenching crew on Quintana encountered the waterline entering the main Joint Trench alignment at Sta 73+50. After additional potholing, the City decided to extend the water line relocation back to Sta 71+00 (adding approximately 643 LF of waterline relocation).	DSC
12	CA-SLO-2232H Work Interruptions	Trenching operations on Quintana Rd near South Bay Blvd (Sta 147 to Sta 150) was significantly impacted by two known archaeological sites (CA-SLO-2232/H and CA-SLO-1183), one of which contains recently discovered human burials. This area needed to have excavations treated differently in that direct loading of trucks was not allowed without first confirming the soil was negative for resources or remains. These instruction were provided and enforced by State mandated archeological and tribal monitors assigned to the project.	REG

**REASON FOR CHANGE CODES**

**CR1:** City requested (required)

**CR2:** City requested (Optional)

**E&O:** Design Error or Omission

**ABI:** Anvil request / claim item

**DSC:** Differing Site Conditions

**REG:** Regulatory Agency Item



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 002**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** January 11, 2022      **Project Manager:** Matt Scholfield

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
9	SoCal Gas Delays and Disruptions	ABI	\$ 43,017.00	0 Days
22	6-Inch Waterline Relocation at Pump Station A	DCS	\$ 20,147.00	0 Days
23	Miscellaneous Unforeseen Utility Work	DSC	\$ 27,198.00	0 Days
27	MTBM Delays and Disruptions - Claim Resolution	ABI	\$ 111,161.00	0 Days
28	SLO County APCD Generator Mandates – Procurements	REG	\$ 301,703.00	0 Days
34	Bike Path Jack & Bore Concrete Debris Obstruction	DSC	\$ 84,276.00	0 Days
NET CHANGE ORDER ADJUSTMENT			\$ 587,502.00	0 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ 674,485.00
Previous Contract Amount	\$ 32,168,160.00
Adjustments by this Change Order	\$ 587,502.00
Change Order to Date	\$ 1,261,987.00
New Contract Amount	\$ 32,755,662.00

CURRENT FINAL COMPLETION DATE	4/3/2022
Extension Days (Calendar)	0 Days
NEW FINAL COMPLETION	4/3/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order.

ACCEPTED

Anvil Builders Inc.

Contractor (Company Name)

(Authorized Signature)

(Date)

Matt Scholfield

(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

Authorized Signature

(Date)

Steve Mimiaga - Construction Mngr.

(Print Name and Title)



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 002**

<b>Project: WRF Lift Stations and OffSite Pipelines Project</b>			
<b>Contractor: Anvil Builders, Inc.</b>			
<b>Date: January 11, 2022</b>			
<b>PCO</b>	<b>TILE</b>	<b>DESCRIPTION OF CHANGE</b>	<b>Reason For Change</b>
9	SoCal Gas Delays and Disruptions	The project's joint trench, containing multiple pipelines, parallels an existing 16" diameter SoCal Gas high pressure gas main for nearly the entire alignment along Quintana Road. SoCal Gas requires a representative to be on site during all digging activities as well as other work activities occurring within 10 ft of the high pressure gas main (i.e. that could potentially damage or otherwise impact the main). There have been several occurrences where the SoCal Gas representative did not show up for scheduled assignments, which prevented Anvil from performing contract work and/or progressing the joint trench. In these cases Anvil's entire crew was forced to literally stand-by and wait for the SoCal Gas representative to arrive. The City/Carollo have spent considerable time and effort to coordinate between Anvil and SoCal Gas to improve communication and cooperation, but nevertheless, Anvil was negatively impacted on the following days: 5/3/21 for 2 hours, 5/17/21 for 2.5 hours, 5/18/21 for 3 hours, 6/3/21 for 2 hours, 6/17/21 for 2.5 hours for 2 different crews, 8/10/21 for 4 hours.	ABI
22	6" Waterline Relocation at Pump Sta. A	New Pump Station A is located on City property at the City's existing corporation yard on Atascadero Road. As part of the site preparation and demolition work at Pump Station A, an unknown 6" Waterline was discovered and needed to be relocated to construct the pump station. The extra work included potholing and locating the unknown utility, trenching and installation of new by-pass piping, pressure testing and disinfection of the relocated waterline, backfill and other site work.	DSC
23	Miscellaneous Unforeseen Utility Work	During the project work to date, the below noted miscellaneous unforeseen minor utility work was required for contract work to proceed. The following items are acknowledged as unforeseen conditions and as such warrant reimbursement of verified extra costs: (1) potholing unmarked utility at Pump Station A on 5/3/21, (2) emergency work to recover trench caving due to adjacent utilities from Sta 71+75 to Sta 71+85 on 6/13/21, (3) excavating around unmarked 4" (asbestos) Waterline at Sta 146+00 on 7/8/21, (4) Anvil crew standby time during potholing of incorrectly marked telephone conduit on 8/5/21, (5) unknown and unmarked Sanitary Sewer crossing at Sta 88+50, line was struck and repaired on 8/6/21, (6) potholing unknown and unmarked Sanitary Sewer lines on 8/9/21, and (7) unknown and unmarked Sanitary Sewer crossing at Sta 90+50, line was struck and repaired on 8/23/21.	DSC
27	MTBM Delays and Disruptions Claim Resolution	Anvil and their Microtunnel Boring Machine (MTBM) subcontractor, Vadnais Trenchless Services (Vadnais) encountered several unknown utilities, potential obstructions, and differing soil conditions along the MTBM alignment below the Morro Bay Roundabout, including complete equipment stoppages at approximately Sta 98+50 and Sta 98+65. Anvil's subcontractor (Vadnais) claimed delay and equipment standby time for these equipment stoppages that lasted over 8 weeks. During the 8 weeks of work stoppage, Anvil excavated and shored two separate 23 ft deep emergency recovery shafts to clear the apparent obstructions from in front of the MTBM cutting head. However, no actual obstruction was found, located, or confirmed during the recovery shaft excavations. Subsequently, the MTBM casing pipe installation was completed without further incidents. Anvil and Vadnais provided notifications of potential costs under PCO #14 and PCO #27 in excessive \$500,000 for the Vadnais equipment downtime, Vadnais loss of crew efficiencies, and for the cost of the two recovery shafts by Anvil. The City initially denied the claim for stoppages at Sta 98+50 and Sta 98+65, as no obstruction was found. The City does not dispute the other costs related to unknown utilities noted herein. After several meetings between the City, Carollo, Anvil, and Vadnais, a claim settlement was reached in the amount of \$111,161, wherein all other costs and impacts associated with both PCO #14 and PCO #27, are waived or otherwise agreed upon for the final lump sum amount noted herein.	ABI
28	SLO County APCD Emergency Generator Mandates – Procurements	On 9/24/21, the City received a Notice of Incomplete Applications from SLO County Air Pollution Control District (APCD), pursuant to the Pump Station A emergency generator and the Pump Station B emergency generator. It is City staff understanding that both generators were in compliance with APCD requirements at the time of Bid Opening in 2020. However, in late 2020, APCD rules were revised causing the two generators to now need retrofitted emissions reduction components to attain APCD compliance and approval. APCD is now also requiring Health Risk Assessments (HRAs) for both pump station sites which Carollo is undertaking via specialty subconsultant. This change order encompasses the below noted initial known costs for emissions reduction components, however it is acknowledged that there will be a subsequent change order for additional structural, mechanical, electrical, and sitework revisions necessary to implement the changes. This change order includes costs for the following assumed necessary procurement items: At Pump Station A add a Diesel Particulate Filter (DPF); and at Pump Station B add the DPF, plus Selective Catalytic Reduction (SCR) and Diesel Oxidation Catalysts (DOC) technologies.	REG
34	Bike Path Jack & Bore Concrete Debris Obstruction	On 11/11/21, about 3 pm, Anvil and their jack & bore subcontractor (Pacific Boring) encountered a concrete obstruction in the path of the 60" casing pipe. Anvil and Pacific Boring were immediately instructed to suspend the jack & bore mechanical operation and hand excavate to investigate and confirm the size and extent of the concrete obstruction. For the following 6 consecutive days (including Saturday 11/13/21 and Sunday 11/14/21), Anvil and Pacific Boring worked 8 to 10 hour shifts to hand excavate and jack hammer out the concrete obstruction, while simultaneously advancing the casing pipe about 20 ft using the hydraulic jacking equipment. On 11/18/21, the obstruction was cleared and Pacific Boring resumed normal jack & bore operations, finishing the casing installation the same day. Note that the obstruction appears to be an old Caltrans culvert structure from the original CA Route 1 highway. Also note that the jack & bore work through jurisdictional wetlands needed to proceed without delay, working through the weekend, in order to meet a California Department of Fish and Wildlife (CDFW) mandate for the tunnel to be completed by 11/19/21.	DSC

**REASON FOR CHANGE CODES**  
**CR1:** City requested (required)  
**CR2:** City requested (Optional)  
**E&O:** Design Error or Omission  
**ABI:** Anvil request / claim item  
**DSC:** Differing Site Conditions  
**REG:** Regulatory Agency Item



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 003**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** March 22, 2022      **Project Manager:** Chris Fassari

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
8	Additional Project Signage Costs	CR2	\$ 9,196.00	0 Days
9.2	SoCal Gas Delays and Disruptions (Part 2)	ABI	\$ 20,750.00	0 Days
13.1	CA-SLO-16 Work Revisions (Time Extension)	REG	\$ -	153 Days
16	Reroute Joint Trench below State Waterline at 121+75	DSC	\$ 144,616.00	0 Days
20	Pothole Utilities for WRF Pilot Injection Well Layout	CR2	\$ 15,291.00	0 Days
32	Broken Waterline at Quintana Road and Kings Avenue	ABI	\$ 6,198.00	0 Days
39	Cultural Monitor Extra Work at MTBM Launch Pit	DSC	\$ 45,266.00	0 Days
NET CHANGE ORDER ADJUSTMENT			\$ 241,317.00	153 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ 1,261,987.00
Previous Contract Amount	\$ 32,755,662.00
Adjustments by this Change Order	\$ 241,317.00
Change Order to Date	\$ 1,503,304.00
New Contract Amount	\$ 32,996,979.00

CURRENT FINAL COMPLETION DATE	4/3/2022
Extension Days (Calendar)	153 Days
NEW FINAL COMPLETION	9/3/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order.

ACCEPTED

Anvil Builders Inc.

Contractor (Company Name)

(Authorized Signature)

(Date)

Chris Fassari

(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

Authorized Signature

(Date)

Steve Mimiaga - Construction Mngr.

(Print Name and Title)



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 003**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** March 22, 2022

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
8	Additional Project Signage Costs	The original contract included a \$5,000 allowance for additional signage not shown on the plans or required by the specifications. Anvil has exhausted this original budget responding to signage requests from City staff to date. This change order item provides reimbursement of Anvil costs to date to provide additional signage, including custom signs, above the \$5,000 allowance as directed by the City. These additional signs are deemed necessary for public safety, public information, enhanced traffic flow, and/or to enhance access to businesses open during construction.	CR2
9.2	SoCal Gas Delays and Disruptions (Part 2)	The project's joint trench, containing multiple pipelines, parallels an existing 16" diameter SoCal Gas high pressure gas main for nearly the entire alignment along Quintana Road. SoCal Gas requires a representative to be on site during all digging activities as well as other work activities occurring within 10 ft of the high pressure gas main (i.e. that could potentially damage or otherwise impact the main). There have been several occurrences where the SoCal Gas representative did not show up for scheduled assignments, which prevented Anvil from performing contract work and/or progressing the joint trench. In these cases Anvil's entire crew was forced to literally stand-by and wait for the SoCal Gas representative to arrive. The City/Carollo have spent considerable time and effort to coordinate between Anvil and SoCal Gas to improve communication and cooperation, but nevertheless, Anvil was negatively impacted on the following days: 8/25/21 for 2 hours, 8/26/21 for 3.5 hours, 9/16/21 for 1.5 hours, 10/7/21 for 2 hours. This is the second change order to reimburse Anvil for SoCal Gas monitor disruptions, the previous change order amount was \$43,017.00.	ABI
13.1	CA-SLO-16 Work Revisions (Time Extension)	Anvil is provided a 153 day non-compensable time extension due to impacts caused by SHPO mandated work restriction at the Morro Creek Utility Bridge, based on the following analysis and terms: Per Anvil's approved Baseline Schedule, the Utility Bridge was to start Feb 1, 2021 with 23 days of float. Per Anvil's Feb 2022 Update, the Utility Bridge was actually started Feb 24, 2022, now with 153 days of negative float (delay). It is acknowledged that SHPO restrictions prevented Anvil from starting any work at the Utility Bridge prior to Feb 24, 2022. It is acknowledged that the on-going (thru March 2022) archeologist supervised work on site, required by SHPO, continues to impact Anvil's schedule. Direct cost impacts resulting from these circumstances are being tracked separately from this analysis. Anvil is provided the 153 calendar day non-compensable time extension at this time based on the applicable Critical Path Schedule Update negative float duration discuss herein above. Anvil has submitted a Time Impact Analysis requesting 201 calendar days. Anvil and the City agree to allow Anvil to seek additional time extensions if warranted in the future when the full extent of this on-going impact is known. The current Contract completion date is 4/3/2022 (through Amendment No. 3). With 153 calendar days added, the new Contract Completion Date will be Sept 3, 2022. The City currently views the SHPO restrictions at Utility Bridge as concurrent with other Anvil caused delays (i.e. the Pump Station A Electrical Building currently has 164 days of negative float). As such the City considers this delay as non-compensable at this time (no extended overhead merit). Similar to above, Anvil and the City agree to allow Anvil the opportunity to present substantiating documentation of extended overhead merit in the future when the full extent of this on-going impact is known.	REG
16	Reroute Joint Trench below State Waterline at 121+75	Prior to starting the Joint Trench excavation near Sta 121+75, an existing 10" State Waterline was marked incorrectly in the field by the pipeline operator. Anvil excavated (potholed) the pipeline at the location marked in the field to verify its position. The State Waterline was not found at the marked location. The pipeline operator re-marked the line again in the field, this time where shown on the Contract Drawings at Sta 121+75. A pipeline was located at this location and the pipeline operators confirmed the line as the correct pipe in the field. Anvil then began excavating the 8-ft wide by 10-ft deep Joint Trench through the area. While excavating the Joint Trench, Anvil discovered another existing pipeline running adjacent to and below the pipe previously identified as the State Waterline shown on the plans. The pipeline operator subsequently confirmed that the adjacent lower pipe was actually the State Waterline to be protected in place. This caused Anvil to have to move back, re-excavate, and deepen the Joint Trench excavation from 10 ft to approximately 14 ft deep. This would allow the Joint Trench pipelines to pass below the lower pipe with required DDW clearances. In doing so, Anvil was also required to provide additional trench shoring measures and trench dewatering for the deeper trench; then Anvil encountered additional difficulties and inefficiencies installing the Joint Trench pipelines in the deeper trench, with additional groundwater, with increased soil instabilities, and additional shoring to work around, etc. Anvil was subsequently required to also provide additional Controlled Low Strength Material (CLSM) backfill and then additional select fill compaction as well. Anvil's pipe installation operation was significantly impacted over the period from 8/4/21 to 8/16/21.	DSC
20	Pothole Utilities for WRF Pilot Injection Well Layout	Anvil provided additional potholing and utility locating at the request of the City, near Anvil's stockpile and staging area on Vistra property (along Bike Path). This additional potholing and utility locating was required to determine the best location and layout for the future Pilot Injection Well to be installed under a separate City contract, as part of the Recycled Water facilities associated with the Morro Bay "Our Water" program. At the City's direction, Anvil contacted Underground Service Alert (USA), had the area underground utilities marked by utility owners, potholed several critical utilities, backfilled and restored the area, and provided resulting survey data to the City.	CR2



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 003**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** March 22, 2022

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
32	Broken Waterline at Quintana Road and Kings Avenue	On Saturday, 10/29/21, City of Morro Bay staff observed a waterline leak where the waterline crosses the Anvil trench in the intersection of Quintana Road at Kings Avenue. The City subsequently confirmed that a 6" Water line, made of Transite (AC) pipe, had deflected and come apart just beyond Anvil's trench line. Anvil had been working in this intersection the previous week and there was strong indication that Anvil activities caused the line brake. Anvil indicated their position that they have no reason to assume they caused the water line break. The City has no reason to believe that the rupture would have occurred if not for Anvil trenching across and backfilling around the existing pipe. After additional discussion and negotiation it was agreed that the City would pay a portion of the Anvil crew expenses for repairs. The settlement amount is less than half of Anvil actual costs. Note that City staff also incurred costs for various activities including temporary repairs made when the leak was first discovered.	ABI
39	Cultural Monitor Extra Work at MTBM Launch Pit	Trenching operations just north of the Microtunnel launch pit on Quintana Road near the Morro Bay Blvd Roundabout (Sta 94 to Sta 95) was significantly impacted by a known archaeological site. Anvil work was significantly impacted by instructions provided and enforced by State mandated archeological and tribal monitors assigned to the project. During trenching in the subject area, all excavated spoils were treated differently in that direct loading of trucks was not allowed without first confirming the soil was negative for resources or remains, by hand investigations performed by the archeological and tribal monitors. Anvil's trenching and shoring operation was significantly impacted over the period from 10/21/21 to 11/8/21.	DSC

**REASON FOR CHANGE CODES**  
**CR1:** City requested (required)  
**CR2:** City requested (Optional)  
**E&O:** Design Error or Omission  
**ABI:** Anvil request / claim item  
**DSC:** Differing Site Conditions  
**REG:** Regulatory Agency Item



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 004**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** June 14, 2022      **Project Manager:** Chris Fassari

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
11	Reroute IPR and Water Line Below Sta. 144 Culvert	DSC	\$ 103,893.00	0 Days
19	Remove City's Existing Desalination Iron Media Tank	CR2	\$ 54,189.00	0 Days
28.1	SLO County APCD Generator Mandates (Rescind)	REG	\$ (301,703.00)	0 Days
33	Paving Repairs Near Todd's Garage	CR2	\$ 6,895.00	0 Days
41	Unknown Cementitious Subgrade at South Bay Blvd	DSC	\$ 26,600.00	0 Days
42	Unknown Conduits at South Bay Blvd and Quintana Road	DSC	\$ 7,788.00	0 Days
49	Vistra/PG&E Easements Unknown Extra Work Items	DSC	\$ 48,273.00	0 Days
NET CHANGE ORDER ADJUSTMENT			\$ (54,065.00)	0 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ 1,503,304.00
Previous Contract Amount	\$ 32,996,979.00
Adjustments by this Change Order	\$ (54,065.00)
Change Order to Date	\$ 1,449,239.00
New Contract Amount	\$ 32,942,914.00

CURRENT FINAL COMPLETION DATE	9/3/2022
Extension Days (Calendar)	0 Days
NEW FINAL COMPLETION	9/3/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order (EXCEPT AS NOTED IN ITEM 13.1 HEREIN WHEREIN DELAY IMPACTS ARE ON-GOING).

ACCEPTED

Anvil Builders Inc.

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Contractor (Company Name)

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(Authorized Signature) (Date)

Chris Fassari

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(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

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Authorized Signature (Date)

Steve Mimiaga - Construction Mngr.

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(Print Name and Title)



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 004**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** June 14, 2022

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
11	Reroute IPR and Water Line Below Sta. 144 Culvert	The original design called for the IPR and Waterline relocation in this area to be placed above the existing stormwater culvert. After the trench was excavated, it was discovered that there was insufficient soil cover over the existing culvert to allow the IPR and Waterline to be installed over the top per Drawings. Consequently, these pipelines needed to be routed under the culvert, which increased the depth of excavations from 2 ft to 8 ft at Sta 143+99, thereby also increasing requirements for trench shoring, excavated spoils, backfill and compaction, , and potential groundwater management, between Sta 142+95 and Sta 144+95. Reference RFI #52.	DSC
19	Remove City's Existing Desalination Iron Media Tank	The City requested a quote from Anvil to remove and dispose of the existing Desalination Iron Media Tank (horizontal pressure filter) located east of Pump Station A, along Atascadero Rd. Anvils quote includes removal of the tank, tank supports, and air vacs atop the tank. Bid includes the removal of a max. of 20 CY of concrete inside the tank. Bid is based on the steel tank weighing a maximum of 55,000 lbs (once concrete is removed). Anvil will remove and replace the existing chain link with barbed wire fence; 50 LF max. Removal of adjacent piping and appurtenances (air-vacs, anchor bolts, etc.) is not included in this work.	CR2
28.1	SLO County APCD Generator Mandates (Rescind)	On 9/24/21, the City received a Notice of Incomplete Applications from SLO County Air Pollution Control District (APCD), pursuant to the Pump Station A emergency generator and the Pump Station B emergency generator. The City subsequently completed and submitted Health Risk Assessments (HRAs) at each Pump Station, as was required by APCD as part of their Notice of Incomplete Applications. After submission of the HRAs, APCD reversed its initial determination and accepted both generators without modifications. As such, the City and Anvil agree to rescind the associated previous change order for added (assumed) emissions control devices included in Amendment No. 2. Reference PCO #28.	REG
33	Paving Repairs Near Todd's Garage	The City requested that Anvil repair existing failing pavement in the City right-of-way adjacent to Anvil's Joint Trench excavation. It was determined that the damaged asphalt was not the fault of Anvil operations but rather the on-going inclement weather and existing deteriorated pavement conditions. This occurred near Todd's Garage at 972 Quintana Rd, Morro Bay. The area was re-paved 12/10/2021.	CR2
41	Unknown Cementitious Subgrade at South Bay Blvd	During Joint Trench and IPR excavation work on South Bay Blvd, the Contractor encountered cement-treated aggregate base-rock material below the existing pavement. This cementitious base material required additional effort and expenses in mechanical removal work and subsequent off-site disposal (material was not re-useable as backfill). This extra work warrants reimbursement of verified extra costs including documented labor, equipment, and other expenses on 2/1/2022, 2/3/2022, 2/4/2022, 2/5/2022, 2/10/2022, 2/11/2022, and 2/14/2022.	DSC
42	Unknown Conduits at South Bay Blvd and Quintana	During Joint Trench excavation work near the South Bay Blvd and Quintana Road intersection, the Contractor encountered and damaged unknown existing conduits which required additional effort and expenses to hand-dig around and repair. This extra work warrants reimbursement of verified extra costs including documented labor, equipment, and other expenses on 1/25/2022. The conduits were not shown on the plans or claimed by any known utility owner.	DSC
49	Vistra/PG&E Easements Unknown Extra Work Items	During the project work within PG&E/Vistra easements to date, the below noted miscellaneous unforeseen minor utility work was required for contract work to proceed. The following items are acknowledged as unforeseen conditions and as such warrant reimbursement of verified extra costs: (1) Excavate "test percolation ponds" at City request along Bike Path on 2/16/2022, (2) Unknown utilities encountered from Sta 53+00 to Sta 54+00 which impacted production on 2/16/2022, (3) Installation of exclusionary fencing along LS-2 as required by SHPO on 2/23/2022, (4) Potholing LS-2 alignment for unknown utilities not shown on plans but marked by utility companies on 3/7/2022, (5) Unforeseen concrete slab not shown on plans along LS-2 alignment impacting production on 3/22/2022, (6) Excavate around utilities not marked on plans along LS-2 alignment, 8 utilities total, between 3/17/2022 and 3/31/2022, (7) Sawcut, remove, and stockpile unknown concrete slab at Sta 21+00 of LS-2 alignment on 3/30/2022, and (8) Excavate and install 4" pipe and fittings to re-route existing Vistra waterline above LS-2 force main pipe on 4/6/2022.	DSC

**REASON FOR CHANGE CODES**  
**CR1:** City requested (required)  
**CR2:** City requested (Optional)  
**E&O:** Design Error or Omission  
**ABI:** Anvil request / claim item  
**DSC:** Differing Site Conditions  
**REG:** Regulatory Agency Item



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 005**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** August 23, 2022      **Project Manager:** Chris Fassari

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
13	Utility Bridge Abutment Changes	REG	\$ 500,000.00	60 Days
17	Add Tracer Wire, Ground Rods, Terminal Stations	CR2	\$ 108,521.00	0 Days
25	Construction Cost Escalation Increases from Vendors	DSC	\$ 292,000.00	0 Days
50	DSC at South Bay & Teresa (Utilities & Bedrock)	DSC	\$ 210,000.00	0 Days
52	High Level Switch Alarm Termination at Utility Bridge	CR1	\$ 8,743.00	0 Days
61	City Sales Tax Increase During Project	DSC	\$ 134,403.00	0 Days
NET CHANGE ORDER ADJUSTMENT			\$ 1,253,667.00	60 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00	CURRENT FINAL COMPLETION DATE	9/3/2022
Previous Change Orders	\$ 1,449,239.00	Extension Days (Calendar)	60 Days
Previous Contract Amount	\$ 32,942,914.00	NEW FINAL COMPLETION	11/2/2022
Adjustments by this Change Order	\$ 1,253,667.00		
Change Order to Date	\$ 2,702,906.00		
New Contract Amount	\$ 34,196,581.00		

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order (EXCEPT AS NOTED IN ITEM 13.1 HEREIN WHEREIN DELAY IMPACTS ARE ON-GOING).

ACCEPTED

Anvil Builders Inc.

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Contractor (Company Name)

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(Authorized Signature) (Date)

Chris Fassari

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(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

 8/23/2022

Authorized Signature (Date)

Steve Mimiaga - Construction Mngr.

(Print Name and Title)



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 005**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** August 23, 2022

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
13	Utility Bridge Abutment Changes	Anvil is reimbursed and compensated for extra work associated with SHPO mandated work revisions including: (1) revising trenching and finish grade requirements between Atascadero Road and the North Bridge Abutment, (2) revised slide rail shoring at both Bridge Abutment excavations, (3) mandated dewatering systems regardless of groundwater level/status, (3) and Archeologist supervised excavations with severely impacted excavation operations throughout the entire CA-SLO-16 zone. Anvil is provided a 60 day non-compensable time extension through 11/2/2022. Anvil and the City agree to allow Anvil to present substantiating documentation of associated extended overhead impacts for incorporation in a future Amendment.	REG
17	Add Tracer Wire, Ground Rods, Terminal Stations	Anvil is reimbursed and compensated for extra work associated with adding Tracer Wire on all project pipelines that are not located in a Joint Trench. This includes: 7 segments of IPR line, 2 segments of BR line, and 4 segments of Relocated Waterlines. Anvil shall provide Tracer Wire starting and/or ending terminals (Tracer Wire Test Stations per Std Det 2060 and Ground Rods per Std Det 16410). Anvil shall also provide Tracer Wire Test Stations at approximately 500' intervals throughout all associated tracer wire systems.	CR2
25	Construction Cost Escalation Increases from Vendors	Anvil is reimbursed and compensated for construction cost escalation increases from specific vendors resulting from the unprecedented COVID-19 caused inflation. The reimbursement is based on several specific vendors including: Aegion for special HDPE fusing, P&F Distributors for piping materials, Big Wakoo for fencing, Pacific Steel Group for rebar, R&B for construction materials, David Crye for trucking, JB Dewar for diesel fuel, and SC Fuels for diesel fuel. The compensation amount represents a 50/50 settlement split with Anvil.	DSC
50	DSC at South Bay & Teresa (Utilities & Bedrock)	Anvil is reimbursed and compensated for extra work associated with differing site conditions (DSC) encountered while installing project pipelines through the intersection of South Bay Blvd and Teresa Road including significant impacts for unknown bedrock over about 100-ft of trenching. This change item also includes impacts for utility conflicts encountered including for AT&T, SoCal Gas, State Water, City Water, and City Sewer. This change item also includes costs to remove and replace segments of existing City Sewer pipe and City Water pipe that were in poor condition and failing due to the adjacent bedrock excavation operations.	DSC
52	High Level Switch Alarm Termination at Utility Bridge	Anvil is reimbursed and compensated for extra work associated with eliminating the PLC at the Utility Bridge. The PLC only operated a flood sensor. The flood sensor will now be connected to the PLC at Pump Station A via added twisted shielded pair (control wire) running in one of the innerducts in the 4" FO conduit. The purchased PLC, solar panel, and other related equipment will be provided to the City as spare parts.	CR1
61	City Sales Tax Increase During Project	Anvil is reimbursed and compensated for extra costs associated with the City raising local Sales Tax by 1% effective 4/1/2021, essentially just after Anvil started working on the project. This settlement amount is calculated to reflect 1% of all goods and materials purchased within the City and delivered to the site.	DSC

**REASON FOR CHANGE CODES**  
**CR1:** City requested (required)  
**CR2:** City requested (Optional)  
**E&O:** Design Error or Omission  
**ABI:** Anvil request / claim item  
**DSC:** Differing Site Conditions  
**REG:** Regulatory Agency Item



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 006**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** November 29, 2022      **Project Manager:** Brett Bennett

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)	
26	Relocate 12" City RO Waterline at Sta 87+00	DSC	\$ 130,452.00	6	Days
31	Existing Storm Drains Collapse at Sta 63+97	DSC	\$ 7,389.00	2	
35	Existing RO Brine Line Discharge to WRF Outfall	REG	\$ 200,000.00	12	Days
36	DDW Initiated Realignment btwn Sta 99 and Sta 116	REG	\$ 82,892.00	2	
37	Restoration of Quintana Near Kings during Inclement Weather	DSC	\$ 13,000.00		
45	Atascadero BR and Joint Trench Realignments	DSC	\$ 34,023.00		
53	Pump Station B Grading and Drainage Revisions	E&O	\$ 65,102.00	5	Days
55	200 LF Fused 4" HDPE for City Emergency Leak Response	CR2	\$ 1,338.00		
57	Add FCA Restraint Rods and Lugs at Pump Stations	E&O	\$ 47,647.00		
58	Change Wet Well Piping Fit-up Bolts to 316SS (RFI 122)	CR2	\$ 9,963.00		
59	Pump Station A Retaining Wall Revision to Detail 1	E&O	\$ 20,837.00		
68	Waterline Breaks on Atascadero Road near Hwy 1	DSC	\$ 34,120.00	2	
<b>NET CHANGE ORDER ADJUSTMENT</b>			<b>\$ 646,763.00</b>	<b>29 Days</b>	

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00	CURRENT FINAL COMPLETION DATE	11/2/2022
Previous Change Orders	\$ 2,702,906.00	Extension Days (Calendar)	29 Days
Previous Contract Amount	\$ 34,196,581.00	NEW FINAL COMPLETION	12/1/2022
Adjustments by this Change Order	\$ 646,763.00		
Change Order to Date	\$ 3,349,669.00		
New Contract Amount	\$ 34,843,344.00		

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order (EXCEPT AS NOTED IN ITEM 13.1 HEREIN WHEREIN DELAY IMPACTS ARE ON-GOING).

ACCEPTED

Anvil Builders Inc.

Contractor (Company Name)

*[Signature]*      12/01/2022  
 (Authorized Signature)      (Date)

Brett Bennett      PM

(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

\_\_\_\_\_  
 Authorized Signature      (Date)

Steve Mimiaga - Construction Mngr.

(Print Name and Title)



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 006**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** November 29, 2022

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
26	Relocate 12" City RO Waterline at Sta 87+00	Anvil is reimbursed for extra work to relocate 12" City RO Waterline from Sta 85+90 to Sta 88+00, including potholing, saw cutting, trench excavation from Sta 85+90 to 88+00, installing waterline and backfill, hydrostatic testing, chlorinating, flushing, sampling/testing for BACT, placing concrete kickers for 45-degree elbows at tie-ins, and temporary paving. The relocation work was necessary to provide minimum clearance between the existing waterline and new parallel sewer lines.	DSC
31	Existing Storm Drains Collapse at Sta 63+97	Anvil is reimbursed for extra work to repair collapsed storm drain at Sta 64+00, including excavating damaged storm drain, installation of new SD pipe, placement of CLSM backfill, backfilling and temporary paving.	DSC
35	Existing RO Brine Line Discharge to WRF Outfall	Anvil is reimbursed for extra work related to the City's groundwater RO facility, including re-routing RO concentrate to the existing Air Relief Structure (Ocean Outfall), setting a new 48" sewer diversion manhole near RO Bldg and connecting a new 12" SS to new influent manhole, upsizing new sewer from 8" to 12" (noted above) from added 48" sewer diversion manhole to new influent manhole, installing new 6" RO flush line across Pump Station A site to retaining wall penetration and Cam-Lok (for flushing emergency storage tanks), deleting 6" flush line and vaults shown on Contract Drawings, connecting to existing re-purposed Desal Feed line for new RO discharge (from RO Bldg), and connecting new 6" ROC line to the existing Air relief Structure (Ocean Outfall).	REG
36	DDW Initiated Realignment btwn Sta 100 and Sta 116	Anvil is reimbursed for extra work to relocate or sleeve existing utilities located too close to new Sewer Force Mains and/or the IPR line as determined by the State of California Department of Drinking Water (DDW), including at Stations 100+56, 108+20, 113+52, and 115+52. The work includes potholing in advance of the work, saw cutting and excavating existing utilities to be relocated or sleeved, installing new piping and/or sleeve casing pipes, backfilling, compacting, and temporary paving.	REG
37	Restoration of Quintana Near Kings during Inclement Weather	Anvil is reimbursed for extra work to temporarily restore pavement on Quintana Road near Kings Avenue after an inclement weather event. The work included placement of CLSM backfill in a low area, installation, and maintenance of temporary cold mix asphalt. Temporary repairs were requested by City staff for public safety.	DSC
45	Atascadero BR and Joint Trench Realignments	Anvil is reimbursed for extra work to mitigate and realign the joint trench on Atascadero Road due to potential conflicts with existing utilities and to mitigate the narrow road leaving minimal space for traffic control devices on paved surfacing. Anvil extra work included, confirming the location of existing parallel waterlines by potholing, confirming the vertical clearance between the revised joint trench and all known crossing waterlines, confirming no conflict with other adjacent and crossing utilities, and paint marking in the field, the edges (sawcut lines) of Anvil's proposed Joint Trench for City staff review.	DSC
53	Pump Station Grading and Drainage Revisions	Anvil is reimbursed for extra work to correct grading and drainage issues at Pump Station B as noted in RFI #162, including adding various grade changes, grade breaks, and elevation adjustments throughout the pump station site, adding a concrete curb around the Electrical Building, and adding a concrete valley gutter, drain inlet, and curb drain to allow precipitation runoff to leave the site and flow into the existing Main Street storm drain system.	E&O

55	200 LF Fused 4" HDPE for City Emergency Leak Response	Anvil is reimbursed for extra work to provide 200 LF fused 4-in HDPE for City use in their emergency response to a leak below Route-1 near Cloisters Park. This work is not otherwise related to the Anvil Pipelines and Pump Stations project.	CR2
57	Add FCA Restraint Rods and Lugs at Pump Stations	Anvil is reimbursed for extra work to furnish and install restraint rods and lugs at all flange coupling adapters (FCAs) at each pump station. This includes 6 each FCAs at Pump Station A and 6 each FCAs at Pump Station B. Without these restraint rods the FCAs could come apart and/or leak during high pressure conditions for the noted above grade portions of pump station discharge piping.	E&O
58	Change Wet Well Piping Fit-up Bolts to 316SS (RFI 122)	Anvil is reimbursed for extra work to furnish and Install stainless steel flange bolts for all flanged piping connections within wastewater wet wells at both Pump Station A and Pump Station B. The specified carbon steel bolts would have a significantly shorter service life.	CR2
59	Pump Station A Retaining Wall Revision to Detail 1	Anvil is reimbursed for extra work to increase the size of the pump station site retaining wall and concrete footing, and to add steps in the wall/footing as required. The extra work includes increasing the size of the reinforced concrete footing and changing the CMU blocks from 8" to 10" for additional structural strength. The work also includes adding 3 steps in the wall to accommodate planned finish grading at Pump Station A.	E&O
68	Waterline Breaks on Atascadero Road near Hwy 1	Anvil is reimbursed for extra work to repair a broken existing City waterline that failed during Anvil's work near Sta 26+75, which ceased crew work and diverted resources to repair the failed waterline. The work includes saw cutting and excavating the existing waterline, installing new piping and repair couplings, backfilling, compacting, and temporary paving. The extra work occurred mostly after hours on June 7, 2022.	DSC

**REASON FOR CHANGE CODES**

**CR1:** City requested (required)

**CR2:** City requested (Optional)

**E&O:** Design Error or Omission

**ABJ:** Anvil request / claim item

**DSC:** Differing Site Conditions

**REG:** Regulatory Agency Item



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 007**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:** February 28, 2023      **Project Manager:** ~~Chris Fassari~~ *Brett Bennett*

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)	
5	Pump Station A Excavation NPDES Dewatering Permit	REG	\$ 55,856.00	0	Days
8	Additional Project Signage Costs	CR1	\$ 3,856.00	0	Days
23.1	Miscellaneous Unforeseen Utility Work (Part 2)	DSC	\$ 17,949.00	0	Days
66	Repair Leaking City Waterline at North Abutment	CR1	\$ 10,958.00	0	Days
75	Additional Bollards Required by PG&E at Pump Stations	REG	\$ 15,013.00	0	Days
78	Change 1-in. AIR-DR Piping to Stainless Steel (DC #35)	CR1	\$ 16,839.00	0	Days
80	Repair Existing Leaking RO Line at PS-A Site (Pre-Existing Leak)	CR1	\$ 4,499.00	0	Days
NET CHANGE ORDER ADJUSTMENT			\$ 124,970.00	0 Days	

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ 3,349,669.00
Previous Contract Amount	\$ 34,843,344.00
Adjustments by this Change Order	\$ 124,970.00
Change Order to Date	\$ 3,474,639.00
New Contract Amount	\$ 34,968,314.00

CURRENT FINAL COMPLETION DATE	12/1/2022
Extension Days (Calendar)	0 Days
NEW FINAL COMPLETION	12/1/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order (EXCEPT AS NOTED IN ITEM 13.1 HEREIN WHEREIN DELAY IMPACTS ARE ON-GOING).

ACCEPTED

Anvil Builders Inc.

Contractor (Company Name)

*Brett Bennett*      3/15/2023  
 (Authorized Signature)      (Date)

Chris Fassari *Brett Bennett, PM*  
 (Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.

Construction Manager

\_\_\_\_\_  
 Authorized Signature      (Date)

Steve Mimiaga - Construction Mngr.

(Print Name and Title)



**City of Morro Bay**  
**Water Reclamation Facility**  
**Lift Stations and Offsite Pipelines Project**  
**CHANGE ORDER 007**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:** February 28, 2023

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
5	Pump Station A Excavation NPDES Dewatering Permit	The Contract permitted Anvil to discharge groundwater from the Pump Station A excavation into the sanitary sewer. The City later determined that the dewatering discharge could adversely affect the existing WWTP. The City obtained a permit from the Regional Board to discharge to the City's existing RO discharge outfall. The discharge permit required an extensive sampling and testing program, which Anvil is being reimbursed for. The costs also include added temporary piping and added shoring rental costs for the month or so while the City obtained the new discharge permit.	REG
8	Additional Project Signage Costs	The original contract included a \$5,000 allowance for additional signage not shown on the plans. Anvil exhausted this original budget responding to signage requests from City staff. Anvil also was reimbursed under previous PCO 8.1 for added signage through 2021. This PCO 8.2 provides reimbursement of Anvil costs during 2022 to provide signage requested by the City, including custom signs. These additional signs are deemed necessary for public safety, public information, improved traffic flow, and/or to enhance access to businesses open during construction.	CR1
23	Miscellaneous Unforeseen Utility Work (Part 2)	During project work to date, the below noted miscellaneous unforeseen minor utility work was required for Contract work to proceed. The following items are acknowledged as unforeseen conditions and as such warrant reimbursement of verified extra costs: (1) IPR pipe minimum cover determination delay and standby time on 6/29/22; (2) locating unknown underground utilities requested/required by SoCal Gas on 7/28/22 and 7/29/22; and (3) delay costs and repair costs from an existing unknown and unmarked 2" waterline broken by Anvil on Kennedy Way on 8/30/22.	DSC
66	Repair Leaking City Waterline at North Abutment	On 9/20/22, Anvil staff observed at ground level a waterline leak where the waterline crosses Anvil's work area near the Morro Creek Utility Bridge north abutment. The City subsequently confirmed that a City Water line, made of Transite (AC) pipe, was leaking. Anvil crews excavated the pipeline, located the leak, and repaired the leak at the City's request. It is not believed that Anvil activities caused the leak.	CR1
75	Additional Bollards Required by PG&E at Pump Stations	The Contract Drawings indicate an arrangement of steel bollards filled with concrete surrounding the new PG&E transformer equipment at both Pump Station A and Pump Station B. The bollards are intended to prevent vehicular traffic from coming in contact with the transformer equipment (for human safety and equipment protection). During site inspections by PG&E staff in advance of installing the new transformers, PG&E required that Anvil increase the number of bollards at both Pump Stations. Anvil is seeking reimbursement for this added work not shown on the Contract Drawings.	REG
78	Change 1-in. AIR-DR Piping to Stainless Steel (DC #35)	The Contract Drawings indicate 1" piping between each pump station discharge pipe assembly and the adjacent wet well below. Each Pump Station as 3 pumps and 3 discharge pipe assemblies with various instruments and appurtatances. Each discharge assemble also includes a 1" pipe with ball valve leading back to the adjacent wet well. This pipe can be used to release trapped air or drain sewage back to the wet well. The Contract Drawings call for Sch 40 PVC piping. During start-up one of these 1" pipe assembles failed on high pressure. The City subsequently directed Anvil to replace all 6 1" pipe assemblies with 316 Stainless Steel piping, fittings, and valves.	CR1
80	Repair Existing Leaking RO Line at PS-A Site (Pre-Existing Leak)	On 11/18/22, Anvil and City staff observed at ground level an apparent waterline leak on site at Pump Station A. The City subsequently confirmed that it was the City's existing RO brine discharge line leading to the ocean discharge. Anvil crews excavated the pipeline, located the leak, and repaired the leak at the City's request. The leak is confirmed to be pre-existing and not caused by Anvil activities.	CR1

**REASON FOR CHANGE CODES**

**CR1:** City requested (required)

**CR2:** City requested (Optional)

**E&O:** Design Error or Omission

**ABI:** Anvil request / claim item

**DSC:** Differing Site Conditions

**REG:** Regulatory Agency Item



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 008**

**Project:** WRF Lift Stations and OffSite Pipelines Project      **Contractor:** Anvil Builders, Inc.  
**Date:**      **Project Manager:** Chris Fassari

Upon mutual acceptance and execution of this document by the City of Morro Bay (City) and Anvil Builders, Inc. (Contractor), Contractor is hereby directed to make the following changes for the consideration set forth below:

See following page(s) for Descriptions and Reasons for Change

PCO #	DESCRIPTION	Reason For Change	Amount	Contract Time (Calendar Days)
30.1	Bike Path Joint Trench and Waterline Re-Design		\$ 5,635.00	Days
33.1.1	Paving Limit Revisions		\$ 537,118.00	Days
47	Steel Casings on the Morro Creek Pipe Bridge		\$ 99,587.00	Days
52.2	High Level Switch Alarm Termination at Utility Bridge		\$ 28,627.00	Days
56	Fiber Optic Design Revisions and Upgrades		\$ 134,605.00	Days
64	Existing Lift Station 3 Connection and Utility Conflicts		\$ 71,000.00	Days
65	Relocate New Diversion Manhole and Replace Existing Manhole		\$ 296,404.00	Days
67	Waterline Replacement Conflicts near Mortuary		\$ 86,171.00	Days
69	Tie-in HDPE Lines at WRC		\$ 18,705.00	Days
71	Reroute Sewage Back to the Old Plant on 10/11		\$ 59,642.00	Days
73	Guide Rail Modifications at Wet Wells		\$ 32,756.00	Days
82.2	Additional Flatwork Concrete (Quantity Overruns)		\$ 62,920.00	Days
83	Existing Waterline Replacement at Pump Station A		\$ 117,664.00	Days
84	Disputed Caltrans R/W Restoration Costs		\$ 10,885.00	Days
86	Transport FPVC Pipe to WRC Site		\$ 1,770.00	Days
89.1	Fencing Modifications		\$ 33,980.00	Days
90	PS-A & PS-B VFD Auto-Reset due to Power Voltage Drops		\$ 12,392.00	Days
94	Standby Excavator at Morro Creek for Rain Event		\$ 8,402.00	Days
96	Raise F.O. Box at FBV Paving Error		\$ 5,029.00	Days
98	Credit for Deleting 36-inch Storm Drain relocation		\$ (207,000.00)	Days
			\$ 1,416,292.00	0 Days

ORIGINAL CONTRACT AMOUNT	\$ 31,493,675.00
Previous Change Orders	\$ 3,474,639.00
Previous Contract Amount	\$ 34,968,314.00
Adjustments by this Change Order	\$ 1,416,292.00
Change Order to Date	\$ 4,890,931.00
New Contract Amount	\$ 36,384,606.00

CURRENT FINAL COMPLETION DATE	12/1/2022
Extension Days (Calendar)	0 Days
NEW FINAL COMPLETION	12/1/2022

Acceptance of this Change Order constitutes an agreement between the City and Contractor, and the work is to be performed subject to the same terms and conditions as are contained in the Agreement with Contractor and for work on the above-mentioned project.

By signature of this Change Order, the Contractor acknowledges that the adjustments to the Contract Cost and Time contained in the Change Order are in full satisfaction and accord and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by this Change Order (EXCEPT AS NOTED IN ITEM 13.1 HEREIN WHEREIN DELAY IMPACTS ARE ON-GOING).

ACCEPTED

Anvil Builders Inc.  
Contractor (Company Name)

(Authorized Signature) (Date)  
Chris Fassari  
(Print Name and Title)

When signed by the Construction Manager, and upon execution of source document Amendment by City Council, this document becomes effective IMMEDIATELY, and Contractor shall proceed with the change(s) described above.

APPROVED

Carollo Engineers Inc / MEG Inc.  
Construction Manager

\_\_\_\_\_  
Authorized Signature (Date)  
Steve Mimiaga - Construction Mngr.  
(Print Name and Title)



**City of Morro Bay  
Water Reclamation Facility  
Lift Stations and Offsite Pipelines Project  
CHANGE ORDER 008**

**Project:** WRF Lift Stations and OffSite Pipelines Project

**Contractor:** Anvil Builders, Inc.

**Date:**

PCO	TILE	DESCRIPTION OF CHANGE	Reason For Change
30	Bike Path Joint Trench and Waterline Re-Designs	At the City's request and direction, Anvil subcontracted with Firma Consultants to undertake several landscaping design tasks associated with restoring landscaping along the City's Bike Path from Morro Creek to Camp Willow Creek. These task included preparing a 50% design plan to revegetate the area, add possible decomposed granite path, add bench areas, add rural fencing, add irrigation systems, and other possible improvements.	
33.1.1	Paving Limit Restrictions	This item includes paving quantities paid under Bid Items 61, 62, and 63 in excess of the quantities included in the original contract documents. It also includes grinding existing pavement and placing new pavement on the north side of Quintana between Las Tunas and La Loma, digging out and replacing saturated subgrade at Quintana and Kings Ave, and paving the LS-2 force main alignment in the City's easement on the Vistra property.	
47	Steel Casing on Morro Creek Pipe Bridge	The Design Engineer inadvertently specified a casing size too small to fit the carrier pipe joint restraints, to address the situation Anvil was directed to delete the Brine Line D.I.P. carrier pipe and accommodate flow in the field coated steel casing pipe, and the FM1 and FM2 carrier pipes were downsized to fit in the casing. This resulted in Anvil reduced costs for deleted and downsized carrier pipes, and increased costs for added necessary fittings at each bridge abutment. Carollo has rejected costs and consider cost items to be offsetting due to the reduced cost for carrier pipes and Anvil's initial error in failing to factory coat the interior of casing pipes.	
52.2	High Level Switch Alarm Termination at Utility Bridge	Change initiated by City to change from solar powered telemetry to direct PLC wiring to PS-A. The costs under PCO 52 (previously approved) and PCO 52.1 (current item) appear to be reasonable. The original PLC and solar power equipment have been provided to the City.	
56	Fiber Optic Design Revisions and Upgrades	The City's SCADA integrator JSP Automation recommended the City implement multiple fiber option network revisions and upgrades beyond what was included in the original contract, and the City agreed with the recommendations. The changes encompassed multiple equipment components and communication protocols at essentially all locations on the project, including the WRC, Pump Station A, Pump Station B, existing Lift Stations, and at the City's point of connection with City existing network.	
64	Existing Lift Station 3 Connection and Utility Conflicts	Several existing utility conflicts were identified after Anvil potholed existing utilities near the existing Lift Station 3 (LS-3) to confirm the utility locations shown on the drawings. These conflicts were due to inaccurate record drawing information or the discovery of unmapped utilities and resulted in the need for the original LS-3 connection design to be modified to route the connections over existing pipes, causing hydraulic high points in the parallel branch connection lines. These high points required the addition of extra pipe fittings, two sewer-rated combination air/vacuum release (CAV) valves, and a vault to house the added CAVs. Approximately \$50K in standby equipment was removed from Anvil's original request.	
65	Relocate New Diversion Manhole and Replace Existing Manhole	Several existing utility conflicts were identified after Anvil potholed existing utilities at the location of the Pump Station A diversion manhole to confirm the utility locations shown on the drawings. These conflicts included existing electrical and communications conduits and were due to inaccurate record drawing information or the discovery of unmapped utilities. An existing adjacent manhole that was designed to remain in place was also discovered to be in substandard and failing condition. Consequently, the City and designer concluded it would be beneficial to relocate the new diversion manhole to the location of the existing failing manhole and replace it. Constructing the new diversion manhole in this location was valuable for the long-term even though it complicated construction and included constructing a cast-in-place concrete manhole base rather than utilizing the pre-cast base specified in the original design, because it allowed the City to replace a failing manhole on a critical sewer line. Approximately \$41K was removed from Anvil's original request.	

67	Waterline Replacement Conflicts near Mortuary	Several existing utility conflicts and a buried concrete wing wall were identified after Anvil potholed existing utilities near 1401 Quintana Road to confirm the utility locations shown on the drawings. These conflicts included a communications conduit and the wing wall associated with the State-owned arched culvert at Station 144+00 and were due to inaccurate record drawing information or the discovery of unmapped utilities. Anvil needed to excavate carefully around these conflicts and re-route the new 10" waterline replacement in this area to avoid the existing conflicts. The majority of extra costs are associated with potholing and discovering the limits of the buried unknown wing wall.	
69	Tie-in HDPE Lines at WRC	Anvil's contract included making the pipeline and fiber optic connections between the Conveyance Facilities and WRC projects near the WRC entrance on Theresa Dr. While Anvil was attempting to connect pipelines, small quantities of test water continued to flow from the WRC on-site piping, and making the connections requires the pipelines to be completely dry. It took several days for FBV to identify and close valves and stop the nuisance water from flowing into the connections, and Anvil incurred additional costs for the delay and to deal with the water before it was stopped.	
71	Reroute Sewage Back to the Old Plant on November 11, 2022	During WRC startup, FBV determined that the new WRC treatment process was at risk for failure and wastewater flow needed to be routed back to the City's existing WWTP so the treatment biology could be re-seeded and wastewater flow introduced at a slower rate. Consequently, Anvil needed to reinstall the plug in the diversion manhole near Pump Station A and reestablish the sewer bypass at that location. This item includes the costs for standby equipment rental, trench shoring rental, crash barriers, fencing, and road plates, and it also includes labor and materials for plugging the diversion manhole and reinstating the bypass.	
73	Guide Rail Modifications at Wet Wells	The Design Engineer issued Design Clarification No. 32 to modify submersible pump guide rails at both Pump Station A and Pump Station B wet wells. Due to space constraints in the pump station wet wells, the 3 submersible pumps needed to be re-positioned in each wet well, and the pump guide rails no longer aligned with the edge of the hatch opening above (as designed). Consequently, it was necessary to re-design and modify the guide rail top mounting bracket using off-set knee bracing and other added structural supports. This item includes labor and materials to implement the design change.	
82.2	Additional Flatworks Concrete	The Contract Drawings specifically indicate the removal and replacement of existing concrete flatwork (sidewalks, curb, gutters, etc.) in multiple locations adjacent to the new work associated with the project. Additional areas of adjacent concrete was identified during punchlist development to have been impacted by Anvil's work, but wasn't specifically identified in the contract drawings. There are also quantities included in this PCO for sidewalks adjacent to prior-approved changes in contract work that required repair or replacement due to changes in the scope of work.	
83	Existing Waterline Replacement at Pump Station A	The construction of Pump Station A required an extensive shoring and groundwater dewatering system. The large, shored area was directly adjacent to an existing 6" transite City water main. During the project, the City was concerned that the shoring and dewatering operation would undermine and impact the existing water line, so the City added isolation valves on each side of the shoring, and closed those valves to isolate the segment of water main for over a year. Recently the City re-pressurized the line and found it to be leaking in several locations. Anvil has been directed to replace about 210' of waterline at their expense including various fittings and appurtenances, and Anvil has disputed that they are responsible for this water main replacement.	
84	Disputed Caltrans Right-of-Way Restoration Costs	Anvil issued Request for Information (RFI) #305 regarding Caltrans requested/directed restoration work that Anvil believes is beyond the Contract scope. These items include (1) additional 2' wide strip of aggregate shoulder backing along the Atascadero Road S/B on-ramp; (2) additional fiber roll erosion control for the slope along the Atascadero Road S/B on-ramp; and (3) additional compost sock or fiber roll be added to the bottom (toe) of the slope along the Atascadero Road S/B on-ramp.	
86	Transport FPVC to WRC Site	The City directed Anvil to transport unused FPVC pipe to be stored at the WRC site for futher use. The contract did not specifically require this and Anvil incurred labor and fuel costs to transport and unload the pipe at the new WRC.	
89.1	Fencing Modifications	This item includes Anvil labor, equipment, and material cost to replace existing fencing that was necessary to be removed to complete project work, but not specifically identified on the contract drawings. It is paid under a contract bid item and is for additional quantity beyond what was included in the bid.	

90	PS-A and PS-B VFD Auto-Reset due to Power Voltage Drops	After commissioning both PS-A and PS-B, PG&E power voltage drops during inclement weather caused several pump motor VFD faults. After attempting to adjust VFD settings, the City directed Anvil to add a remote auto-resets for the VFDs, including adding programming by the City's SCADA integrator and the required field wiring so City operations staff do not have to physically respond to the faults as shutdown emergencies.	
94	Standby Excavator at Morro Creek for Rain Event	Not related to the project work, and as an emergency standby during a forecasted major storm event on March 9 and 10, the City requested Anvil to provide a Cat 315 excavator and operator on standby to clear debris from under the Main St bridge should it be determined that the debris could cause or contribute to flooding in this area. This item includes equipment mobilization and demobilization costs, daily standby costs, and equipment and labor cost.	
96	Raise Fiber Optic Box at FBV Paving Error	This work includes demolishing existing asphalt concrete around a newly installed fiber optic box and raising the fiber optic box lid to the appropriate grade. The asphalt was removed due in part to FBV laying asphalt at the incorrect grade at the WRC entrance. Work also included pouring a concrete collar around the fiber optic box.	
98	Credit for Deleting 36-inch Storm Drain relocation	Bid Item 44 calls for the relocation of a 36-inch storm drain property to the northeast of the roundabout. Currently at the location of Anvil's field office. This work was removed from Anvil's contract at the direction of the City.	

**REASON FOR CHANGE CODES**

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