

City of Morro Bay

City Council Agenda

Mission Statement

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

REGULAR MEETING TUESDAY, MAY 10, 2016 VETERANS MEMORIAL HALL - 6:00 P.M. 209 SURF ST., MORRO BAY, CA

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

PUBLIC PRESENTATIONS

“Bike to Work on May 20, 2016!” Peter Williamson, Employer Outreach Coordinator, SLOCOG

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.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Mayor, please come forward to the podium and state your name and city of residence for the record. Comments are to be limited to three minutes.
- All remarks shall 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.

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 FROM THE APRIL 26, 2016 SPECIAL CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-2 APPROVAL OF MINUTES FROM THE APRIL 26, 2016 CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-3 APPROVAL OF MINUTES FROM THE APRIL 28, 2016 SPECIAL CLOSED SESSION CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-4 STATUS REPORT OF A MAJOR MAINTENANCE & REPAIR PLAN (MMRP) FOR THE EXISTING WASTEWATER TREATMENT PLANT; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

- A-5 APPROVAL OF COMMERCIAL LEASE WITH KEN AND MARK MCMILLAN, DBA DISTASIO'S ON THE BAY RESTAURANT, FOR CITY-OWNED PROPERTY AT 781 MARKET AVENUE; (ADMINISTRATIVE SERVICES)

RECOMMENDATION: Approve as submitted.

- A-6 APPROVAL OF RADIO REPEATER USER AGREEMENT WITH DYNEGY MORRO BAY, LLC; (CITY ATTORNEY)

RECOMMENDATION: Approve as submitted.

- A-7 APPROVAL OF PICKLEBALL PROGRAM MANAGEMENT AGREEMENT WITH MORRO BAY SENIOR CITIZENS, INC.; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-8 ADOPTION OF RESOLUTION NO. 30-16 AMENDING THE COUNCIL POLICIES AND PROCEDURES REGARDING MEETING GUIDELINES AND PROCEDURES, AND INCORPORATING RESOLUTION NO. 70-15 ADOPTED IN NOVEMBER 2015; (ADMINISTRATION)

RECOMMENDATION: Adopt Resolution No. 30-16.

- A-9 APPROVAL OF FY17 ADVISORY BODY WORK PLANS BASED ON COUNCIL-ADOPTED GOALS AND OBJECTIVES; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-10 ADOPT RESOLUTION NO. 35-16 AUTHORIZING STAFF TO SUBMIT A GRANT APPLICATION FOR COASTAL COMMISSION ROUND 3 GRANT FUNDING; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Adopt Resolution No. 35-16.

B. PUBLIC HEARINGS

B-1 ADOPT RESOLUTION NO. 33-16 APPROVING THE ENGINEER'S REPORT; DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE CLOISTERS LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT FOR FY 2016/17; AND SETTING A PUBLIC HEARING TO CONSIDER THAT LEVY; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 33-16.

B-2 ADOPT RESOLUTION NO. 34-16 APPROVING THE ENGINEER'S REPORT; DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT FOR FY 2016/17 AND SETTING A PUBLIC HEARING TO CONSIDER THAT LEVY; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 34-16.

C. BUSINESS ITEMS

C-1 STATE WATER HISTORY AND STATUS; (PUBLIC WORKS)

RECOMMENDATION: Receive report and provide direction to staff regarding future action.

C-2 UPDATE ON POTENTIAL WATER RECLAMATION FACILITY SITES AND PUBLIC OUTREACH EFFORTS; (PUBLIC WORKS)

RECOMMENDATION: Receive and consider updates.

C-3 ADOPT RESOLUTION NO. 36-16 RESCINDING RESOLUTION NO. 18-14 AND UPDATING THE CITY OF MORRO BAY'S PARTNERSHIP POLICY AND PROVIDE DIRECTION REGARDING A CO-SPONSORSHIP POLICY; (ADMINISTRATION)

RECOMMENDATION: Adopt Resolution No. 36-16 and provide direction to staff regarding a Co-Sponsorship Policy.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, May 24, 2016 at 6:00 pm** at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

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 FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 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 AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.

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 THAT REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – APRIL 26, 2016
MORRO BAY VETERAN’S HALL
209 SURF STREET – 4:00 P.M.

PRESENT:	Jamie Irons	Mayor
	John Headding	Councilmember
	Matt Makowetski	Councilmember
	Noah Smukler	Councilmember - <i>arrived at 4:05pm</i>
ABSENT:	Christine Johnson	Councilmember
STAFF:	Dave Buckingham	City Manager
	Joe Pannone	City Attorney
	Dana Swanson	City Clerk
	Sam Taylor	Deputy City Manager
	Susan Slayton	Administrative Services Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Manager
	Eric Endersby	Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Irons established a quorum and called the meeting to order at 4:02pm, with Councilmembers Headding and Makowetski present. Councilmember Smukler joined the meeting at 4:05pm.

PUBLIC COMMENT RE: ITEMS ON THE AGENDA

<https://youtu.be/qfbslyVoApk?t=1m1s>

Barbara Doerr, Morro Bay, suggested vacation rentals for secondary dwellings, affordable housing, and ball fields for kids be added to advisory board work plans. She urged the Council to make economic development of the power plant property an immediate priority.

Dana McClish, Morro Bay resident and member of the Harbor Advisory Board, restated the Board’s goal to keep the Harbor Department intact and support for maintaining a working waterfront. He also urged the Council to trust the Harbor Advisory Board’s business experience and local knowledge.

The public comment period was closed.

SPECIAL MEETING AGENDA ITEM:

- I. APPROVAL OF FY17 ADVISORY BOARD WORK PLANS BASED ON COUNCIL-ADOPTED GOALS AND OBJECTIVES
<https://youtu.be/qfbslyVoApk?t=6m39s>

Staff provided a brief review of the proposed work plans for each of the following advisory boards and responded to Council inquiries.

Public Works Advisory Board (PWAB)

No changes were made to the PWAB work plan.

Planning Commission

The Council confirmed a discussion of vacation rentals is forthcoming and affordable housing incentives will be included in the Housing Element policy update.

Citizens Oversight / Citizens Finance Committee (CFAC)

No changes were made to the CFAC work plan.

Harbor Advisory Board (HAB)

The Council directed staff to add three items to the Harbor Advisory Board work plan: 1) research current fishing monitoring regulations and their effect on the local fishing fleet, identify path to initiate change to local regulations and bring those recommendations to Council; 2) research and bring to Council a definition and/or draft policy of what a working waterfront is and the process to attain that designation; and 3) continued support for eelgrass monitoring and mitigation.

Recreation and Parks Commission (RPC)

As previously discussed, prioritization of capital projects for park improvements should be added to the work plan.

Tourism Business Improvement District (TBID) Advisory Board

The Council directed staff to develop a process for assessing the relationship with SLO County Tourism Marketing District and effectiveness of that 1% assessment.

ADJOURNMENT

The meeting adjourned at 5:16 p.m.

Recorded by:

Dana Swanson
City Clerk

MINUTES - MORRO BAY CITY COUNCIL
REGULAR MEETING – APRIL 26, 2016
VETERAN’S MEMORIAL HALL – 6:00 P.M.

PRESENT:	Jamie Irons	Mayor
	Matt Makowetski	Councilmember
	John Headding	Councilmember
	Noah Smukler	Councilmember
ABSENT:	Christine Johnson	Councilmember
STAFF:	Dave Buckingham	City Manager
	Joe Pannone	City Attorney
	Dana Swanson	City Clerk
	Sam Taylor	Deputy City Manager
	Rob Livick	Public Works Director
	Scot Graham	Community Development Manager
	Cindy Jacinth	Associate Planner
	Eric Endersby	Harbor Director
	Steve Knuckles	Fire Chief

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:01 p.m., with all but Councilmember Johnson present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CLOSED SESSION REPORT - No Closed Session meeting was held.

MAYOR AND COUNCILMEMBERS’ REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/MFzmbTDMzis?t=2m11s>

PUBLIC PRESENTATIONS

<https://youtu.be/MFzmbTDMzis?t=3m42s>

The Mayor and Council presented a Certificate of Appreciation to Henry Ponterelli of Lisa Wise Consulting, Inc. for their work applying for and receiving the American Planning Association’s 2016 Vernon Deines Honor Award for Morro Bay’s 2014 Fishing Community Sustainability Plan.

Henry Ponterelli of Lisa Wise Consulting, Inc. presented the American Planning Association’s award for “outstanding project” to the City of Morro Bay for the 2014 Fishing Sustainability Plan.

Morro Bay Tourism Bureau Presentation for 1st Quarter 2016

<https://youtu.be/MFzmbTDMzis?t=11m2s>

Brent Haugen, Executive Director of the Morro Bay Tourism Bureau provided the quarterly report.

PUBLIC COMMENT

<https://youtu.be/MFzmbTDMzis?t=19m2s>

Lindsay and Matt Ashton of ReVamp Training Studio provided the business spot. Since April 2011, they have provided personal training for all age groups in both individual and small group settings. For more information visit their website www.revamptraining.com or call (805) 458-4814.

John Uebersax, Morro Bay, provided photographs to the Council and made recommendations to improve safety at the Quintana Road / Morro Bay Blvd. roundabout.

Bill Martony, Morro Bay, urged the Council to reconsider alternative sites for the Water Reclamation Facility, including Tri-W and Chevron properties.

Betty Winholtz, Morro Bay, spoke to Item B-1 asking for clarification on vesting tentative map approval and ability for the Council to add other conditions. She also questioned available water supply for the project and supported the requirement of a left hand turn signal.

Jim Nance, SLO County resident, stated the closing of area recycling centers has caused a hardship for many people. He also requested the removal of flashing speed signs on Quintana Road and Main Street.

Jeremiah O'Brien, Morro Bay Commercial Fishermen's Association, congratulated the City on the American Planning Association (APA) award and suggested a City representative attend the APA National Conference in May 2017. He noted the flashing speed sign on Main Street is helpful to residents in the Radcliffe neighborhood.

Dana McClish, Morro Bay, announced US Coast Guard Auxiliary Flotilla 7-61 will hold a boating safety event on Saturday, May 21, from 10am to 3pm at the Morro Bay Yacht Club.

The comment period was closed.

Staff responded to questions raised during public comment.

A. CONSENT AGENDA

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

A-1 APPROVAL OF MINUTES FROM THE MARCH 29, 2016 SPECIAL JOINT MEETINGS OF THE CITY COUNCIL AND ADVISORY BOARDS; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FROM THE APRIL 12, 2016 SPECIAL JOINT MEETINGS OF THE CITY COUNCIL AND ADVISORY BOARDS; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FROM THE APRIL 12, 2016 REGULAR CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-4 APPROVAL OF MINUTES FROM THE APRIL 13, 2016 SPECIAL MEETING OF THE CITY COUNCIL; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-5 PROCLAMATION DECLARING MAY 1-7, 2016 AS NATIONAL TRAVEL & TOURISM WEEK; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-6 ACCEPT AS COMPLETE AND AUTHORIZATION TO FILE NOTICE OF COMPLETION FOR PROJECT NO. MB2015-WC01: MORRO BAY LIFT STATION #1 MAINTENANCE & REPAIRS; (PUBLIC WORKS)

RECOMMENDATION: Authorize staff to file the Notice of Completion.

A-7 ACCEPT AS COMPLETE AND AUTHORIZATION TO FILE THE NOTICE OF COMPLETION FOR PROJECT NO. MB-2013-S2: MORRO CREEK MULTI-USE TRAIL AND BRIDGE PROJECT; (PUBLIC WORKS)

RECOMMENDATION: Authorize staff to file the Notice of Completion.

A-8 AUTHORIZATION TO AMEND CONTRACT WITH WILLIAMS ENGINEERING FOR ADA ACCESSIBILITY IMPROVEMENTS & SIDEWALK GAP CLOSURES; (PUBLIC WORKS)

RECOMMENDATION: Approve as submitted.

A-9 ADOPT RESOLUTION NO. 25-16 ACCEPTING THE SUBSTANCE ABUSE POLICY AND PROCEDURES FOR ITS TRANSIT CONTRACTOR, MV TRANSPORTATION, INC.; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 25-16.

A-10 ADOPT RESOLUTION NO. 27-16 APPROVING THE THIRD AMENDMENT TO GARBAGE, RECYCLING AND GREENWASTE SERVICES AGREEMENT WITH MORRO BAY GARBAGE SERVICE; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 27-16.

A-11 ADOPT RESOLUTION NO. 28-16 APPROVING CERTAIN INFORMATION FOR INCLUSION IN AN OFFICIAL STATEMENT RELATING TO THE CENTRAL COAST WATER AUTHORITY REFUNDING REVENUE BONDS, SERIES 2016A

(STATE WATER PROJECT REGIONAL FACILITIES) AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; (ADMINISTRATIVE SERVICES)

RECOMMENDATION: Adopt Resolution No. 28-16.

A-12 ADOPTION OF RESOLUTION NO. 30-16 AMENDING THE COUNCIL POLICIES AND PROCEDURES REGARDING MEETING GUIDELINES AND PROCEDURES, AND INCORPORATING RESOLUTION NO. 70-15 ADOPTED IN NOVEMBER 2015; (ADMINISTRATION)

RECOMMENDATION: Adopt Resolution No. 30-16.

A-13 ADOPT RESOLUTION NO. 31-16 MODIFYING THE PUBLIC ART POLICY; (ADMINISTRATION)

RECOMMENDATION: Adopt Resolution No. 31-16.

A-14 ADOPT RESOLUTION NO. 32-16 REPLACING THE PARK NAMING POLICY WITH THE PUBLIC PROPERTY NAMING POLICY AND APPLICATION PROCESS; (ADMINISTRATION)

RECOMMENDATION: Adopt Resolution No. 32-16.

A-15 APPROVAL OF AGREEMENT WITH COMMUNITY FOUNDATION OF ESTERO BAY FOR MORRO BAY TROLLEY ADVERTISING SERVICES; (PUBLIC WORKS)

RECOMMENDATION: Approve as submitted.

A-16 AUTHORIZATION TO ENTER INTO A LICENSE AGREEMENT WITH KEITH GAFFNEY LANDSCAPE INC. (KGLI) FOR THE LIMITED USE OF APPROXIMATELY 5 ACRES OF CITY PROPERTY LOCATED OUTSIDE THE CITY LIMITS ON CHORRO CREEK RD. (APN# 073-131-010); (PUBLIC WORKS)

RECOMMENDATION: Authorize the City Manager to negotiate and execute a license agreement with Keith Gaffney Landscape Inc.

The public comment period for the Consent Agenda was opened <https://youtu.be/MFzmbTDMzis?t=45m23s>

Barbara Doerr, Morro Bay, spoke regarding Item A-12, expressing concern about the proposed policy changes and encouraged further review.

Betty Winholtz, Morro Bay, agreed with Ms. Doerr's comments regarding Item A-12; suggested edits to Resolution No. 28-16, Appendix L on Item A-11; and opposed Item A-14, the Public Property Naming Policy.

The public comment period for the Consent Agenda was closed.

Mayor Irons pulled Agenda Item A-8, A-11, A-12 and A-16.

MOTION: Councilmember Heading moved for approval of all items on the Consent Agenda except Items A-8, A-11, A-12 and A-16. The motion was seconded by Councilmember Smukler and carried 4-0-1.

A-8 AUTHORIZATION TO AMEND CONTRACT WITH WILLIAMS ENGINEERING FOR ADA ACCESSIBILITY IMPROVEMENTS & SIDEWALK GAP CLOSURES; (PUBLIC WORKS)
<https://youtu.be/MFzmbTDMzis?t=55m12s>

Mayor Irons clarified additional funding for this project would be authorized by the City Council during the budgeting process.

MOTION: Mayor Irons moved for approval of Item A-8 with additional language to clarify funding is authorized by the City Council. The motion was seconded by Councilmember Heading and carried 4-0-1.

A-11 ADOPT RESOLUTION NO. 28-16 APPROVING CERTAIN INFORMATION FOR INCLUSION IN AN OFFICIAL STATEMENT RELATING TO THE CENTRAL COAST WATER AUTHORITY REFUNDING REVENUE BONDS, SERIES 2016A (STATE WATER PROJECT REGIONAL FACILITIES) AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; (ADMINISTRATIVE SERVICES)
<https://youtu.be/MFzmbTDMzis?t=57m4s>

The Council discussed concerns expressed during public comment and directed staff to review those requests and make appropriate corrections to the Official Statement, specifically to remove language on page L-10 stating water rates had not been “reviewed” by the Council since 1996. Regarding the suggestion to include the Water Reclamation Facility as a Future Water System Improvement on page L-11, staff confirmed Phase 2 of the Water Reclamation Facility is not included in the current rate structure and may not be appropriate to include at this time. It was also noted the City will realize a savings of \$295,000 over period ending 2021.

MOTION: Councilmember Heading moved for approval of Item A-11 with appropriate corrections as discussed by Council. The motion was seconded by Councilmember Smukler and carried 4-0-1.

A-12 ADOPTION OF RESOLUTION NO. 30-16 AMENDING THE COUNCIL POLICIES AND PROCEDURES REGARDING MEETING GUIDELINES AND PROCEDURES, AND INCORPORATING RESOLUTION NO. 70-15 ADOPTED IN NOVEMBER 2015; (ADMINISTRATION)
<https://youtu.be/MFzmbTDMzis?t=1h2m39s>

Concerns raised during public comment were discussed and the Council continued this item to allow staff an opportunity to review those recommendations and make further changes, if needed.

A-16 AUTHORIZATION TO ENTER INTO A LICENSE AGREEMENT WITH KEITH GAFFNEY LANDSCAPE INC. (KGLI) FOR THE LIMITED USE OF APPROXIMATELY 5 ACRES OF CITY PROPERTY LOCATED OUTSIDE THE CITY LIMITS ON CHORRO CREEK RD. (APN# 073-131-010); (PUBLIC WORKS)
<https://youtu.be/MFzmbTDMzis?t=1h11m5s>

The Council provided staff direction regarding the License Agreement, specifically to prohibit hazardous materials being stored on the property, ensure the allowed use does not grow into vehicle storage or other outbuildings, the application of fertilizers and herbicides should be limited or not allowed, and there will be no use of City water. It was also confirmed the agreement would be for a 3-year term.

MOTION: Councilmember Makowetski moved for approval of Item A-16 to include items requested by Council. The motion was seconded by Councilmember Heading and carried 4-0-1.

B. PUBLIC HEARINGS

B-1 MODIFICATION OF PRECISE PLAN APPROVALS TO CUP/VTTM #UP0-070/S00-038 (CASE #CP0-110/UP0-070/S00-038) FOR PLANNED UNIT DEVELOPMENT (TRACT 2739) LOCATED AT 485 & 495 SOUTH BAY BLVD. PREVIOUSLY APPROVED IN 2006 AND 2010, TO INCORPORATE COASTAL COMMISSION CHANGES AND REMOVAL OF UNWARRANTED TRAFFIC IMPROVEMENTS; (COMMUNITY DEVELOPMENT)
<https://youtu.be/MFzmbTDMzis?t=1h14m52s>

Associate Planner Jacinth provided the staff report and responded to Council inquiries.

The public hearing for Item B-1 was opened.

Wayne Colmer, Applicant, provided an overview of the project, timeline and events, noting the project had been vetted by two Coastal Commission hearings, Army Corps of Engineers, Department of Fish and Wildlife, and five City public hearings.

Steve Kaufmann, legal counsel representing the Applicant, added the Court decision does not affect the vesting tentative map, and recent approval by Coastal Commission simply refined the 2010 precise plan approval and gave the Council option to consider traffic improvements.

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

James Silver, Morro Bay, spoke in support of the project.

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

The Council discussed traffic issues and supported Coastal Commission and staff recommendation to remove unwarranted 4-way traffic signal, dedicated left turn lanes and signalized pedestrian crossing. It was understood the traffic issues in this area are complex and something the City,

County and Caltrans will need to address in the future. The addition of a flashing speed sign was discussed but not directed. The Council encouraged gray water reuse to help mitigate water supply issues. The Council amended the tree planting requirements to specify California native trees from the City tree list be used, and the Planning Manager has authority to approve those plantings.

MOTION: Councilmember Smukler moved the Council adopt Resolution No. 26-16 making the necessary findings for approval of an amendment to the project to incorporate changes as a result of Coastal Commission-approved CDP #A-3-MRB-06-064 on February 11, 2015. Included in the modification is removal of the traffic requirements, clarification the HOA takes responsibility for maintenance of raptor habitat, and adjustment to tree replacement to require a diversity of California native trees from City tree list be selected. The motion was seconded by Mayor Irons and carried 4-0-1.

The Council took a brief recess at 8:35pm; the meeting reconvened at 8:42pm.

B-2 RESOLUTION NO. 29-16 DECLARING THE INTENTION TO CONTINUE THE PROGRAM AND LEVY ASSESSMENTS FOR THE 2016/17 FISCAL YEAR FOR THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID) AND SCHEDULING A PUBLIC HEARING TO LEVY THE ASSESSMENTS; (ADMINISTRATION)
<https://youtu.be/MFzmbTDMzis?t=2h35m28s>

Deputy City Manager Taylor presented the staff report, clarifying this action is to consider continuing the assessment for FY 2016/17, not FY 2015/16 as inadvertently listed in the staff report. The resolution as presented, is correct.

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

The Council expressed its gratitude to John Solu for his leadership initiating the MBTBID, as well as the TBID Advisory Board for their work marketing this community.

MOTION: Councilmember Headding moved the Council adopt Resolution No. 29-16 approving the annual report, declaring the intention to continue the program and levy assessments for the 2016/17 Fiscal Year for the Morro Bay Tourism Business Improvement District (MBTBID) and scheduling a public hearing to levy the assessments. The motion was seconded by Councilmember Smukler and carried 4-0-1.

C. BUSINESS ITEMS

C-1 RE-CONSIDERATION OF FUTURE DIRECTION OF LEASE SITE 87-88/87W-88W, LOCATED AT 833 EMBARCADERO, OWNED BY B&L FLASH, INC. (VIOLET LEAGE & BARRY LAMBERT); (HARBOR)
<https://youtu.be/MFzmbTDMzis?t=2h49m23s>

Harbor Director Endersby presented the staff report and responded to Council inquiries.

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

Cherise Hansson, Morro Bay resident and owner of Under the Sea Gallery, provided staff with evidence of financial viability for this project and confirmed plans are developed to a level of detail sufficient for concept plan review. She was unable to complete restructuring of B&L Flash, Inc. and asked the Council to reconsider giving consent of land owner to the subtenant, Under the Sea Gallery.

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

The Council expressed its support for the strong proposal already submitted, however the ownership of B&L Flash was of significant concern. There was consensus to move forward with a request for proposal (RFP) to see what other projects might come forward.

Mayor Irons disclosed ex parte communications with Ms. Hansson to review the project.

The Council directed the RFP include the following: preference for family-oriented site use, special consideration for sustainability measures and storm water management, maximizing public benefit (open space, decks, visitor-serving, possible use of bayside docks), and design coordination with improvements to the neighboring Lease Site 86/86W.

Given the shortened timeline, staff committed to releasing the RFP in 30 days or less, providing a 60-day timeline for submission of proposals, and to bring back more than one proposal for Council consideration in early August.

Mayor Irons added water side improvements can slow the process down and suggested those improvements could be phased in at a later time.

MOTION: Mayor Irons moved the Council authorize staff to put the future use and development of Lease Site 87-88/87W-88W out for public bid, to include criteria discussed by the Council. The motion was seconded by Councilmember Heading and carried 4-0-1.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
<https://youtu.be/MFzmbTDMzis?t=3h33m47s>

Councilmember Heading requested discussion of issues related to access to health care and declining availability of practitioners in community. It was suggested this be an educational item, perhaps with a presentation by the County Health Department. Mayor Irons and Councilmembers Makowetski and Smukler concurred.

E. ADJOURNMENT

The meeting adjourned at 9:45pm. The next Regular Meeting will be held on Tuesday, May 10, 2016 at 6:00 p.m. at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by:

Dana Swanson, City Clerk

RECONVENE TO OPEN SESSION - The City Council reconvened to Open Session. The Council did not take any reportable action pursuant to the Brown Act.

ADJOURNMENT

The meeting adjourned at 8:07pm.

Recorded by:

Dana Swanson
City Clerk



AGENDA NO: A-4

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council

DATE: May 4, 2016

FROM: Rob Livick, PE/PLS - Public Works Director/City Engineer

SUBJECT: Status Report of a Major Maintenance & Repair Plan (MMRP) for the Existing Wastewater Treatment Plant

RECOMMENDATION

Staff recommends this report be received and filed.

ALTERNATIVES

As no action is requested, there are no recommended alternatives.

FISCAL IMPACT

No fiscal impact at this time as a result of this report. Fiscal impact is addressed through the budget process.

BACKGROUND

The City and District approved a FY 15/16 MMRP budget of \$465,000 which includes \$200,000 in funding for new MMRP projects, and carrying over \$265,000 to complete projects funded but not completed in FY 14/15, for a grand total of \$465,000.

Below is a table that provides the MMRP budget and actual expenditures for each of the fiscal years 13/14, 14/15, and 15/16. Expenditures for MMRP projects to date have totaled \$1.287 Million. The difference between fiscal year MMRP project budgets and expenditures is related to projects carrying over multiple fiscal years and budget being carried over from fiscal year to fiscal year, as well as project budgets being reduced (chlorine contact improvement project) and projects being completed for less than estimated costs, in which case the difference stays in the sewer reserve. For example, the MMRP budget for FY 13/14 contained \$500k for the purchase and installation of influent screens; the screening project was not completed until FY14/15, and the budget from FY13/14 was carried over to FY14/15 to cover project expenses.

Prepared By: BK

Dept Review: RL

City Manager Review: _____

City Attorney Review: _____

Adopted MMRP Projects by Fiscal Year	Adopted Budget	Actual Cost	Project Status
<u>FY13/14</u>			
Influent Screening Project	500,000	0	Carried Over to FY14/15
Clean, Coat, and Repair Digester #2	250,000	253,312	Completed July 2014
Chlorine Contact Tank Improvements	200,000	0	Carried Over to FY 14/15
Interstage Pump and Valve Project	50,000	46,759	Completed April 2014
Reconditioning of the Chlorine Building	40,000	28,459	Completed June 2014
Total for FY 13/14	1,040,000	328,530	
<u>FY 14/15</u>			
Influent Screening Project Carryover from FY13/14	550,000	502,106	Completed October 2014
Clean, Coat, and Repair Digester #1	331,000	301,946	Completed July 2015
Primary Clarifier Rehabilitation	50,000	35,551	Completed June 2015
Biofilter Arms and Biofilter Improvements	215,000	0	Carried Over to FY 15/16
Chlorine Contact Tank Improvements – scope reduced from FY13/14	75,000	57,144	Completed April 2015
Total for FY14/15	1,221,000	896,747	
<u>FY 15/16</u>			
Clean, Coat, and Repair Digester #1 Carryover	50,000	18,797	
Metering Vault and Valve Replacement	125,000	0	Planning Process
Secondary Clarifier Rehabilitation	75,000	4502	Planning process
Biofilter Arms and Biofilter Improvements			Completed/Planning process
Carryover	215,000	39,109	
Total for FY 15/16	465,000	62,408	
Total MMRP Project Expenses		1,287,685	

This staff report is intended to provide an update on the development, implementation and status of the MMRP for the WWTP since the April 12, 2016, City Council meeting.

Development of the MMRP has assisted the City and District in projecting the budgeting of expenditures required to keep the current plant operational and in compliance with regulatory requirements.

Staff's focus has been on developing and implementing work plans for the MMRP projects approved for the FY15/16 budget. The FY 15/16 budget for MMRP projects was adopted by the City and District at their regular meetings on June 9 and 18, 2015, respectively.

At the January 26 City Council meeting, the Council approved staff's recommendation to discontinue the MMRP as of the beginning of FY16/17 and continue a proactive Operations and Maintenance (O&M) program funded through the O&M portion of the WWTP budget. That recommendation was based on the successful completion of MMRP projects to date, condition assessments of the plant, and the current schedule for completion of new WRF(s). It is important to note, the O&M budget will be brought to the Council and District Board during budget deliberations for discussion and approval. That will ensure the recommended O&M funding needs are brought forward each year. If the five-year schedule is delayed for whatever reason, then City and District staff would make the requisite recommendations necessary for O&M or MMRP projects during the annual budget approval process.

A similar recommendation and staff report will be included on the next Joint Meeting between the Morro Bay City Council and the Cayucos Sanitary District Board agenda for consideration, discussion, and action by the Council and District Board.

DISCUSSION

The following discussion provides an update of the FY 15/16 MMRP projects that are currently ongoing or have been recently completed.

Metering Vault Removal and Blending Valve Replacement Project

The City Council and Sanitary District Board awarded the contract to the lowest responsible bidder, Pacific Coast Excavation, Inc. (PCE) of Santa Maria, in the amount of \$90,238.00 at their regularly meetings of October 13 and 15, 2015, respectively. PCE was on-site beginning April 18 for the contracted work. PCE successfully completed the removal and installation of three of the four phases of the project; the 12, 16, and 18-inch valves were removed and replaced. City staff decided not to complete the fourth phase of the contract (the replacement of the 24-inch blending valve), eliminating this phase of the work in its entirety in accordance to the Public Contract Code, due to concerns about the ability of the contractor to complete that project in the allotted four-hour time window. Plant and Engineering staff are currently developing strategies for replacement of the blending valve in September or October, following peak summer flows. PCE is substantially complete with the project, and a Notice of Completion shall be brought before the Council/CSD in the near future.

During all phases of this project, WWTP staff had to stop flow to and drain the pipelines feeding the various valves being replaced. This involved complex operational strategies to hold flow either in tanks that had been drained prior to starting the job or stacking water in the thirty-inch trunk line that feeds the WWTP. Staff was able to provide four-hour windows where flow could be stopped and managed while the first three phases of the project were completed.

Rehabilitation of the Secondary Clarifier #2

Plant staff has begun the repair process for the catwalk. These repairs include chipping away corroded areas and repairing and coating these areas to prevent or minimize corrosion. Ultimately, this project could include repairs to the catwalk, repairs to the metal framework on the flights and skimmer cage assembly, repair and replacement of piping and valving, and other associated work. Staff will rely on their recent experience performing similar repairs on the primary clarifiers to refine the work schedule and process.

Chlorine Contact Basin Improvements

This project has been completed, and updates provided in past monthly MMRP updates. No further updates will be provided on this project.

Purchase and Installation of New Distributor Arms and Biofilter Improvement Project

Staff will continue to work with City Public Works Engineering staff and MKN for the purchase and installation of new distributor arms on biofilter #2 and replacement of the main bearing on the turntable. Staff requested quotes from several manufacturers and received three quotes. City Public Works Engineering staff is reviewing the quotes and will provide a purchase order to the manufacturer with the lowest responsible quote. There will be a long lead time of sixteen to twenty weeks for receipt of the equipment once a purchase order is issued, so the funding for this project will be rolled over and included in the draft FY16/17 budget.

Flood Control Measures at the Biofilters and Interstage Pumping Station

Flood control measures have been substantially completed at the plant. Staff will continue to work with Public Works Engineering staff and MKN to identify any remaining cost effective flood control measures in accordance with the requirements of the existing and anticipated NPDES permits.

CONCLUSION

Staff requests the City Council review and receive and file this report.



AGENDA NO: A-5

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and Council Member **DATE:** April 28, 2016
FROM: Susan Slayton, Administrative Services Director
SUBJECT: Approval of Commercial Lease with Ken and Mark McMillan, dba DiStasio's on the Bay Restaurant, for City-owned property at 781 Market Avenue

RECOMMENDATION

Staff recommends the City Council review and approve the attached commercial lease, with any amendments authorized at this meeting.

FISCAL IMPACT

Rental income of \$9,000 per month (\$108,000/year); funds will be placed into the General Fund Facility Maintenance Fund, as were the prior owners' note payments.

BACKGROUND

In June 2003, the City purchased the Brannigan's Restaurant property (781 Market Avenue) for \$2,700,592, and in December 2010, sold it to George and Charlotte Salwasser for \$1,500,000, less costs of \$43,188. The City received \$201,812 in cash, and entered into two notes for the balance of the funds due on the property sale: Note #1 for \$830,000 and Note #2 for \$425,000. In 2012, the Salwassers leased the property to Ken and Mark McMillan, dba DiStasio's on the Bay Restaurant on a month-to-month oral lease. In May 2015, the City was notified the property was for sale through a bankruptcy, and purchased it as of December 31, 2015. The cost to purchase the property was cash paid by the City (\$150,000), the value of the notes owed by the Salwassers (\$1,222,279.28), and the assumption of the liability for construction and installation of the lift/escalator (\$674,819), which totals \$2,047,098.28.

DISCUSSION

DiStasio's by the Bay Restaurant remains as the property occupant, and since January 2016, has been paying \$9,000 per month. The City opened lease negotiations in January 2016, and the result of those negotiations is the lease that is presented tonight for City Council review and approval. The highlights of the lease are:

Term: 3 years, beginning January 1, 2016, ending December 31, 2018; tenant may terminate with six-months' notice

Monthly lease: \$9,000, payable by the 10th of each month; late payments subject to 10% penalty

CONCLUSION

Staff recommends the City Council approve the attached commercial lease.

Prepared By: SS Dept Review: _____
City Manager Review: DWB
City Attorney Review: JWP

COMMERCIAL LEASE AGREEMENT

By and Between

**CITY OF MORRO BAY,
a municipal corporation**

“Landlord”

and

**Kenneth & Mark MacMillan,
a California Partnership doing business as “DiStasio’s on the Bay”**

“Tenant”

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Exhibit A Description and Depiction of Premises

COMMERCIAL LEASE AGREEMENT

THIS COMMERCIAL LEASE AGREEMENT (“**Lease**”) is made effective this 1st day of January, 2016, by and between the CITY OF MORRO BAY, a municipal corporation (“**Landlord**”), and KENNETH MACMILLAN and MARK MACMILLAN, a California partnership doing business as “DiStasio’s on the Bay” (“**Tenant**”). Landlord and Tenant are sometimes individually referred to as a “**Party**” and jointly as the “**Parties.**”

RECITALS:

A. Landlord acquired through bankruptcy, and now owns, that certain real property located in the City of Morro Bay (“**City**”), County of San Luis Obispo, as follows: (i) that certain real property, commonly identified as 781 Market Street, Morro Bay (APN 066-321-015 and a portion of 066-321-016), improved as a restaurant building, with adjacent landscape areas (“**Restaurant**”), and (ii) that certain real property immediately to the south east of the Restaurant (APN 066-112-007) improved as a parking lot (“**Parking Lot**”).

The Restaurant parcel, described and depicted on the attached Exhibit A, is the subject of this Commercial Lease Agreement, and is also referred to as the “**Premises.**”

B. The Premises are located in downtown Morro Bay (“**Downtown Area**”).

C. Tenant is a partnership, currently operating a restaurant named “Distasio’s on the Bay” on the Premises. Tenant was operating under a month-to-month oral lease for both the Premises and the Parking Lot when Landlord acquired the property through bankruptcy proceedings on December 31, 2015.

D. The Parties now desire to enter into a written lease agreement and to confirm the rights and obligations of both Parties therein. Pursuant to the terms of this Lease, Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the Premises, for Tenant’s sole exclusive use. The Parties do not intend to lease the Parking Lot, and Landlord shall retain that property for its exclusive use.

NOW, THEREFORE, in consideration of the above Recitals and the mutual promises of the Parties set forth in this Lease, Landlord and Tenant hereby agree as follows:

1. LEASE OF PREMISES; CONDITION OF PREMISES.

1.1. Letting. Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the Premises (as defined in the Recitals incorporated herein) solely for the uses specified in Section 4. As material consideration for this Lease, Tenant agrees to use the Premises and conduct all its business operations on the Premises under the designation of a restaurant, currently named “Distasio’s on the Bay.” No other name shall be used with respect to the Premises without the prior written consent of Landlord, which may be granted or withheld in its sole discretion.

1.2. Condition of Premises. Tenant acknowledges it has and shall accept the Premises from Landlord in its “AS IS” condition without representation or warranty. Tenant, who was operating under an oral lease of the Premises at the time it was purchased by Landlord through the bankruptcy proceeding, also acknowledges Tenant has inspected the premises and is aware of its condition. Pursuant to California Civil Code Section 1938, Tenant is advised that the Premises have not undergone an inspection by a Certified Access Specialist, and, therefore, Landlord is not aware if the Premises comply with the applicable construction-related accessibility standards pursuant to Civil Code Section 55.53. Tenant is also advised and acknowledges the Landlord was unable to inspect the Premises prior to purchasing it through the bankruptcy proceedings.

2. EFFECTIVE DATE; TERM.

2.1. Effective Date. This Lease shall be deemed effective as of January 1, 2016 (“**Effective Date**”). All other Tenant’s rights and obligations under this Lease shall commence as of the Effective Date.

2.2. Term. The term of this Lease shall commence on the Effective Date for a fixed term of three (3) years, but not later than December 31, 2018 (“**Term**”), unless otherwise amended by the Parties pursuant to Sections 2.4 and 30.15.

2.3. Right to Terminate. Tenant shall have the right to terminate this Lease at any time within the Term upon providing Landlord at least One Hundred Eighty (180) days’ written notice to Landlord.

2.4. Exclusive Right to Negotiate Extension. If Tenant has not been in default of its obligations under this Lease during the previous twelve (12) months during the original Term (as defined in Section 2.2), Tenant shall have the right (but not the obligation) to enter into a ninety (90) day period of exclusive negotiation with Landlord to extend this Lease upon mutually acceptable terms (including, but not limited to, rent payments) for an additional period up to two (2) years (“**ENA Right**”). Tenant must exercise this ENA Right by sending a written notice to Landlord specifying its exercise of this ENA Right which notice must be delivered to Landlord not less than eight (8) months prior to the expiration of the original Term (“**ENA Notice**”). Within fifteen (15) business days of receipt of the ENA Notice, Landlord shall deliver to Tenant its non-binding form of exclusive negotiation agreement (“**ENA Agreement**”). Tenant may, in its sole discretion, execute the ENA Agreement and return same to Landlord within fifteen (15) business days of its receipt of the ENA Agreement. If Tenant does not execute and return the ENA Agreement within the time specified, the right under this Section 2.4 shall cease and terminate. If Tenant does execute and return the ENA in the time specified, the ENA Agreement shall become effective. If the Parties agree to an extension and other modifications, such terms shall be effective only if this Lease is amended in accordance with Section 30.15.

3. RENT & PERFORMANCE STANDARD.

- 3.1. **Monthly Rent.** Tenant agrees to pay nine thousand dollars (\$9,000) on a monthly basis, in advance, due no later than the 10th day of month for which rent is being paid (“**Rent**”). After the initial three-year term, Rent shall be increased every January by the most recent December Consumer Price Index factor for the San Francisco-Oakland-San Jose area. Notification to Tenant of upcoming Rent increase will be made ninety (90) days prior to the Rent increase.
- 3.2. **Performance Standards.** As material consideration for this Lease, Tenant covenants to comply with the following requirement (the “**Performance Standard**”): (i) diligently maintain and repair the Premises, in compliance with Section 7.1.
- 3.3. **Payment of Rent.** All Rent and all other monetary obligations to be paid by Tenant to Landlord shall be in lawful money of the United States of America at the address specified in Section 30.13, or such other address as Landlord shall notify Tenant in writing.
- 3.4. **Late Payment.** Any payment of any sum to be paid by Tenant, not paid within ten (10) days of its due date, shall be subject to a ten percent (10%) late charge.
- 3.5. **Security Deposit.** Tenant is not required to provide, and has not provided, a security deposit to Landlord, nor is Landlord responsible for any security deposit Tenant may have provided to a prior owner of the Premises or Parking Lot other than Landlord, and Tenant expressly waives any claim against Landlord for any prior deposit provided to a previous owner.
- 3.6. **Solid Waste Enclosure.** Landlord shall have the option, but not the requirement, of building a trash enclosure for solid waste containers on the Parking Lot at its sole cost and expense as between the Parties. If Landlord builds such a trash enclosure, Tenant shall ensure that all solid waste from the Premises is stored in solid waste containers in the trash enclosure. Tenant shall keep said trash enclosure and immediate area clean during the term of the Lease.

4. USES.

4.1. **Authorized Uses; Minimum Program Requirements & Reporting Obligations.**

- 4.1.1. **Authorized Uses.** Tenant shall use the Premises solely for the following: (i) activities as a restaurant, open to the general public; and (ii) activities as a restaurant, closed for banquets, weddings, meetings, trainings, conferences, special events and the like, pursuant to the requirements in Section 4.1.2 below.

Tenant may sell, or cause to be sold, alcoholic beverages provided it obtains all necessary permits and licenses, and complies with all applicable laws, statutes and regulations concerning the sale of alcoholic beverages.

4.1.2. Requirements for Third Party Events. Tenant may allow a closed use of the facility, as specified in Section 4.1.1 above. Such use will not interfere with normal operating hours, unless agreed upon by the City Manager for Landlord. Sufficient notice must be provided to the public to notify of any closed use occurring during normal operating hours.

4.2. Prohibited Uses. Tenant shall not use, or permit the Premises, or any part thereof, to be used for any purpose or purposes other than those express uses specified in Section 4.1.1.

Tenant shall not sell or permit to be displayed, performed, sold, kept, or used in or about the Premises:

(a) Any conduct which may be prohibited by standard forms of fire insurance policies.

(b) Video or arcade game machines are prohibited.

Tenant shall comply with any and all requirements, pertaining to the use of the Premises, of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance, covering the buildings within the Premises and appurtenances.

Tenant shall not allow any animals on the Premises except service dogs as defined in federal and state law.

Tenant shall not permit smoking or vaping on any portion of the Premises.

Tenant shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Premises or any adjacent Premises. Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the Premises, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors, or pursuant to any bankruptcy or other solvency proceeding nor display any “going out of business” or similar sign.

Tenant shall not engage in any activity in, on or about the Premises that violates any Environmental Law, and shall promptly, at Tenant’s sole cost and expense, take all investigatory and/or remedial action required or ordered by any governmental agency or Environmental Law for clean-up and removal of any contamination involving any Hazardous Material created or caused directly or indirectly, by Tenant. The term “Environmental Law” shall mean any federal, state or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environmental conditions on, under or about the Premises, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), 42 U.S.C. Sections 9601, et seq.; (ii) the Resource Conservation and Recovery Act of 1976 (“RCRA”), 42 U.S.C. Sections 6901, et seq.; (iii) California Health and Safety Code Sections 25100, et seq.; (iv) the Safe Drinking Water and Toxic Enforcement

Act of 1986, California Health and Safety Code Section 25249.5, et seq.; (v) California Health and Safety Code Section 25359.7; (vi) California Health and Safety Code Section 25915; (vii) the Federal Water Pollution Control Act, 33 U.S.C. Sections 1317, et seq.; (viii) California Water Code Section 13000, et seq.; and (ix) California Civil Code Section 3479, et seq., as such laws are amended and the regulations and administrative codes applicable thereto. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined or listed as a "hazardous waste", "extremely hazardous waste", "restrictive hazardous waste", "or "hazardous substance" or considered a waste, condition of pollution or nuisance under the Environmental Laws; (ii) petroleum or a petroleum product or fraction thereof; (iii) asbestos; and/or (iv) substances known by the State of California to cause cancer and/or reproductive toxicity. It is the intent of the Parties hereto to construe the terms "Hazardous Materials" and "Environmental Laws" in their broadest sense. Tenant shall provide all notices required pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5, et seq. Tenant shall provide prompt written notice to Landlord of the existence of Hazardous Materials on the Premises and all notices of violation of the Environmental Laws received by Tenant. Notwithstanding the foregoing, Tenant is not responsible for the remediation or removal of any Hazardous Materials which Tenant did not directly or indirectly cause to be placed at the Premises.

4.3. Special Event Requirements. Tenant shall be solely responsible for all security measures for the Premises. Tenant shall, at its sole cost and expense, provide additional security at any events where a large attendance is expected in compliance with the standard requirements imposed by Landlord for municipal events.

4.4. Abandonment. Tenant shall not vacate or abandon the Premises at any time during the Term of this Lease. Upon termination of this Lease for any reason, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, shall become the property of Landlord.

5. REAL ESTATE TAXES. Tenant shall pay any and all real property taxes applicable to Tenant's possessory interest in the Premises. All such payments shall be made at least ten (10) days prior to the due date of the applicable installment. Tenant shall promptly (at least five (5) days prior to the due date) furnish Landlord with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Tenant shall cover any period of time after the expiration or earlier termination of the Term hereof, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year that this Lease is in effect, and Tenant may apply to the County for reimbursement of any overpayments after such proration. Notwithstanding anything above to the contrary, to the extent any assessment is levied against the Premises payable in installments, Tenant shall pay all installments coming due and payable during the Term of this Lease.

Tenant acknowledges that although Landlord is a municipal entity exempt from real property taxes, Tenant's possessory interest under this Lease may be subject to real property taxation.

Upon request, Landlord agrees to work with Tenant to assist in providing information to the County Tax Assessor to reduce the valuation of Tenant's possessory interest in the Premises. Landlord provides no assurance to Tenant that it will be successful in such efforts and that Tenant may be required to pay real property taxes.

6. **PERSONAL PROPERTY TAXES.** During the Term, Tenant shall pay prior to delinquency all taxes assessed against the levied upon fixtures, furnishings, equipment and all other personal property owned by Tenant (excluding Landlord's personal property) located in the Premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from Landlord's personal property. In the event any or all of Tenant's fixtures, furnishings, equipment and other personal property shall be assessed and taxed with Premises, Tenant shall pay its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

7. **MAINTENANCE AND REPAIRS.**

- 7.1. **Maintenance and Repair by Tenant.** Except the specific maintenance obligations of Landlord as set forth in Section 7.2, Tenant shall at all times during the Term, and at Tenant's sole cost and expense, keep, maintain and repair the Premises in good and sanitary order, condition, and repair. Such maintenance obligations shall include, but not be limited to, any equipment installed by Tenant, furnishings (such as seating, carpeting and drapes, mirrors, and interior repainting) and landscaping.

Tenant shall also hire a cleaning service/custodian, who shall keep the Premises in good and sanitary order on a daily basis.

Tenant shall maintain a written record to evidence the regular performance of maintenance and upkeep of the facility consistent with the maintenance standards.

Upon termination of this Lease, the Premises shall be surrendered in a good, clean and sanitary condition except for reasonable use and wear. Tenant agrees to surrender the Premises in its original condition, together with all additional improvements or alternations which have been approved by Landlord and installed by Tenant pursuant to Section 8.1. If Landlord wants to reserve the right to require Tenant to remove any such additional improvements upon the expiration or earlier termination of this Lease, Landlord must reserve such right in its notice of approval. If Tenant is required to remove any improvements from the Premises upon termination of this Lease, Tenant shall do so at Tenant's sole cost and expense, and Tenant will repair any damage to the Premises caused by such removal. Tenant shall promptly notify Landlord in writing of any condition in the Premises that require repairs by Landlord ("**Repair Notice**") which shall be made by Landlord as set forth in Section 7.2.

Tenant acknowledges that Tenant's maintenance obligations under this Section are material consideration to Landlord for this Lease and, therefore, this Section 7.1 shall be construed liberally for the protection and preservation of the Premises.

7.2. Limited Maintenance and Repair by Landlord. Landlord shall only be responsible to maintain in good repair and in compliance with all applicable laws, ordinances and regulations, at Landlord's sole cost and expense, **only** (i) the physical structure of the Restaurant, such as the structural elements, roof, plumbing, water heating system, electrical systems, HVAC equipment and exterior painting, and (ii) subject to the financial limitations set forth below.

Notwithstanding the foregoing, Landlord shall not be required to make repairs necessitated by reason of (i) the negligence or willful misconduct of Tenant, or any of Tenant's staff, volunteers, students, contractors, invitees, subtenants, patrons or customers; (ii) by reason of the failure of Tenant to perform or observe and promptly report to Landlord any conditions the repair of which are Landlord's responsibility; or (iii) by reason of the failure of Tenant to perform or observe the conditions or agreements in this Lease, or caused by unauthorized alterations, additions or improvements made by Tenant or anyone claiming under Tenant (collectively the "**Tenant Caused Damages**"). Tenant shall be solely responsible, at its sole cost and expense to repair any Tenant Caused Damages.

Upon receipt of a Repair Notice, Landlord shall have a reasonable period of time (not to exceed five (5) business days) to commence said repairs. Upon commencement of repairs, Landlord shall use reasonable efforts to diligently complete same. Tenant and Landlord shall jointly conduct an annual inspection of the Premises every March to aid Landlord in determining if any repairs by Landlord may be necessary.

Any renovation work performed by Landlord to the Premises shall not unreasonably interfere with Tenant's operations.

Notwithstanding the foregoing, Landlord's repair obligations are **specifically limited** in that Landlord shall not be required to make repairs the cost of which exceeds the Rent actually received by Landlord from Tenant as set forth below. During the Term, Landlord shall maintain a cumulative on-going record of all Rent received by Landlord ("**Landlord Repair Fund**"). Any repairs and maintenance costs incurred by Landlord under this Section 7.2 shall reduce the Landlord Repair Fund. If at any time when a repair or maintenance item which is Landlord's responsibility under this Section 7.2, Landlord shall only be obligated to make such repair to the extent that the current balance of the Landlord Repair Fund is sufficient to pay the cost of such repair. However, if the repair item is critical for Tenant's operation of the Premises, then Landlord shall promptly make such repair but the cost of such shall reduce the Landlord Repair Fund. If Landlord elects, in its sole discretion, to make repairs notwithstanding the foregoing limitations, such election shall not be deemed a waiver of this limitation with respect to future repairs and the cost of such repairs shall reduce the Landlord Repair Fund.

///

8. ALTERATIONS

8.1 To Premises. Tenant shall not make any alterations to the Premises, or any part thereof, without the prior written consent of Landlord. If Tenant wishes to make additional improvements to the Premises, Tenant shall notify Landlord in writing specifying in reasonable detail the proposed alterations and the cost thereof. Within fifteen (15) days of receiving such notice from Tenant, Landlord shall send written notice to Tenant indicating whether Landlord approves or disapproves of the contemplated improvements. The City Manager may act on behalf of Landlord for approvals or disapprovals under this Section. Landlord's approval shall not be unreasonably withheld and any disapproval shall be in writing and shall explain the reasons for the denial. However, as a condition to granting its approval to any of the improvements, Landlord may require Tenant to provide Landlord with reasonably satisfactory evidence of Tenant's financial ability to pay for the costs of the improvements and may require a completion bond be provided to Landlord or other security reasonably acceptable to Landlord. Any such alterations shall comply with all applicable laws and regulations. All improvements (excluding minor improvements as determined by Landlord) which are approved by Landlord shall be under the supervision of a licensed architect or structural engineer (at Tenant's cost) and made in accordance with plans and specifications approved in writing by Landlord prior to the commencement of such work. All work shall be done in a good and workmanlike manner, diligently prosecuted to completion and completed in compliance with Section 12. Upon completion of all work, Tenant shall promptly file for record a Notice of Completion in the office of the San Luis Obispo County Recorder. All such improvements shall immediately be deemed a part of the Premises and may not be removed by Tenant. Prior to commencing any work of improvement hereunder, Tenant shall notify Landlord so that Landlord can post and record an appropriate Notice of Non-Responsibility.

9. **COMPLIANCE WITH LAWS.** Except as to the specific obligations of Landlord under Section 7.2, Tenant shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force or which may hereafter be in force pertaining to the use of the Premises, and shall faithfully observe in said use all municipal ordinances, including, but not limited to, the general plan and zoning ordinances, state and federal statutes, or other governmental regulations now in force or which shall hereinafter be in force. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such order or statute in said use, shall be conclusive of that fact as between Landlord and Tenant.

10. INSURANCE.

10.1. Landlord to Provide Property Insurance. Landlord shall maintain, at Landlord's sole cost and expense, fire, and excess coverage insurance throughout the term of this Lease, on all buildings and improvements located on the Premises (and fixtures thereto), in an amount equal to one hundred percent (100%) of the replacement value of the Premises, together with such other insurance, coverages and endorsements as Landlord may determine in its sole discretion. Tenant hereby waives any right of recovery from Landlord, its officers and employees, and Landlord hereby waives any

right of loss or damage (including consequential loss) resulting from any of the perils insured against as a result of said insurance.

10.2. Tenant's Insurance Obligations.

10.2.1. Liability Insurance. During the entire term of this Lease, Tenant shall, at Tenant's sole cost and expense, for the mutual benefit of Landlord and Tenant, maintain comprehensive general liability insurance insuring against claims for bodily injury, death or property damage occurring in, upon or about the Premises, written on a per occurrence basis in an amount not less than either (i) a combined single limit of Five Million Dollars (\$5,000,000) for bodily injury, death, and property damage or (ii) bodily injury limits of Five Hundred Thousand Dollars (\$500,000) per person, One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) products and completed operations and property damage limits of Two Hundred Fifty Thousand Dollars (\$250,000) per occurrence and One Million Dollars (\$1,000,000) in the aggregate.

10.2.2. Worker's Compensation Insurance. Tenant shall, at Tenant's sole cost and expense, maintain a policy of worker's compensation insurance in an amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for both Tenant and Landlord against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of conducting Tenant's business in the Premises.

10.2.3. Liquor Insurance. Any time alcohol beverages are present at the Premises, Tenant shall provide liability insurance with Host Liquor Liability Coverage endorsement.

10.2.4. Business Automobile Coverage Insurance. Tenant shall, at Tenant's sole cost and expense, for the mutual benefit of Landlord and Tenant, maintain Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the exact equivalent, with combined single limits of liability not less than \$1,000,000 per accident. If Tenant owns no vehicles, then this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Tenant or Tenant's employees will use personal autos in any way for the operation of any business on the Premises, then Tenant shall provide evidence of personal auto liability coverage for each such person.

10.2.5. General Provisions. All of the policies of insurance required to be procured by Tenant pursuant to this Section 10.2 shall be primary insurance and shall name Landlord, its employees and agents as additional insureds. All policies shall waive all rights of subrogation and provide that said insurance may not be amended or canceled without providing thirty

(30) days prior written notice by registered mail to Landlord. Within ten (10) business days of execution of this Lease by the last Party to sign, and at least thirty (30) days prior to the expiration of any insurance policy, Tenant shall provide Landlord with certificates of insurance and full copies of the insurance policies evidencing the mandatory insurance coverages written by insurance companies acceptable to Landlord, licensed to do business in California and rated A:VII or better by Best's Insurance Guide. Landlord may require an increase in the coverage and/or the types of coverage from time to time upon written notice to Tenant. Each of the Parties, on behalf of their respective insurance companies insuring such property of either Landlord or Tenant against such loss, waive any right of subrogation that it may have against the other.

11. INDEMNIFICATION. Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its managers, officers, directors, members, employees, agents, contractors, partners and lenders, from and against any and all claims, and/or damages, costs, liens, judgments, penalties, permits, reasonable attorneys' and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Tenant, the conduct of Tenant's business, any act, omission or neglect of Tenant, its officers, directors, members, employees, agents or contractors, and out of any breach by Tenant in the performance in a timely manner of any obligation on Tenant's part to be performed under this Lease, except for matters which are the result of Landlord's gross negligence, intentional wrongful acts, or in default of this Lease. The foregoing shall include, but not be limited to, all costs of the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Landlord) litigated and/or reduced to judgment. In case any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be so indemnified. In addition, Landlord may require Tenant to pay Landlord's attorneys' fees and costs in defending against or participating in such claim, action or proceeding if Landlord shall decide, in its exercise of reasonable judgment, it is unsatisfied with the representation of its interest by Tenant or its counsel.

Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, earthquake, flood, terrorism, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other source or places except if such injury or damage is the result of the gross negligence or willful misconduct of Landlord or Landlord's employees, contractors or agents.

12. NO LIENS. Tenant shall keep the Premises, free from any liens arising out of any work performed, material furnished, or obligation incurred by Tenant or alleged to have been incurred by Tenant. If Tenant shall fail to pay any charge for which a mechanic's lien claim

and suit to foreclose the lien have been filed, and shall not have obtained the release of said lien from the property subject to such lien, Landlord may (but shall not be so required to) pay said claim and any costs, and the amount so paid, together with reasonable attorneys' fees incurred in connection therewith, shall be immediately due and owing from Tenant to Landlord, together with interest at the rate prescribed in Section 30.6, on the amount of the mechanic's lien claim.

13. SIGNS. Tenant may use the sign currently located on the exterior of the Restaurant for its business operations under this Lease. Tenant shall not place or permit to be placed any additional signs upon the exterior or in the windows of the Premises without Landlord's prior written consent. Any sign installed without such approval shall be immediately removed by Tenant and, if said sign is not removed by Tenant within three (3) days of written notice from Landlord to Tenant, then Landlord may remove and destroy said sign without Tenant's approval and without any liability to Tenant. Tenant shall not modify or alter any of the signs without the prior written approval of the City Manager for Landlord, which approval shall not be unreasonably withheld or delayed. Landlord shall reply to any proposed alteration within fourteen (14) days from submission. Any revision shall comply with the City municipal code requirements related to signage prior to any revisions actually being made to the signs. Tenant shall maintain the signs in good condition and repair at all times during the entire term at its sole cost and expense.

14. UTILITIES.

14.1. Tenant's Responsibilities. Tenant shall pay, before delinquency, all charges for water, gas, heat, electricity, power, sewer, telephone service, solid waste collection (including those associated with Section 3.6), and all other services and utilities used in, upon, or about the Premises by Tenant or any of its subtenants, licensees, or concessionaires during the entire term of this Lease. Tenant shall pay such fees, assessments or charges as may be levied for the operation, maintenance and service of such facilities and shall comply with reasonable rules and regulations established from time to time for use thereof. Tenant shall insure that trash and debris produced by the activities on Premises do not accumulate on the Premises.

15. ENTRY AND INSPECTION. Tenant shall permit Landlord and its employees and agents to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of making repairs, alterations or additions or performing the improvements to any portion of said building(s), including the erection and maintenance of such scaffolding, canopy, and fences as may be required, or for the purpose of posting notices of non-responsibility for alterations, additions or repairs, or for the purpose of placing upon the Premises any usual or ordinary signs for public safety as determined by Landlord. Landlord shall be permitted to do any of the above without any rebate of Rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned. Landlord shall make reasonable efforts to coordinate times for any repairs deemed necessary with Tenant to reduce to the extent practicable any interference with Tenant's use of the Premises. Tenant shall permit Landlord, at any time within ninety (90) days prior to the expiration of the Term, to place upon the Premises any usual or ordinary "For Lease" or "For Sale" signs, and during such ninety (90) day period, Landlord or its

agents may, during normal business hours, enter upon said Premises and exhibit the same to prospective tenants or purchasers.

16. DAMAGE AND DESTRUCTION.

16.1. Notice to Landlord. Tenant shall give prompt notice to Landlord in case of any fire or other damage to the Premises.

16.2. Partial Casualty to Premises. If the Premises shall be damaged by any casualty including, but not limited to, civil unrest, vandalism, a fire, flood or earthquake, such that (i) the cost of replacement or repair of the Restaurant is less than or equal to fifty percent (50%) of the total replacement cost thereof; or (ii) the cost of replacement or repair of damage to the Restaurant, and any other structures comprising the Premises, when aggregated together is less than or equal to fifty percent (50%) of the total replacement cost thereof, then Landlord shall promptly repair and restore the same to substantially the condition thereof immediately prior to said damage or destruction. If insurance proceeds are forthcoming, Landlord shall not be obligated to commence the restoration and/or repair until Landlord has received said insurance proceeds. Landlord shall take all reasonable steps necessary so as to obtain such insurance proceeds promptly so as to prevent delay in restoring and/or repairing the Premises to its prior condition.

16.3. Substantial Damage to Premises. If the Premises shall be damaged or destroyed by any casualty (or the other matters described above), such that (i) the cost of replacement or repair of the Premises exceeds fifty percent (50%) of the total replacement cost thereof; or (ii) the cost of replacement or repair of damage to the Premises, and any of the other structures comprising the Premises, when aggregated together exceeds fifty percent (50%) of the total replacement cost thereof, then Landlord may elect to either replace or repair the damage as aforesaid, cancel this Lease by written notice of cancellation given to Tenant within ninety (90) days after the date of the casualty, or allow Tenant to cause repairs to be made to City standards. This Lease shall cease and terminate twenty (20) days following Tenant's receipt of Landlord's cancellation notice, and Tenant shall vacate and surrender the Premises to Landlord in accordance with the terms of this Lease. In determining the cost of replacement of the Restaurant or any other portion of the Premises, the cost of foundations and footings shall not be included, except to the extent of the cost of repair thereto required by such casualty damage or destruction.

16.4. Reconstruction. In the event of any reconstruction of the Premises under this Section 16, Landlord shall be obligated to reconstruct the Premises only to the extent of the condition of the Premises prior to the damage.

16.5. Rent Abatement. In the event that any casualty to the Premises is such that operations are impossible or impractical during the reconstruction as determined by Tenant, Tenant shall be entitled to abatement of the Rent for actual number of business days closed based on a pro-rata ratio of the total days in the month.

16.6. Termination. Upon any termination of this Lease under any of the provisions of this Section 16, the Parties shall be released thereby without further obligations to the other Party coincident with the surrender of possession of the Premises to Landlord, except for obligations which have theretofore accrued and be then unpaid, and except for Tenant's obligations under Section 11.

16.7. Determination of Percentage of Damage or Destruction. If either Landlord or Tenant contends that the percentage of the damage or destruction referred to above exceeds fifty percent (50%) and the other Party disagrees, the determination of the percentage shall be made in writing by a senior officer of the insurance company that is to make insurance proceeds available for replacement or repair. If said insurance company elects not to render such a determination in a timely manner, or no determination is rendered for any other reason, then, in such event, upon fifteen (15) days prior written notice to Tenant, Landlord's determination shall be deemed the agreed upon determination of the damage or destruction.

17. ASSIGNMENT AND SUBLETTING.

17.1. Assignment and Subletting. Tenant shall not sublet the Premises or assign this Lease without the prior written consent of Landlord. Landlord shall not unreasonably withhold its consent to an assignment or sublease to a proposed assignee or subtenant. In no event shall Landlord be required to approve of any assignment or sublease which would result in a violation of any other agreements to which Landlord is a party and/or for which all of the following criteria are not met:

- a. The proposed assignee or subtenant has submitted to Landlord financial statements showing that the proposed assignee's or subtenant's financial condition, including net worth and liquidity, is equal to or greater than Tenant's financial condition;
- b. The proposed assignee or subtenant is morally and financially responsible;
and
- c. Tenant is not in default in the payment of Rent or the performance of any obligations under this Lease.

Any such assignment shall be subject to all of the terms and conditions of this Lease, including, but not limited to, the use restrictions, and the proposed assignee or subtenant shall assume the obligations of Tenant under this Lease in writing in form satisfactory to Landlord. The proposed assignee or subtenant shall simultaneously provide to Landlord an estoppel certificate in the form described in Section 21. Consent by Landlord to one assignment or subletting shall not be deemed to be consent to any subsequent assignment or subletting. Any assignment or subletting without the prior written consent of Landlord shall be void, shall constitute a material breach of this Lease, and shall, at the option of Landlord, terminate this Lease. Neither this Lease nor any interest therein shall be assignable as to the interest of Tenant by operation of law.

Landlord shall be under no obligation to consider a request for its consent to an assignment or sublease until Tenant shall have submitted in writing to Landlord a request for Landlord's consent to such assignment or sublease, a history of the proposed assignee's or subtenant's business experience and financial viability and such other information as required by Landlord to verify that the criteria set forth herein are met.

18. DEFAULT AND REMEDIES; TERMINATION.

18.1. Default by Tenant. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

- (i) Failure to pay any Rent or other monetary payment required hereunder to Landlord within five (5) days after receiving notice from Landlord of Tenant's failure to pay any such obligation when due under this Lease.
- (ii) Failure to perform any provision of this Lease (other than the payment of money), if the failure to perform is not cured within thirty (30) days of receiving written notice of the default from Landlord. If the default cannot be reasonably cured within thirty (30) days, Tenant shall not be in default of this Lease if Tenant commences to cure the default within the thirty (30) day period and diligently and in good faith continues to cure the default.
- (iii) Failure of Tenant to meet or comply with the Performance Standard.
- (iv) Vacation or abandonment of the Premises by Tenant.
- (v) Making a general assignment for the benefit of creditors.
- (vi) Filing of a voluntary petition in bankruptcy or the adjudication of Tenant as a bankrupt.
- (vii) Appointment of a receiver to take possession of all or substantially all the assets of Tenant located at the Premises or of Tenant's leasehold interest in the Premises.
- (viii) Filing by any creditor of Tenant of an involuntary petition in bankruptcy which is not dismissed within sixty (60) days after filing.
- (ix) Attachment, execution or other judicial seizure of all or substantially all of the assets of Tenant or Tenant's leasehold where such an attachment, execution or seizure is not discharged within sixty (60) days.

In the event of any such default or breach by Tenant, Landlord may at any time thereafter, without further notice or demand, rectify or cure such default, and any sums expended by Landlord for such purposes shall be paid by Tenant to Landlord upon demand and as additional Rent hereunder. In the event of any such default or

breach by Tenant, Landlord shall have the right to continue the lease in full force and effect and enforce all of its rights and remedies under this Lease, including the right to recover the Rent as it becomes due under this Lease or Landlord shall have the right at any time thereafter to elect to terminate the Lease and Tenant's right to possession thereunder. Upon such termination, Landlord shall have the right 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;

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

(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 such Rent loss that Tenant proves could be reasonably avoided.

The "worth at the time of award" of the amounts referred to in subparagraphs (a), b), and (c) above shall be computed by allowing interest (or by discounting in the case of subparagraph (c)) at three percent (3%) over the prime rate, but in no event greater than the maximum rate permitted by law.

"Rent" shall include all sums payable pursuant to this Lease on a regular basis; including reimbursement of real estate taxes and any similar amounts. The payment shall be computed on the basis of the average monthly amount thereof accruing during any preceding twelve (12) month period selected by Landlord, except that if it becomes necessary to compute such Rent before such a twelve (12) month period has occurred, then such Rent shall be computed on the basis of the average monthly amount hereof accruing during such shorter period.

Such efforts as Landlord may make to mitigate the damages caused by Tenant's breach of this Lease shall not constitute a waiver of Landlord's right to recover damages against Tenant hereunder.

Notwithstanding any of the foregoing, the breach of this Lease by Tenant, or an abandonment of the Premises by Tenant, shall not constitute a termination of this Lease, or of Tenant's right of possession hereunder, unless and until Landlord elects to do so, and until such time Landlord shall have the right to enforce all of its rights and remedies under this Lease, including the right to recover rent, and all other payments to be made by Tenant hereunder, as they become due. Failure of Landlord to terminate this Lease shall not prevent Landlord from later terminating this Lease or constitute a waiver of Landlord's right to do so.

18.2. No Waiver. Acceptance of any payment under this Lease shall not be deemed a waiver of any default or a waiver of any of Landlord's remedies.

18.3. Landlord's Default. Except as may be elsewhere expressly provided in this Lease, Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be deemed in default if Landlord commences performance within the thirty (30) day period and thereafter diligently prosecutes the same to completion.

18.4. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, except Tenant i) cannot seek money damages or pursue an action in law; and ii) is instead limited to bringing a proceeding in the nature of specific performance, injunctive relief or mandamus, or any other action in equity.

18.5. Termination.

18.5.1. The Parties acknowledge that this Lease shall be terminated immediately at the occurrence of any of the following events:

- a. By expiration of the Lease;
- b. By mutual agreement of both Parties; or
- c. In the case of casualty as provided for in Section 16.6.

18.5.2. The Parties acknowledge that this Lease may be terminated by Landlord upon five (5) days written notice if Tenant fails to meet the Performance Standard.

18.5.3. Except as set forth in Section 2.3, termination of this Lease shall not extinguish Tenant's obligations to pay Rent or its other obligations including indemnification of Landlord.

19. SURRENDER OF PREMISES. The voluntary or other surrender of the Premises by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or licensees, or may, at the option of Landlord, operate as an assignment to it of any or all of such subleases or licenses.

20. FORCE MAJEURE. If either Party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations or other cause without fault and beyond the control of the Party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, however, nothing in this Section 20 shall excuse Tenant from the prompt payment of any Rent.

21. ESTOPPEL CERTIFICATE. Tenant shall, at any time and from time to time upon not less than twenty (20) days prior notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and is in full force and effect, and the dates to which the Rent has been paid, and stating whether or not to the best knowledge that Landlord is in default under this Lease, and, if in default, specifying in reasonable detail each such default, and such other matters as Landlord may reasonably request, it being intended that any such statement delivered by Tenant may be relied upon by Landlord or any prospective purchaser of the fee or any prospective mortgagee or encumbrancer thereof.

If Landlord desires to refinance or transfer the Premises, Tenant agrees to deliver to Landlord or any lender or transferee designated by Landlord such financial information concerning Tenant as may be reasonably required by such lender or transferee and is reasonably available to Tenant. All such financial information shall be received by Landlord in confidence.

22. SUBORDINATION. The rights of Tenant shall be and are subject and subordinate at all times to the lien of any mortgage now or hereafter in force against the Premises, and Tenant shall promptly execute and deliver such further instruments subordinating this Lease to the lien of any such mortgage as shall be requested by Landlord.

23. CONDEMNATION. In the event a condemnation or transfer in lieu thereof results in a taking of any substantial and/or material portion of the Premises, Landlord or Tenant may, upon written notice given to the other Party within thirty (30) days after such taking or transfer in lieu thereof, terminate this Lease. In connection therewith, Landlord and Tenant acknowledge that:

- a. Landlord (acting as the City of Morro Bay) possesses the power to take the Premises through eminent domain proceedings; and
- b. The business to be conducted by Tenant upon the Premises is not a viable business without financial assistance from Landlord, therefore if Tenant must vacate the Premises, it will be extremely impractical, if not impossible, for Tenant to operate its business elsewhere.

Therefore, upon such termination Tenant shall have the right to claim and recover from Landlord and/or the condemning authority only the amount equal to the value of any improvements installed by Tenant. Tenant shall **not** receive any value related to the leasehold value of the property which shall be paid solely to Landlord.

24. USE OF LANDLORD'S NAME. Tenant shall not use Landlord's name for advertising or promotion without Landlord's prior written consent which may be granted or withheld in its sole discretion.

25. TRADE FIXTURES. Tenant has the right to use the Landlord's personal property located on the Premises but Tenant shall, at its own cost and expense, install and equip the Premises with all furniture, fixtures, trade fixtures, equipment and personal property reasonably required for the operation of Tenant's business. Any and all fixtures and appurtenances

installed by Tenant shall conform with the requirements of all applicable laws and regulations. All furniture, equipment, and trade fixtures installed by Tenant shall remain the property of Tenant during the Term of this Lease but Tenant shall not be remove any trade fixtures during the Term hereof without Landlord's prior written consent, which may be provided by the City Manager on behalf of the Landlord, and which consent may be withheld or granted in Landlord's sole discretion. On termination of this Lease, Tenant may, provided Tenant is not in default of this Lease, remove at its own expense all trade fixtures, equipment and its personal property. At termination of this Lease, if Tenant has left any merchandise, furniture, equipment, signs, trade fixtures or other personal property in the Premises, Landlord may give Tenant written notice to remove such property. In the event such property is not removed within fifteen (15) days of the date of said notice, Landlord may dispose of said property in any manner whatsoever and Tenant hereby waives any claim or right to said property or any proceeds derived from the sale thereof. Any damage to the Premises resulting from the installation or removal of any of said trade fixtures or equipment shall be repaired by Tenant at Tenant's sole cost and expense.

26. QUIET ENJOYMENT. As long as Tenant is not in default under this Lease, Tenant shall have quiet enjoyment of the Premises during the Term.

27. RECORDING MEMORANDUM. Within ten (10) business days of the execution of this Lease by the last Party to sign, the Parties shall execute a memorandum of this Lease in the form reasonably acceptable which Landlord shall cause to be recorded in the Official Records of San Luis Obispo County ("**Memorandum of Lease**"). Upon termination or exercise of any rights under this Lease or an amendment of this Lease, the Parties shall execute and record an amendment to the Memorandum of Lease. Tenant shall cooperate with executing any documents reasonably required to effect this provision. Upon termination of the Lease, Tenant shall execute and acknowledge any documents reasonably requested by Landlord in order to terminate the Memorandum of Lease.

28. HOLDOVER. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. Any holding over after the expiration of the term of this Lease, with the consent of Landlord, express or implied, shall be construed to be a tenancy from month to month, cancelable upon thirty (30) days written notice, and at a monthly rent as set forth in Section 3.1 and upon terms and conditions as existed during the last year of the term hereof.

29. NOTICE AND WAIVER REGARDING RELOCATION, GOODWILL, PROPERTY INTEREST AND CONDEMNATION

29.1. Tenant acknowledges Tenant has leased the Premises after the time when Landlord acquired ownership of the Premises, which occurred on December 31, 2015. Tenant knowingly and voluntarily acknowledges and agrees upon its vacation of the Premises at the end of the Lease term, upon the sooner termination thereof for any reason, or vacation, of the Premises under any circumstances, in no event shall Tenant be entitled or shall Landlord, including its employees, agents and assignees, be required to provide any relocation benefits, compensation for loss of goodwill, or assistance under any applicable federal, state, or local laws or regulations including

without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 et seq. Further, Tenant being fully informed of any and all of its rights and obligations and all laws and regulations (including without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 et seq.) in connection therewith fully waives, releases and rejects any and all relocation assistance and benefits relating to or in any respect connected with Tenant vacating the Premises.

- 29.2.** Tenant knowingly and voluntarily acknowledges and agrees upon its vacation of the Premises at the end of the Term, upon the sooner termination thereof for any reason, or vacation, of the Premises under any other circumstances, in no event shall Tenant be entitled or shall Landlord be required to provide any compensation or consideration to Tenant for the leasehold interest of Tenant, improvements pertaining to realty, personal property, fixtures and equipment, pre-condemnation damages, severance damages or interest and litigation expenses, whether based on condemnation, inverse condemnation or any other reason. Upon vacation of the Premises or termination of the Lease, Tenant knowingly waives and surrenders any claims or rights to the leasehold interest, improvements pertaining to realty, personal property, fixtures and equipment, pre-condemnation damages, severance damages or interest and litigation expenses.

30. MISCELLANEOUS.

- 30.1. Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease shall be initiated in the Superior Court of the State of California for the County of San Luis Obispo.
- 30.2. Attorney's Fees.** In any action between the Parties seeking enforcement of any of the terms and provisions of this Lease, or in connection with the Premises, the prevailing Party in such action shall be entitled, to have and to recover from the other Party its reasonable attorney's fees and other reasonable expenses in connection with such action or proceeding, in addition to its recoverable court costs.
- 30.3. Partial Invalidity.** If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereof.
- 30.4. Successors in Interest.** The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the Parties hereto, and each and all, including the Party making the assignment, shall be jointly and severally liable hereunder.
- 30.5. No Oral Agreements.** This Lease covers in full each and every agreement of every kind or nature whatsoever between the Parties hereto concerning this Lease, and all preliminary negotiations and agreements of whatsoever kind or nature are merged

herein, and there are no oral agreements. Tenant acknowledges that no representations or warranties of any kind or nature not specifically set forth herein have been made by Landlord or its employees, agents or representatives.

- 30.6. Interest.** Any sum due to Landlord under this Lease shall bear simple interest from and after its due date at a rate equal to ten percent (10%) per month until paid to Landlord, but not in excess of the maximum rate permitted by law.
- 30.7. Authority.** Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant and that this Lease is binding upon Tenant in accordance with its terms.
- 30.8. Time.** Time is of the essence of this Lease.
- 30.9. Consistency.** Each provision herein shall be interpreted so as to be consistent with every other provision.
- 30.10. Relationship of Parties.** The relationship of the Parties is that of Landlord and Tenant, and it is expressly understood and agreed that Landlord does not in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business or otherwise, or a joint venture with Tenant.
- 30.11. Non-Discrimination.** Tenant herein covenants by and for Tenant, Tenant's successors, heirs, executors, administrators and assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises, nor shall the Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, Tenants, subtenants, subtenants or vendees of the Premises.
- 30.12. Non-Collusion.** No official, officer, or employee of Landlord has any financial interest, direct or indirect, in this Lease, nor shall any official, officer, or employee of Landlord participate in any decision relating to this Agreement which may affect his/her financial interest or the financial interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any State or municipal statute or regulation. The determination of "financial interest" shall be consistent with State law and shall not include interest found to be "remote" or non interest pursuant to California Government Code Sections 1091 and 1091.5. Tenant represents and warrants that (i) it has not paid or given, and will not pay or give, to any third party including, but not limited to, Tenant or any of its officials, officers, or employees, any money, consideration, or other thing of value as a result or consequence of obtaining this

Lease; and (ii) it has not engaged in any act(s), omission(s), or other conduct or collusion that would result in the payment of any money, consideration, or other thing of value to any third party including, but not limited to, any official, officer, or employee of Landlord, as a result or consequence of obtaining this Lease. Tenant is aware of and understands that any such act(s), omission(s) or other conduct resulting in the payment of money, consideration, or other thing of value will render this Lease void and of no force or effect.

30.13. Notices. Wherever in this Lease it shall be required or permitted that notice and demand be given or served by either Party to this Lease to or on the other, such notice or demand shall be given or served in writing and shall not be deemed to have been duly given or served unless in writing, and personally served or forwarded by certified mail, postage prepaid, addressed as specified below. Either Party may change the address set forth below by written notice by certified mail to the other. Any notice or demand given by certified mail shall be effective one (1) day subsequent to mailing.

Landlord: City of Morro Bay
Attn: City Manager
595 Harbor Street
Morro Bay, CA 94585

With a copy to: Aleshire & Wynder, LLP
Attn: Joe Pannone, City Attorney
Continental Park Terrace, Suite 475
2361 Rosecrans Avenue
El Segundo, CA 90245-4916

Tenant: DiStasio's on the Bay
Attn: Kenneth MacMillan, Partner
530 Vine Street
Los Osos, California 93402

With a copy to: John W. Fricks, Esq.
Ogden & Fricks LLP
656 Santa Rosa Street, Ste 2B
San Luis Obispo, CA 93401

30.14. Not an Offer. The submission of this Lease and any ancillary documents to Tenant shall not constitute an offer to lease, and Landlord shall have no obligation of any kind, express or implied, to lease the Premises to Tenant until Landlord has approved, executed and returned to Tenant a fully signed copy of this Lease.

30.15. Amendments. This Lease may be modified or amended only in writing executed by both Parties and approved by Landlord in accordance with applicable law.

30.16. Exhibits. Exhibit A is attached hereto and incorporated herein by reference.

30.17. No Interest in Parking Lot. Tenant acknowledges Tenant has no leasehold or other interest in the Parking Lot and Landlord has retained the Parking Lot for Landlord's exclusive use and control. Within sixty (60) days, or in no event later than March 5, 2016, Tenant shall remove all Tenant's personal property from the Parking Lot except as specifically authorized by Section 3.6.

30.18. Acknowledgement of Content. Each Party acknowledges that they have read and fully understand the contents of this Lease and have had an opportunity to consult with an attorney regarding the same. This Lease represents the entire and integrated agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral.

IN WITNESS WHEREOF, the Parties have duly executed this Lease on the day and year first above written in Morro Bay, California.

LANDLORD:

TENANT:

CITY OF MORRO BAY,
a municipal corporation

**KENNETH MACMILLAN AND
MARK MACMILLAN,** a California
Partnership doing business as "DiStasio's
on the Bay"

By: _____
David Buckingham, City Manager

By: _____
Kenneth MacMillan, General Partner

_____, 2016

ATTEST:

By: _____
Mark MacMillan, General Partner

Dana Swanson, City Clerk

(Attach Notary Acknowledgements for
Tenant)

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

By: _____
Joe Pannone, City Attorney

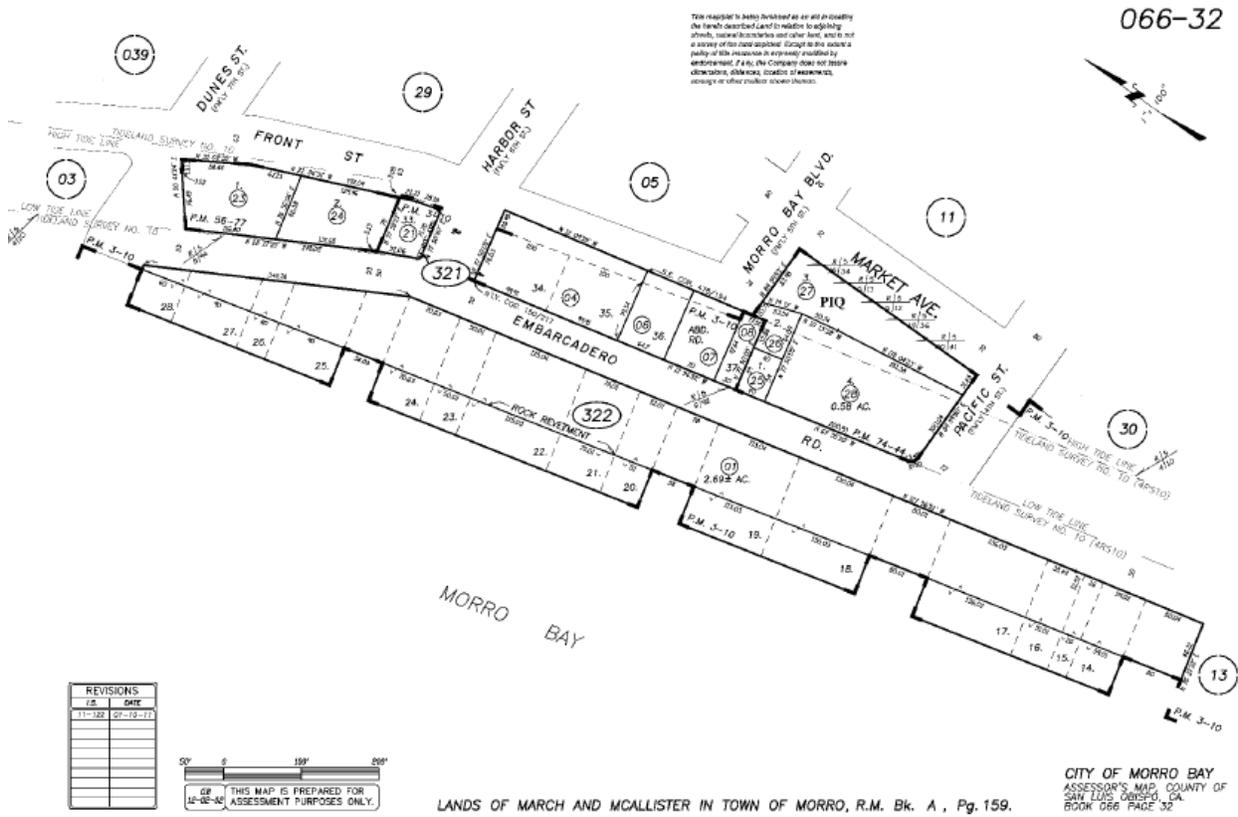
EXHIBIT A

DESCRIPTION AND DEPICTION OF PREMISES

“Restaurant”

Parcel 3 of Parcel Map MB AL 10-0069, in the City of Morro Bay, County of San Luis Obispo, State of California, according to that certain map recorded October 21, 2010, in Book 74 at Pages 44 through 45 of Maps, in the office of the County Recorder of said County.

(APN: 066-321-027; formerly a portion of 066-321-015 and 066-321-027)





AGENDA NO: A-6

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council

DATE: April 27, 2016

FROM: Joseph W. Pannone, City Attorney

SUBJECT: Approval of Radio Repeater User Agreement with Dynegy

RECOMMENDATION

Staff recommends Council approve the Radio Repeater User Agreement with Dynegy Morro Bay, LLC.

FISCAL IMPACT

None

BACKGROUND/DISCUSSION

Based on an oral agreement between the City and Dynegy, the City began operating the radio repeater within the power plant facility on November 25, 2014. The repeater is an auxiliary communication system. It serves to amplify handheld radio communication signals from personnel inside the facility to dispatch and other City personnel, including public safety, outside the facility. In order to formalize the agreement, Dynegy has requested a written agreement. The City Attorney has reviewed and approved the attached Radio Repeater Use Agreement.

CONCLUSION

Staff recommends Council approve the Radio Repeater User Agreement with Dynegy Morro Bay, LLC.

ATTACHMENT

Radio Repeater Use Agreement

Prepared By: BRA

Dept. Review: _____

City Manager Review: DWB

City Attorney Review: JWP

RADIO REPEATER USE AGREEMENT
(License Agreement)

This LICENSE AGREEMENT ("Agreement") is made, by and between Dynegy Morro Bay, LLC, a Delaware limited liability company, ("Dynegy") and City of Morro Bay, a California municipal corporation ("City" or "Licensee").

RECITALS

A. Dynegy owns real property located at 1290 Embarcadero; Morro Bay, California 93442 in the City of Morro Bay on which Dynegy formerly operated a power plant.

B. Dynegy used to operate a radio repeater at the power plant. The City now desires to operate a radio repeater at the power plant for City use.

C. Dynegy and City have agreed that City will be permitted to use certain space within the former administration building of the Morro Bay Power Plant to operate the radio repeater under the terms and conditions of this Agreement (the "Facilities"). The Facilities are shown on the photos attached as Exhibit A.

D. This Agreement memorializes a prior oral agreement by and between Dynegy and City under which City began operating the radio repeater within the Facilities on November 25, 2014.

In consideration of the above recitals, which are a material part of this Agreement, and intending to be legally bound hereby, the parties agree as follows:

1. **Use of Facilities.** Dynegy permits City to use the Facilities to operate the radio repeater for City use. City shall limit its use of the radio repeater to official City business and shall not use the radio repeater for commercial activities. City's use of any building or structures is limited to the area in which the radio repeater and other equipment necessary to operate the radio repeater is located, and access to those area. Use of the Facilities and the radio repeater shall be in accordance with all applicable Federal Communications Commission standards and regulations, and City shall be solely responsible for obtaining all required permits, licenses, and approvals to operate the radio repeater. At all times during the Term, Dynegy and such other parties as Dynegy may authorize shall have access to the Facilities without unreasonably interfering with City's use. City shall provide at least forty eight (48) hours prior notice to Dynegy for any physical access to the Facilities.

2. **License.** The rights granted to Licensee herein are not a lease and do not create any estate or interest in the Facilities, rather those rights shall constitute a nonexclusive license with respect to the use of the Facilities and shall be governed exclusively by the terms of this Agreement. City's use of the Facilities shall also conform to all applicable laws, regulations and governmental authorities affecting the Facilities.

3. **Term.** The term of this Agreement shall commence on the Effective Date and shall continue on a month to month basis (the "Term"). Each party shall have the right to terminate this Agreement by giving the other party 30 days prior written notice of intention to so terminate. The Agreement shall terminate on the date 30 calendar

days after Notice is given to the other party in accordance with Section 18 below. This Agreement memorializes a prior oral agreement by and between Dynegy and City under which City began operating the radio repeater within the Facilities on November 25, 2014. This Agreement governs City's use of the Facilities beginning on November 25, 2014, and applies to and governs City's previous actions and performance concerning the Facilities beginning on November, 25 2014.

4. **Use Fees.** Dynegy waives any use fee to be charged to City for the use of the Facilities.

5. **Facilities Provided on As-Is Basis.** Dynegy makes no representation, either express or implied, as to the condition of the Facilities and assumes no liability whatsoever therefore. Dynegy makes no representation, either express or implied, as to the suitability of any portion of the Facilities for City's purposes. Dynegy grants to City the use of the Facilities on an "as is" basis with all faults, and City accepts the Facilities on such basis. Nothing contained in this Agreement shall require Dynegy in any manner whatsoever to affect any repairs to the Facilities. City shall be solely responsible for any damage caused to Dynegy's tangible property by the City's equipment or use thereof at the Facilities or property on or at the Facilities.

6. **Insurance.** The parties acknowledge that Dynegy maintains insurance coverage on the Facilities for its own interest only, and not for the protection of Licensee or any other entity or individual using the space. Licensee, for itself and those using the Facilities under its authority, covenants that it shall not do anything in connection with the use of the Facilities that would cause a violation of the terms of the Dynegy's insurance policy or cause an increase in the rates or coverage maintained by Dynegy.

7. **Compliance With Laws and Observance of Dynegy's Rules.** City agrees (i) to use, and to cause all employees, contractors, subcontractors, invitees and all other persons involved in, or invited to, the Facilities to use, the Facilities in compliance with all laws, ordinances, rules and regulations of any governmental authority with jurisdiction over the Facilities, (ii) not to cause, or permit anyone to cause, a nuisance in, on or about the Facilities, (iii) except with Dynegy's express written consent, not to use or permit the use of any aircraft, explosives, explosive devices or pyrotechnics at the Facilities, (iv) not to use, store or dispose of, nor permit the use, storage or disposal of any hazardous or toxic substance, material or waste which is defined as a hazardous material by any local, State of California or United States of America law or regulation, except with the prior written consent of Dynegy, (v) not to make, and to cause anyone to make, any structural modifications or alterations to any portion of the Facilities or the building whatsoever without Dynegy's prior written consent, provided however, such consent shall not be construed as a waiver of City's obligation to repair or restore damage to the Facilities caused by such modifications or alterations, and (vi) to procure all required governmental permits for the use of the Facilities.

8. **Indemnification.** City agrees to defend, indemnify, and hold harmless Dynegy, its affiliates, and all of their officers, directors, agents and employees (the

“**Dynegy Indemnified Parties**”) from and against any and all claims, demands, liability, losses, attorneys’ fees and expenses (“Damages”) arising out of, relating to, or resulting from the use of the site or Facilities and site upon with the Facilities are located (the “Site”), and the activities performed by City, its agents, its employees, its subcontractors, and any person or entity having a contract with any of its subcontractors in relation to City’s use of the Site or Facilities. City agrees to be fully responsible for the safety of its employees and agents, and City hereby agrees to remain fully liable for all loss, damage and costs incurred by Dynegy which are caused or contributed to by any act or omission of City, or its reps, its agents, employees, or subcontractors as described herein. City waives any right it may have to a statutory immunity under the Government Claims Act or other state law to the extent any such immunity may limit City’s obligation to defend, indemnify, and hold harmless the Dynegy Indemnified Parties. City agrees to defend and pay all costs (including, without limitation, reasonable attorney’s and expert witness fees) of any kind for the defense of the Dynegy Indemnified Parties. The Parties also agree City’s obligation to indemnify and hold harmless are only to the extent City, or any of its officers, employees, agents or contractors cause Damages.

9. Liens. City shall not cause any liens to attach to or encumber the Facilities or be the cause of such attachment or encumbrance, by operation of law or otherwise. City shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against any portion of the Facilities or any real property owned by Dynegy with respect to work or services performed or claimed to have been performed for City or materials furnished or claimed to have been furnished to City or to the Facilities on behalf of or for the benefit of City. If any such lien attaches or City receives notice of any such lien, City shall cause the lien to be released and removed of record, the earlier of within 30 days after City’s notice thereof or Dynegy’s written notice thereof to City. If the lien is not released and removed within 30 days after Dynegy delivers notice of the lien to City, then Dynegy may immediately take all action necessary to release and remove the lien. All expenses (including reasonable outside attorneys’ fees) incurred by Dynegy in connection with release of the lien shall constitute additional License fee, and Dynegy shall be immediately due and payable by City within 30 days of written demand by Dynegy. The provisions and conditions of this Section 9 shall survive the expiration or termination of this Agreement.

10. Assignment. City shall not assign or allow others to use or occupy the Facilities without first obtaining Dynegy’s prior written consent. Dynegy may assign this Agreement without first obtaining City’s consent.

11. Security. City agrees to provide its own security at all times during the Term. Dynegy will not provide any security and Dynegy shall not be liable for any loss or damage to City’s personal property.

12. Smoking, Drinking and Eating. City shall not, and shall not permit anyone, to smoke, drink or eat inside the Facilities or to smoke on any real property owned by Dynegy.

13. Surrender of Facilities. City agrees that upon the expiration of the Term, or earlier termination of this Agreement, unless otherwise mutually agreed to by the

parties in writing, City shall remove from the Facilities all structures, equipment, and material placed thereon by City and surrender the Facilities in as good order and condition as it was immediately prior to City's first use of the Facilities, reasonable wear and tear excepted, and to repair or pay for any damage or clean up caused by City's use of the Facilities, unless Dynegy, in its sole discretion waives such obligation.

14. Legal Fees. Should there be any breach under this Agreement, it is agreed that the prevailing party shall be entitled to reasonable outside attorney's fees and any other actual costs incurred as a result of any action or proceeding under this Agreement.

15. Enforceability. If any term, provision or condition contained in this Agreement shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Agreement shall be valid and enforceable to the fullest extent possible permitted by law.

16. Waiver. The waiver by the parties of the performance of any covenant, condition or promise, or of the time for performing any act, under this Agreement must be in writing signed by both parties and will not invalidate this Agreement nor will it be considered a waiver by such party of any other covenant, condition or promise, or of the time for performing any other act required, under this Agreement. The exercise of any remedy for which this Agreement provides will not be a waiver of any remedy provided by law, and the provisions of this Agreement for any remedy will not exclude any other remedies unless they are expressly excluded.

17. Governing Law and Venue. This Agreement shall be governed by the laws of the State of California. In the event of any dispute or litigation respecting this Agreement, venue shall only be in the County of San Luis Obispo, California.

18. Notices. All notices, demands, consents, approvals and other communications (each, a "Notice") that are required or desired to be given by any party to the other under this Agreement shall be in writing and shall be (i) hand-delivered, (ii) sent by reputable overnight courier service, addressed to the appropriate party at its address set forth below, or at such other address as such party shall have last designated by Notice to the other. Notices shall be deemed given when delivered, if delivered by hand or by overnight courier. Rejection or other refusal by the addressee to accept a Notice or the inability to deliver the Notice because of a changed address of which no Notice was given previously shall be deemed to be receipt by the addressee of the Notice sent. Notice addresses for the parties are as follows:

TO CITY:

City of Morro Bay
c/o City Manager
City Hall
595 Harbor St.
Morro Bay, CA 93442

With A Copy To:

Aleshire & Wynder LLP
Joseph W. Pannone, Esq.
2361 Rosecrans Avenue, Suite 475
El Segundo, California 92024

TO DYNEGY:

Dynegy Morro Bay, LLC
1290 Embarcadero
Morro Bay, California 93442
Attn: Plant Manager

With A Copy To:

Dynegy Morro Bay, LLC
GasCo General Counsel
601 Travis, Suite 1400
Houston, Texas 77002

And A Copy To:

Seltzer Caplan McMahan Vitek
Erik Schraner, Esq.
750 B Street, Suite 2100
San Diego, California 92101

19. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one and the same Agreement.

20. Authority. City hereby represents and warrants that City is a duly formed and existing California municipal corporation and City has full right and authority to execute and deliver this Agreement, and that each person signing on behalf of such City is authorized to do so. Dynegy represents that it is a Delaware limited liability company authorized to do business in California.

21. Miscellaneous.

(a) This Agreement supersedes all prior agreements and understandings between the parties hereto, whether oral or written, pertaining to the subject matter hereof, and can only be modified by a written instrument executed by the parties hereto.

(b) The captions set forth at the beginning of each Section hereto are for information purposes only and have no meaning separately and apart from the actual provisions of this Agreement.

(c) The parties agree that neither party shall be construed as the drafter of this Agreement. If it is determined that any provision of this Agreement is ambiguous, it shall be construed as if it was drafted equally by both parties without regard to the actual drafter.

IN WITNESS WHEREOF, Dynegy and City hereby execute this Agreement intending it to be effective as of November 25, 2014 (the "Effective Date"):

City

Dynegy

City of Morro Bay

**Dynegy Morro Bay, LLC, a Delaware
limited liability company**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

[PHOTOS OF THE REPEATER LOCATION]













AGENDA NO: A-7

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council

DATE: April 27, 2016

FROM: Sam Taylor, Deputy City Manager

SUBJECT: Approval of Pickleball Program Management Agreement with Morro Bay Senior Citizens, Inc.

RECOMMENDATION

Staff recommends the Council approve of the proposed agreement for Pickleball Program Management with the Morro Bay Senior Citizens, Inc. ("Seniors").

ALTERNATIVES

Staff does not recommend any alternatives.

FISCAL IMPACT

While the City will not collect revenues from the pickleball program at this time, the Seniors provided a \$30,000 donation related to the complete retrofit of the Del Mark Park Hockey Rink into permanent pickleball courts. Seniors will collect revenues in order to make back some of the donated funds. This proposed agreement does provide for future discussions on revenue sharing related to the courts.

BACKGROUND/DISCUSSION

For more than a year, the Seniors have managed the City's pickleball program; however, this management has never been memorialized through any official agreement. While the Seniors utilize half of the City's Community Center for free as they manage all senior programming, the agreement related to that senior programs management does not provide for free use of any other City facility. It could be viewed by some that, because we have no agreement in place related to pickleball, that the City is providing free court space use and gifting public funds. While that's not accurate (because, again, the Seniors are managing a program on the City's behalf), it's appropriate to ensure that is made clear through an official management agreement.

To that end, this proposed agreement provides for the outline of the overall management of the City's pickleball program by the Seniors.

The agreement:

Prepared By: ST Dept Review: _____
City Manager Review: DWB
City Attorney Review: JWP

- Provides a three-year initial term with an option to extend for an additional three years.
- Recognizes the \$30,000 donation for the conversion of the hockey rink to permanent courts, and makes clear that donation will, first, not provide Seniors full control over a community facility and, second, ensure any funding left over from the conversion project is segregated from all other funds to be used only for maintenance of the courts or for future pickleball projects.
- Makes Seniors the managers of the Pickleball Program. The organization will coordinate the overall schedule for programming that includes relevant classes and programs like tournaments, educational opportunities for local school children, Pickleball Play Day, and open play periods.
- Defines the City as being responsible for long-term and major maintenance of the facility. Defines Seniors as providing routine upkeep related to ensuring the facility is playable and operational for scheduled programming.
- Provides that Seniors will collect revenues, as it does currently (on a donation basis). Provides for potential future discussions of revenue sharing or opportunities for the City to create revenue-generating programs. The City is not currently contemplating this, but it has been suggested by some pickleballers, including those from Paso Robles, those revenue sharing systems have worked very well elsewhere. Staff's interest now is ensuring the Seniors can recoup some of the donated funds for the conversion project as well as continue to provide for robust expansion of this program to as many community members as possible.
- Provides for the City to indemnify the Seniors for damages arising from the agreement, unless they are caused by the Seniors or any of its officers', employees' or agents' willful misconduct or gross negligence.

It is appropriate for the City to ensure when an organization is managing a program on its behalf an agreement be officially made between the parties to ensure it's clear what the parameters of the agreement are for both sides as well as to ensure community transparency.

This proposed agreement is straightforward and allows the Seniors to, in essence, reach for the stars when it comes to management of this program on the City's behalf. Staff is supportive of continuing robust expansion of the pickleball program, both for resident enjoyment and potential economic development opportunities related to tourism.

CONCLUSION

Staff recommends approval of the agreement.

ATTACHMENT

Management Agreement between Seniors and City of Morro Bay

MANAGEMENT AGREEMENT

Between Morro Bay Senior Citizens, Inc.

And

City of Morro Bay

This Management Agreement ("this Agreement") is made and entered into by and between the City of Morro Bay, a municipal corporation, hereinafter referred to as "City" and Morro Bay Senior Citizens Incorporated, a California non-profit corporation hereinafter referred to as "Seniors," (City and Seniors are at times collectively referred to as the "Parties").

WHEREAS, City and Seniors entered into that certain agreement (the "Community Center Agreement"), dated January 23, 2008, related to the use and operation of City 's Community Center (the "Facilities"); and

WHEREAS, City and Seniors entered into a Memorandum of Understanding (the "MOU"), signed April 9, 2015, providing clarification regarding duties of Seniors in relation to the Community Center Agreement; and

WHEREAS, Seniors have provided overall management of City's Pickleball Play Day sports programs; and

WHEREAS, Seniors desire to contribute \$30,000 (the "Donation") toward the conversion of the Del Mar Park Hockey Rink into permanent Pickleball Courts (the "Project"); and

WHEREAS, it is appropriate to acknowledge the Donation and identify the general outline of the Seniors' ongoing and future management of the City's Pickleball program;

Now, therefore, City and Seniors do mutually agree as follows:

A. TERM

City and Seniors acknowledge this Agreement will expire June 30, 2019, though the term may be extended by mutual agreement for an additional three-year period, as provided in a written amendment to this Agreement signed on behalf of Seniors and by City's City Manager; provided, the Parties agree to discuss, in good faith, whether to approve the extension and to make other changes, if any, to the provisions of this Agreement to better serve the public interest.

B. DONATION

The Donation is hereby acknowledged by City and will be used for the Project and as set forth herein. The Parties acknowledge the Donation does not provide Seniors any control over the Project or the reservation of the courts for members of Seniors. City will consult with Seniors related to the general plan for the Project in order to ensure City project managers understand the basic desires for the new facility. Seniors acknowledge the pickleball courts are a City-facility able to be utilized by all residents and visitors.

C. PICKLEBALL PROGRAM MANAGEMENT

Seniors shall assist in management of the City's pickleball program by working with the Recreation Services Division to schedule pickleball play days and other relevant pickleball classes and programs, including, but not limited to, educational opportunities for local school children, tournaments, and open play periods throughout the day, including weekends. Seniors acknowledge the pickleball program and facilities will be managed so the program and facilities are open to all ages, with the specific goal to encourage and recruit additional participants throughout the community to enjoy the sport.

Final program scheduling shall be approved, in writing, by City's Deputy City Manager, or his/her designee.

Because the pickleball program is a City-program being managed by Seniors, City agrees to indemnify and hold harmless Seniors and each of its officers, employees, agents and representatives from any and all actions and inactions related to programming, except as may result from willful misconduct or gross negligence of Seniors or any of its officers, employees, agents or representatives.

D. MAINTENANCE OF FACILITIES AND RECORDING KEEPING OF THE DONATION

City shall provide general, long-term maintenance of the Project's courts (the "Facilities"), and shall utilize any remaining proceeds from the Donation for ongoing maintenance of the Facilities or future construction projects related to additional pickleball court facilities. The Donation will be recorded in a specific City account, until some or all of that funding is needed for use for maintenance of the Facilities or future pickleball projects, as the latter is determined by City; provided, the Parties understand the Donation may be comingled with other City revenues for banking and investment purposes, but any interest generated by the Donation will be credited toward that specific account.

Seniors agree routine upkeep related to ensuring the Facilities are playable and operational for scheduled programs or classes will be conducted by Seniors as managers of the Facilities. That maintenance includes, but is not limited to, sweeping and water removal. If City decides to place locks on the gates of the Facilities, then City shall lock and unlock during the morning and evening. If a major maintenance issue arises related to the Facilities (broken netting, fencing, or wind screens, for instance), then Seniors will notify the Recreation Services Division to coordinate a larger-scale repair project, as approved by City.

E. REVENUE COLLECTIONS

Seniors shall collect revenues generated by the pickleball program, as it does currently. The Parties agree, in the future, to discuss and agree to sharing of that revenue or discussing other opportunities City may create for potential new City-revenues that may be generated by the pickleball program.

F. AUTHORITY TO EXECUTE AND EFFECTIVE DATE OF THIS AGREEMENT

The person or persons executing this Agreement on behalf of Seniors warrants and represents he/she has the authority to execute this Agreement on behalf of Seniors and has the authority to bind Seniors to the performance of its obligations hereunder. The effective date of this Agreement shall be the date it is signed on behalf of City, as long as it has been signed on behalf of Seniors.

IN WITNESS WHEREOF, those signing this Agreement do so on behalf of the Parties.

CITY OF MORRO BAY

CONSULTANT (2 signatures required)

By: _____

By: _____

[Authorized City Representative or Mayor]

(Signature)

Dated: _____, 2016

Attest:

(Typed Name)

Its: _____

Dana Swanson, City Clerk

(Title)

By: _____

(Signature)

(Typed Name)

Its: _____

(Title)

Approved As To Form:

Joseph W. Pannone, City Attorney



AGENDA NO: A-8

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council

DATE: May 1, 2016

FROM: Dana Swanson, City Clerk

SUBJECT: Adoption of Resolution No. 30-16 Amending the Council Policies and Procedures regarding Meeting Guidelines and Procedures, and Incorporating Resolution No. 70-15 adopted in November 2015

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 30-16 amending the Council Policies and Procedures regarding Meeting Guidelines and Procedures, as follows:

1. Amend subdivision b. of Section 1.2.1 – Establishing the Council Agenda to clarify agenda packets for all regular City Council and advisory board meetings will be published 120 hours (or five calendar days) prior to the regular meeting, exceeding the Brown Act requirement of 72-hours. Agenda packets for special meetings will be published a minimum of 48 hours (or two calendar days) prior to the meeting, exceeding the Brown Act requirement of 24 hours.
2. Amend Section 1.2.7 - Order of Business to add Recognition and City Manager Reports, Announcements and Presentations. These items do not occur at every meeting, however, it is helpful to formalize at what point in the meeting they should occur when needed.
3. Incorporate the pledge to follow best practices of civility and civil discourse in all of its meetings, as established by Resolution No. 70-15.

ALTERNATIVES

The Council may discuss and provide direction to staff regarding these or other changes to the Council Policies & Procedures.

FISCAL IMPACT

There is no fiscal impact to this decision.

BACKGROUND/DISCUSSION

Amendments to the City Council Policies and Procedures are often brought forward by the Mayor and/or City Council to formalize and/or memorialize the desired conduct of the City Council and its advisory bodies. At the April 26, 2016, City Council Meeting, the Council continued this item for further review and clarification. Staff appreciates this opportunity to review the proposed changes and recommends specifying the agenda posting requirement by hours so there is a clear comparison between the legal requirements of the Brown Act and the City's desire to go above and beyond the law to provide its residents additional time for staff report review. It is also suggested posting requirements for special meetings, such as study sessions and closed session meetings, be included

Prepared By: DS

Dept Review: _____

City Manager Review: DWB City Attorney Review: JWP

so it is clear those are different than regular meetings.

The existing policy requires agenda packets for regular City Council meetings be posted end by of business the Thursday prior to the Tuesday meeting, or five calendar days. Since the policy specifically states the day of the week, it is difficult to apply that language to advisory board meetings which take place on Tuesdays, Wednesdays and Thursdays. For that reason, it is recommended subdivision b. of Section 1.2.1 Establishing the Council Agenda be amended to clarify agenda packets for regular meetings of the City Council and all advisory bodies be published a minimum of five calendar days (or 120 hours) prior to the meeting. The intent is not to change the current practice of publishing agenda packets for regular City Council meetings on Wednesday prior to the meeting (a day ahead of the stated requirement), but to ensure advisory board members have ample time to review materials prior to their regular meetings. Secondly, Section 1.2.7 Order of Business is being amended to formally add Recognition and City Manager Reports, Announcements and Presentations to the meeting template.

Additionally, in November 2015, the City Council adopted Resolution No. 70-15 pledging to follow best practices of civility and civil discourse in all of its meetings. That resolution's pledge will be incorporated at the beginning of the Council Policies & Procedures to memorialize the commitment for current and future Council and Advisory Board members.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 30-16 amending Chapter One of the Council Policies and Procedures, and incorporating Resolution No. 70-15's pledge to follow best practices of civility and civil discourse in all of its meetings.

ATTACHMENTS

Resolution No. 30-16

Resolution No. 70-15

RESOLUTION NO. 30-16

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AMENDING COUNCIL POLICIES AND PROCEDURES MANUAL
REGARDING MEETING GUIDELINES & PROCEDURES**

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

WHEREAS, the Council Policies and Procedures Manual for the City of Morro Bay is a combination of City Council actions, policies, references, and information regarding the City Council; and

WHEREAS, to ensure all Councilmembers are familiar with and understand the City of Morro Bay's philosophies and policies regarding serving on the City Council, the City Council adopted its Council Policies and Procedures Manual, which have been amended on various occasions; and

WHEREAS, the City again desires to amend certain Sections of the Council Policies and Procedures Manual related to Meeting Guidelines & Procedures.

NOW, THEREFORE, be it resolved, the City Council of the City of Morro Bay does hereby amend Chapter One of the Council Policies and Procedures Manual, as follows:

Section 1.

1.2 AGENDA

1.2.1 ESTABLISHING THE COUNCIL AGENDA

The purpose of the agenda is to provide a framework within which Council meetings can be conducted and to effectively implement the approved Council Goals, Financial Plan and Budget, and also work programs, objectives, and business of the City as established by the present or earlier City Councils. Agenda items also include recommendations to the City Council from advisory bodies, land use and zoning actions or appeals, bid and purchasing procedures, and mandates from other levels of government. Staff shall work within the policy context established by the Council and will not arbitrarily place matters on the agenda that are outside the scope of existing work programs of the City, except as approved by the Mayor or a majority of the Council, and to inform and advise the Council of matters necessary to the proper operation and well-being of the City.

- a. Tentative Council Meeting Agenda - Every effort will be made to provide it to the City Council and staff before the close of business on the second Friday prior to the Council meeting.

- b. The full agenda packet for regular meetings of the City Council and all City Advisory Boards will be published before the close of business a minimum of 120 hours (or five calendar days) Thursday prior to the Council meeting. Agenda packets for special meetings will be published a minimum of 48 hours (or two calendar days) prior to the meeting.

The process for determining the format and order of the agenda is based primarily on the order of business adopted by the City Council (see Section 1.2.7). The process for establishing the order of specific business and public hearing items is a collaborative one determined largely by anticipated public attendance (those matters involving greater audience attendance are usually scheduled ahead of other items). The City Manager shall meet with department heads on a regular basis, individually and as a group to discuss issues and to review upcoming agenda items.

In addition, the City Manager shall review the agenda materials with the Mayor, or in the Mayor's absence, the Mayor Pro Tempore. The final agenda is set subject to the approval of the Mayor (or Mayor Pro Tempore), after consultation with the City Manager.

1.2.7 ORDER OF BUSINESS shall be as follows:

- 1.2.7.1 Establish Quorum and Call to Order
- 1.2.7.2 Moment of Silence
- 1.2.7.3 Pledge of Allegiance
- 1.2.7.4 Recognition (Certificates of Appreciation or other forms of recognition for residents and staff)
- 1.2.7.45 Closed Session Report
- 1.2.7.56 Mayor and Council Members Reports, Announcements and Presentations
- 1.2.7.7 City Manager Reports, Announcements and Presentations (City Manager, Director and Advisory Board Reports)
- 1.2.7.68 ~~Public~~ Presentations (Proclamations and Public Presentations)
- 1.2.7.79 Public Comment
- 1.2.7.810 Consent Agenda
- 1.2.7.911 Public Hearings (shall start no sooner than 7:00 p.m.)
- 1.2.7.120 Business Items
- 1.2.7.134 Council Declaration of Future Agenda Items
- 1.2.7.142 Adjournment

Section 2. The City Clerk is directed to incorporate at the beginning of the Council Policies and Procedures Manual the City pledge to follow best practices of civility and civil discourse in all of its meetings, as established by Resolution No. 70-15.

PASSED AND ADOPTED by the City Council, City of Morro Bay at a regular meeting thereof held on the 10th day of May, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

RESOLUTION NO. 70-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
PLEDGING TO FOLLOW BEST PRACTICES OF CIVILITY AND CIVIL DISCOURSE
IN ALL OF ITS MEETINGS**

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

WHEREAS, we, the Mayor, City Council Members, Commissioners, Appointees, and Staff of the City of Morro Bay, in order to ensure **civility and civil discourse** in all of our meetings, pledge our commitment to the following **best practices of civility and civil discourse**; and,

WHEREAS, we pledge our commitment to **respect** the right of all people to hold different opinions in all our meetings; and

WHEREAS, we pledge our commitment to **avoid rhetoric intended to humiliate, malign, or question the motivation** of those whose opinions are different from ours in all our meetings; and

WHEREAS, we pledge our commitment to **strive to understand** differing perspectives in all our meetings; and,

WHEREAS, we pledge our commitment to **choose words carefully** in all our meetings; and

WHEREAS, we pledge our commitment to **speak truthfully** without accusation, and avoid distortion in all our meetings; and

WHEREAS, we pledge our commitment **against violence and incivility** in all their forms whenever and wherever they occur in all our meetings; and

WHEREAS, we commit ourselves to build a civil political community in which each person is respected and spirited public and political debate is aimed at the betterment of the City of Morro Bay and its people and not the disparagement of those with whom we disagree.

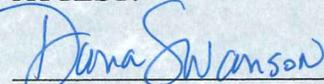
NOW, THEREFORE, BE IT RESOLVED, by the City Council, City of Morro Bay, California, that the Mayor, City Council Members, Commissioners, Appointees, and Staff of the City of Morro Bay shall promote the use of and adherence to the principles of **civility and civil discourse** in conducting business with appointed and elected officials, staff, and citizens.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 10th day of November, 2015 on the following vote:

AYES: Irons, Johnson, Smukler
NOES: None
ABSENT: Heading, Makowetski

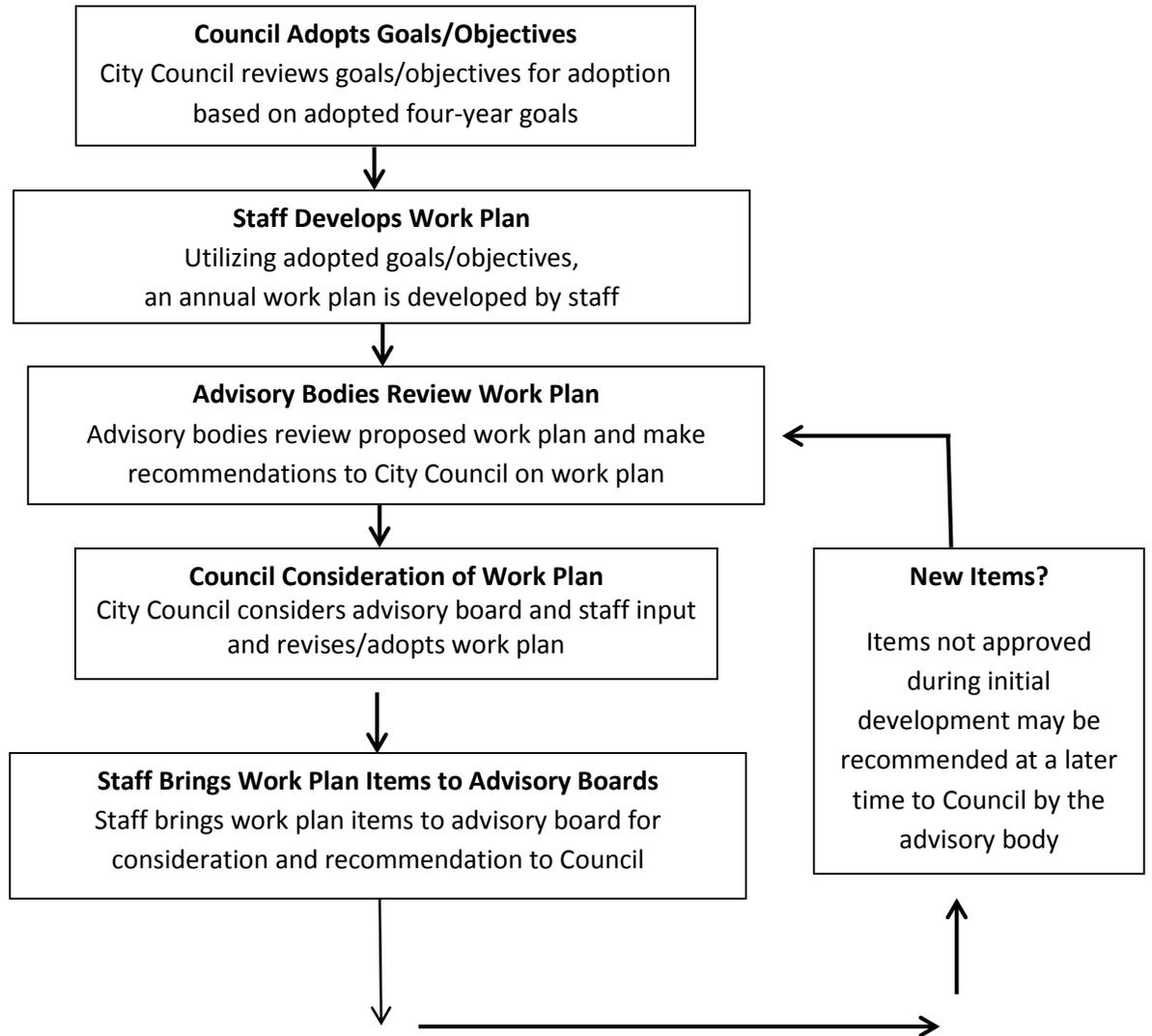


JAMIE L. IRONS, Mayor

ATTEST:


DANA SWANSON, City Clerk

Advisory Board Work Development Structure



Item	Description	Expected PWAB Review
Public Works Advisory Board Work Plan based on City Council 2016/17 Objectives		
Street Summit	Hold a “streets summit” to inform residents and work various street improvement approaches including financing and a possible funding revenue measure on the Nov. 2018 ballot.	<i>(Qtr 1)</i> - September 2016
Traffic Calming	Review traffic calming projects at appropriate locations. Include San Jacinto/Main for primary consideration.	<i>(Qtr 1)</i> - September 2016
41/Main Street Intersection Funding	Provide recommendations for the required 50-percent local match (~ \$2M) to the Highway 41, Main Street and Highway 1 (ramp) Intersection improvement project. (Moved from Goal 4, otherwise unchanged.)	<i>(Qtr 1)</i> - September 2016
Bike Needs	Provide input on the unmet bike needs list that are funded in the FY16/17 budget process. Include Highway 1 and Yerba Buena, Bike Parking at public buildings, and traffic calming on San Jacinto for primary consideration.	<i>(Qtr 1)</i> - September 2016
Construction Timing	Provide a recommendation to Council regarding existing City-imposed restrictions on timing of street work so that some paving, patching and painting work can be performed at appropriate times during shoulder and summer seasons.	<i>(Qtr 1)</i> - September 2016
Market Street Bluff / Centennial Parkway Area Revitalization	Hold a public meeting for revitalization of the city owned properties adjacent to Centennial Parkway, including the Front Street parking lot, the Branigan’s / Distasio’s building, and the City-owned parking lot at Market and Pacific. Depending on public input and funding, review design on various projects including Centennial Parkway revitalization and the Embarcadero Promenade concept	<i>(Qtr 2)</i> - October 2016
ADA Compliance Improvements	Review the ADA compliance assessment, recommend projects to complete (\$50K or as set by the FY2016/17 budget) for ADA compliance improvements	<i>(Qtr 2)</i> - November 2016
Harbor Maintenance	Review and provide recommendations to City Council regarding transferring Harbor maintenance functions to Public Works.	<i>(Qtr 2)</i> - November 2016
Improve Trash Collection and Public Restroom Cleaning	Provide recommendations to Council for funding proposals to increase the frequency of public trash collection in public areas and the cleaning of public restrooms	<i>(Qtr 3)</i> - January 2017
Tree Trimming	Review the frequency of tree trimming in the downtown, that continues City tree management and planting consistent with the Urban Forest Management plan.	<i>(Qtr 3)</i> - February 2017
Vehicle Replacement	Review City vehicle requirements, then determine replacement costs over a 15-year period to estimate the total costs required to fund replacements on an annual basis, provide recommendations to City Council.	<i>(Qtr 3)</i> - March 2017
Facility Maintenance Program	Review the Facility Maintenance Program using priority setting in time to influence the 2017/18 budget cycle and provide recommendations to City Council	<i>(Qtr 4)</i> - April 2017
State Water Planning	Review the long-term requirements for continued participation in the State Water Project, including what level of participation is appropriate in the long term.	<i>(Qtr 4)</i> - May 2017
“One Water” Planning	Review the Master Plans for Water Supply, Water System, Wastewater Collection, and stormwater as a “One Water” Plan.	<i>(Qtr 1 or 2)</i> - May 2017
Desal Location	Review the options to relocate the City desal plant.	<i>(Qtr 4)</i> - May 2017
Routine Items		
WEU Evaluation	Evaluation and Recommendations to Council regarding WEU allocations	May-17
Budget	Review and provide Recommendations to Council regarding the Operating and Capital Budget	Apr-17

Item	Description	Expected PC Review
Planning Commission Work Program for City Council 2016/17 Goals & Objectives		
Goal 3	Review and Update Significant City Land Use Plan	N/A
a. GP/LCP	Continue work on the GP/LCP update, completing the alternatives analysis and administrative draft of the blue print/Green Print: and administrative draft of the Program EIR, while pursuing robust public input in the entire process.	Q1 - Q4 FY17
b. Zoning Options for GP/LCP	Bring to Council for consideration a budget decision to add a full zoning update/overhaul to the GP/LCP contract. [Incorporated into Draft FY 16/17 budget]. Include update of the Boat & RV parking requirements, hedge height review and review of trashcan screening requirements	Q1 FY17 - Q3 FY18
c. WRF/Property Master Plan.	Complete site master plan for the entire WRF property if acreage is included to support additional uses (Corporation Yard)	Q2 FY17 - Q1 FY18
d. Wireless Ordinance	Update wireless ordinance and process through Coastal Commission	Q2 - Q4
e. Downtown/Waterfront Strategic Plan (DWSP)	Consider incorporating the DWSP into the GP/LCP process. Complete DWSP part of the plan. [Cost estimate anticipated within 2-weeks]	Q1 - Q2
f. 2016 Building Code	Review and adopt the 2016 California Building and Standards Code. Consider integrating green building incentives and greywater/solar-ready initiatives if not included in the state revisions.	Q2
Sign Ordinance	Complete Sign Ordinance update and bring to Council for adoption	Q1 - Q2
Housing Element Implementation	Review with Planning Commission and bring forward to Council possible affordable housing incentives	Q3 FY17 - Q1 FY18
Other Objectives that May Require PC review		
Goal 6. Support Economic Development		
g. Aquarium Project	Work closely with the Central Coast Aquarium to bring a concept Plan for approval to the Council and Coastal Commission.	Q2
I. Economic Development Code Scrub	Complete a high level analysis of the Morro Bay Municipal Code to revise/remove policies that impede or hamper an improved business climate. (items will be identified as part of the Economic Development Strategic Plan Process).	Q3 - Q4
m. Food Trucks	Research and bring to Council for consideration a change to the MBMC to allow "food trucks" during approved events.	Q4 FY17 - Q1 FY18
Goal 7. Improve City Infrastructure, Facilities and Public Spaces		
a. Market Street Bluff/Centennial Parkway Area Revitalization	Begin a public process and bring to Council ideas for revitalization of the City owned properties adjacent to Centennial Parkway, including the Front Street lot, the Branigans/Distasio's building, and the City owned Lot at Market and Pacific	Q1

Item	Description	Expected CFAC Review
Citizens Oversight/Finance Advisory Committee Work Program for City Council 2016/17 Goals & Objectives		
Goal 5	Ensure fiscal Sustainability	
a. Budget Forecast	Attend budget forecast presentation, and review model.	Q3 FY16 - ongoing
b. Budget Transparency	Recommend a budget document that is more easily understood by the general public. Form a subcommittee to research and present ideas to the CFAC on innovative budget presentations and provide to City Manager by Jan 2017 to influence FY2017/18 Budget preparations.	Q3 FY16 thru Q2 FY17
c. CFAC Review	Quarterly reviews of budget performance, investment portfolio performance, and contract expenditures, and prepare comments, if any, to present to the City Council. Annual review of City audits.	Q2 FY16 -Q4 FY17
e. Budget Policies	Review and organize existing policies, research and recommend additional.	Q4 FY16 - Q4 FY17

Item	Description	Expected HAB Review (by fiscal year quarter)
Harbor Work Program for City Council 2016/17 Goals & Objectives		
As amended by the City Council on 4/26/16		
GOALS		
Goal 3	Review and Update Significant City Land Use Plans	N/A
e. Downtown/Waterfront Strategic Plan (DWSP)	Consider incorporating the DWSP into the GP/LCP process. Complete DWSP part of the plan. WPE1 provide staff input to consultants as-required. WPE2 Obtain HAB review/input on work products as-required.	N/A
	WPE1 - Provide staff input to consultants as-required.	<u>Q1-Q2</u>
	WPE2 - Obtain HAB review/input on work products as-required.	<u>Q1-Q2</u>
Goal 4	Maintain Core Public Safety Services	N/A
d. Public Safety Scrub of Morro Bay Municipal Code	Complete a review of all public safety ordinances in the MBMC, including various sections of the MBMC that currently require first offense warning for violations of code, and bring recommended changes to Council for decision.	N/A
	WPE1 - Harbor element already begun in 2015 with HAB review and input on MBMC Chapter 15 and Harbor Dept. Rules and Regulations. First-round staff and HAB review of all sections complete.	
	WPE2 - Staff to bring first-round draft of recommended changes back to HAB.	<u>Q1</u>
	WPE3 - Bring HAB-inputted and recommended changes to Council for approval.	<u>Q2</u>
Goal 5	Ensure Fiscal Sustainability	N/A
a. Budget Forecast	Complete a professional, external 10-year budget forecast in Jan-Mar 2017 with new Council.	N/A
	WPE1 - Research and update current capital planning needs assessment and modeling with HAB Finance & Budget Ad-Hoc Committee assistance.	<u>Q1-Q2</u>
	WPE2 - Complete capitol assessment for HAB review and recommendation into FY 2017/2018 budgeting process for Council.	<u>Q3-Q4</u>
	WPE3 - Research and update current Master Fee cost recovery estimating and modeling with HAB Finance & Budget Ad-Hoc Committee assistance.	<u>Q1-Q2</u>
	WPE4 - Complete Master Fee cost recovery estimating for HAB review and recommendation into FY 2017/2018 budgeting process for Council.	<u>Q3-Q4</u>
	WPE5 - Research/Investigate new and/or enhanced revenue streams with HAB input and recommendation.	<u>Q1-Q2</u>
	WPE6 - Bring HAB revenue stream recommendations into FY 2017/2018 budgeting process for Council.	<u>Q3-Q4</u>

Goal 6	Support Economic Development	N/A
g. Aquarium Project	Work closely with the Central Coast Aquarium to bring a concept Plan for approval to the Council and Coastal Commission.	N/A
	WPE1 - HAB review and recommendations to Council on CCA proposal after submission (est. Q4 2016).	<u>Q2</u>
j. Maritime Museum	Update the current MOU and complete a license agreement with the Central Coast Maritime Museum.	N/A
	WPE1 - Staff to complete MOU currently in draft form for Council consideration and approval.	<u>Q1</u>
	WPE2 - Staff to complete a License Agreement for administrative approval.	<u>Q1</u>
k. Marine Services Facility	Contract for, complete and bring to Council for consideration a full feasibility study for the proposed Marine Services Facility.	N/A
	WPE1 - HAB Boatyard/Marine Services Facility Ad-Hoc Committee and staff identify potential outside private interest in facility construction and operation. If such interest exists, consider waiting for private proposals before paying for an internally-funded feasibility study.	<u>Q4 FY16 - Q2 FY17</u>
	WPE2 - With Boatyard/Marine Services Facility Ad-Hoc Committee participation and input, develop RFP for financial feasibility study for Council approval.	<u>Q1-Q2</u>
	WPE3 - With Boatyard/Marine Services Facility Ad-Hoc Committee participation and input, evaluate RFP responses, get consultant under contract and complete study.	<u>Q1-Q2</u>
	WPE4 - With Boatyard/Marine Services Facility Ad-Hoc Committee evaluation and recommendations, bring completed study to HAB for recommendations, and to Council for consideration and direction on next steps and possible site commitment.	<u>Q2</u>
Goal 7	Improve City Infrastructure, Facilities and Public Spaces	N/A
h. ESH Fencing	Fence the environmentally sensitive habitat (ESH) between the Embarcadero dirt extension and the Morro Bay Power Plant property in the same manner as the ESH fencing on the opposite side of the road.	N/A
	WPE1 - Obtain cost estimate.	<u>Q1</u>
	WPE2 - Bring to Council for budgeting (Harbor Fund or General Fund, or possible grant funding?).	<u>Q1</u>
	WPE3 - Install.	<u>Q1-Q2</u>
Goal 8	Enhance Quality of Life	N/A
c. Sea Otter Awareness	Take specific actions to raise awareness of sea otter protection practices and participate in the 2016 Sea Otter Awareness Week.	N/A
	WPE1 - Continue current efforts with State Parks and Fish and Wildlife regarding establishing Morro Bay-specific sea otter awareness materials.	N/A
	WPE2 - Engage stakeholders, identify opportunities and ideas, and bring to HAB for input and recommendation.	<u>Q4 FY16-Q1 FY17</u>
	WPE3 - Implement recommendations.	<u>Q1</u>
	WPE4 - Participate to the extent possible in Sea Otter Awareness Week 2016 (typically the 4th week in September).	<u>Q1</u>

Goal 10	Improve City Operations	N/A
c. Records Management	Develop a prioritized, budget short- and long-term plan for improving records management policies and procedures, including development of a trustworthy electronic records system, and staff education regarding legal requirements and best practices. Begin digital scanning of Harbor Dept. records.	N/A
	WPE1 - Identify Harbor records to be scanned, including reconciliation of duplicate lease files in Harbor and Legal departments.	<u>Q1-Q2</u>
	WPE2 - Obtain cost estimate to scan identified records.	<u>Q3</u>
	WPE3 - Bring to Council for budgeting.	<u>Q4</u>
	WPE4 - Complete scanning.	<u>Q1 FY18</u>
h. Harbor Maintenance	Evaluate transferring Harbor maintenance functions to Public Works.	N/A
	WPE1 - Identify functions contemplated for transfer using the Harbor Department Level of Service document developed in 2010/2011.	<u>Q1</u>
	WPE2 - Working with Public Works' management, develop potential models, including consideration of performance parameters, efficiencies and financials, for transferring functions to Public works, including HAB review, input and recommendation to Council.	<u>Q3</u>
	WPE3 - Bring HAB recommendations to Council for consideration and decision.	<u>Q4</u>
OTHER ITEMS		
a. Human Observer Requirement in Groundfish Fishery	Support Changes in the Human Observer Requirement to Participate in the Trawl Sector of the West Coast Groundfish Fishery	N/A
	WPE1 - Research current governance and regulations and how the Morro Bay fleet is affected.	Q4 FY16- Q1 FY17
	WPE2 - Identify regulatory path for City/Industry to take to effect changes in governance.	Q1-Q2
	WPE3 - Research and identify industry-supportable options to bring forward for consideration of regulators.	Q1-Q2
	WPE4 - With the industry, bring options to regulators to effect changes.	Q2-Q3/4
b. Working Waterfronts	Create a "Working Waterfront" Policy for Morro Bay, and Pursue "Working Waterfront" Designations or Guidelines	N/A
	WPE1 - Research "Working Waterfronts," their designations, guidelines and other information pertinent to Morro Bay for consideration of a Morro Bay policy and possible designation.	Q1
	WPE2 - Develop draft Morro Bay Working Waterfront Policy for City Council consideration.	Q2
	WPE3 - Pursue Morro Bay Working Waterfront designation or recognition, if applicable.	Q3
c. Eelgrass Mitigation	Consider Pursuing Changes to Eelgrass Regulation and Mitigation in Morro Bay to the Benefit of the Resource and Community	N/A
	WPE1 - Continue Eelgrass Ad-Hoc Committee work into research of Newport Beach CA and other models, to include robust engagement with the Morro Bay National Estuary Program.	Q4 FY16-Q1 FY17
	WPE2 - Research and identify potential regulatory path(s) forward.	Q1-Q2
	WPE3 - Consider hiring consultancy to pursue full regulatory process. Budget in FY17/18 if required.	Q2-Q3
	WPE4 - Develop Morro Bay Eelgrass Mitigation Policy for consideration of regulatory approval.	Q4-Q1/2 FY18

Item	Description	Expected RPC Review
Recreations & Parks Commission Work Plan for City Council 2016/17 Goals & Objectives		
Goal 5	Ensure Fiscal Sustainability	N/A
a. Budget Forecast	WPE1 – Review budget forecast for Recreation Services Division with RPC for their information in April 2017.	Q2 2017
g. Recreation Programming	Evaluate partnerships and/or contracting opportunities to increase the range of recreation programming through the use of external service providers. WPE1 – Review existing recreational programming with RPC including sports, classes and youth offerings, seek feedback on existing offerings and receive suggestions on potential other offering ideas in August 2016. WPE2 – Utilizing RPC suggestions, begin to review, research and analyze additional programming offerings and determine potential partnerships, report to RPC Q3-Q4 of 2016. WPE3 – Should there be feasible partnerships or contracting opportunities, prepare relevant budget documents for RPC review Q1-Q2 of 2017. Seek RPC recommendation to City Council to be utilized at either Mid-Year Budget Review or FY2017-18 Budget consideration.	Q1 2016 - Q2 2017
Goal 6	Support Economic Development	
m. Food Trucks	Research and bring to Council for consideration a change to the MBMC to allow “food trucks” during approved events. WPE1 – Research, evaluate, and report to RPC relevant code sections to be modified to allow for food trucks to participate in approved special events in Q3-Q4 of 2016. RPC recommendation to Council on potential modifications at this time.	Q3-Q4 2016
Goal 7	Improve City Infrastructure, Facilities and Public Spaces	
	Prioritization of Capital Needs for Park Infrastructure	
Goal 8	Enhance Quality of Life	
a. Community Pool Planning	Prepare for, and enact, the overall management of community access at the new Morro Bay High School/Community Pool. WPE1 – Report to RPC in Q1-Q2 of 2017 regarding pool management plans.	Q1-Q2 2017
b. City-Sponsored/Partnered Events	Execute the following City/Partnered Events: Fourth of July, Rock to Pier Run, Dixon Spaghetti Dinner, Downtown Trick-Or-Treat (partner with Chamber of Commerce), Lighted Boat Parade/Christmas Tree lighting (partner with Rotary). WPE1 – Report on quarterly basis to RPC regarding execution of each City/Partnered Event in FY2016-17. Seek feedback regarding events.	Quarterly Report
d. Pickleball Court Space	Research and present to Council opportunities for additional, future Pickleball court space. WPE1 – Research and present to RPC for consideration of recommendation to Council regarding opportunities for additional, future Pickleball court space by Q2 2017.	Q2 2017
e. Recreation Guide	Sponsor / publish the Morro Bay Recreation Programs Guide in Fall, Winter, and Spring, beginning Fall 2016. WPE1 – Report to RPC on Rec Guide development and execution Q2-Q3 2016 prior to initial Fall 2016 publication.	Q2-Q3 2016
Additional Items	Annual Tour – July 2016: RPC members will tour various park locations with Rec and Public Works staff.	Jul-16

Item	Description	Expected TBID Review
TBID Advisory Board Work Plan based on City Council 2016/17 Goals & Objectives		
Goal 1	Current Review & Annual Goals Development	N/A
a. Mid-Year Goal Review	<p>WPE1 – City Staff and the Tourism Business Improvement District Advisory Board conduct a mid-year goal review in December and make recommendations for any modifications to the current goals.</p> <p>WPE2 – The Tourism Business Improvement District Advisory Board will review in February and make recommendations to city staff for modifications or recommend to city council for approval.</p> <p>WPE3 - The goals will be incorporated within the full city budget and then reviewed, modified or approved by city council in May or June.</p>	Q2 2016-Q4 2017
Goal 2	Annual Budget	
a. Review & Development	<p>WPE1 – City Staff and the Tourism Business Improvement District Advisory Board conduct a mid-year budget review in November and make recommendations for any modifications to the current budget.</p> <p>WPE2 – The Tourism Business Improvement District Advisory Board will review in February and make recommendations to city staff for modifications or recommend to city council for approval.</p> <p>WPE4 - The budget is incorporated within the full city budget and then reviewed, modified or approved by city council in May or June.</p>	Q2 2016-Q4 2017
Goal 3	Annual Marketing, Public Relations & Sales Plan	
a. Current review and annual plan development	<p>WPE1 – City Staff and the Tourism Business Improvement District Advisory Board conduct a mid-year review of the annual marketing, public relations & sales plan (annual plan) in December and make recommendations for any modifications for the remainder of the fiscal year.</p> <p>WPE2 – The Tourism Business Improvement District Advisory Board will review in February and make recommendations to city staff for modifications or recommend to city council for approval.</p> <p>WPE3 - The annual plan is incorporated within the full city budget and then reviewed, modified or approved by city council in May or June.</p>	Q2 2016-Q4 2017
Goal 4	China Readiness Program	

<p>a. Get China Ready</p>	<p>WPE1 – Research and find the proper industry resources to establish a viable China Readiness Program by mid-September.</p> <p>WPE2 – Assemble a committee consisting of the Tourism Business Improvement District Advisory Board, City Council, community business & industry partner organizations for an information meeting in September.</p> <p>WPE3 – The committee helps establish first year goals and objectives to execute within the community the first year by October.</p> <p>WPE4 – Identify opportunities within the business community to host and/or promote China Readiness Workshops by the end of December.</p> <p>WPE5 – Provide Phase I: China Readiness Informational Workshops for restaurants, retail and lodging in January & February.</p> <p>WPE6 – The committee evaluates feedback and begins designing Phase II: China Readiness Workshops for a more in-depth training for restaurants, retail and lodging by the end of March.</p> <p>WPE6 – The committee begins to work on the second year goals and objectives by the end of March, including a community residential component.</p> <p>WPE7 – Report the progress of this program to City Council in March.</p> <p>WPE8 - Create a shared resource guide for the business community by the end of April.</p> <p>WPE9 – The committee review and evaluates first year goals and objectives by the end of May and makes any modifications as necessary.</p> <p>WPE10 – A staff report is created and presented to both the Tourism Business Improvement District Advisory Board and City Council in May outlining the progress of year one and the presentation of the second year goals, objectives and community workshops.</p>	<p>Q2 2016-Q4 2017</p>
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AGENDA NO: A-10

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council **DATE:** May 3, 2016

FROM: Scot Graham, Community Development Manager

SUBJECT: Adopt Resolution No. 35-16 Authorizing Staff to Submit a Grant Application for Coastal Commission Round 3 Grant Funding

RECOMMENDATION

Adopt Resolution No. 35-16 authorizing staff to submit a grant application in the amount of \$250,000 to the California Coastal Commission for update of the City's Local Coastal Program (LCP).

ALTERNATIVES

- A. Direct staff to discontinue application for the Coastal Commission Grant
- B. Increase or decrease amount of grant request.

FISCAL IMPACT

It is anticipated a cash/in-kind match of 15% or approximately \$37,500 will be required. It is likely we will be able to count the \$100,000 the Council has already budgeted for the Downtown Waterfront Strategic Plan as the cash match. If we are unable to use those funds, General Plan impact fees would be utilized for any amounts exceeding the in-kind contribution.

BACKGROUND/DISCUSSION

Staff has indicated many times in the past grant opportunities would continue to be pursued throughout the General Plan/Local Coastal Program update process. Staff spent three quarters of a day with five Coastal Commission staff members on Wednesday April 27, 2016. As part of the discussions that took place, Coastal Commission staff encouraged the City to submit a second grant request for Round 3 funding availability to further support the City's LCP update effort.

The Round 3 funding opportunity was made available when Governor Brown approved a \$3 Million addition to the Coastal Commission's budget for FY 2015/2016, specifically for support of current and ongoing efforts to update LCPs.

The additional funding would serve in support of development and implementation of climate adaptation strategies and sea-level rise impacts.

Prepared By: SG Dept Review: Com. Dev.
City Manager Review: DWB
City Attorney Review: JWP

CONCLUSION

Staff recommends the Council adopt Resolution No. 35-16 authorizing staff to submit a grant application in the amount of \$250,000 to the California Coastal Commission for update of the City's Local Coastal Program (LCP) requiring an anticipated cash/in-kind match of 15% or approximately \$37,500.

RESOLUTION NO. 35-16

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVING THE GRANT APPLICATION FOR THE
COASTAL COMMISSION LCP GRANT PROGRAM (ROUND 3)**

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

WHEREAS, the Budget Act of 2015 provides \$3 Million for Coastal Commission grants in FY 15-16 to local governments to support Local Coastal Program (LCP) planning; and

WHEREAS, the California Coastal Commission, under the authority of the California Coastal Act, may provide financial assistance to support coastal planning and has approved a competitive grant program to provide such financial assistance for LCP planning; and

WHEREAS, the goal of the grant program is to develop new or updated LCPs in conformance with the California Coastal Act and to reflect current circumstances and new scientific information, including new understandings and concern for the effects of climate change; and

WHEREAS, grant proposals submitted under this grant program must complete land use plan and/or zoning work to either achieve submittal for certification of an LCP, an Area of Deferred Certification (ADC), or an LCP Amendment to significantly update a certified LCP or LCP segments, including with special emphasis on effects of climate change and sea-level rise; and

WHEREAS, the City of Morro Bay has an effective, certified LCP; and

WHEREAS, the City of Morro Bay desires to pursue a project that would result in the complete update the LCP and submittal of that LCP for certification by the California Coastal Commission; and

WHEREAS, the City of Morro Bay commits to and agrees to fully support a planning effort intended to complete a certified LCP pursuant to the provisions of the California Coastal Act, with full public participation and coordination with the Coastal Commission staff.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Morro Bay hereby:

1. Directs staff to submit the grant application package to the California Coastal Commission to provide financial and planning assistance, under authority of the

California Coastal Act, in the amount of \$250,000 to fund the project more particularly described in the grant application package.

2. Authorizes the Community Development Manager to execute, in the name of the City of Morro Bay, all necessary applications, contracts and agreements and amendments, thereto, to implement and carry out the grant application package, attached hereto, and any project approved through approval of the grant application.

PASSED AND ADOPTED by the Morro Bay City Council, at a regular meeting held on this 10th day of May, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

BACKGROUND/DISCUSSION

Tract 1996, known as the Cloisters development, is a 124-lot subdivision bounded by State Highway One at the east, Atascadero State Beach at the west, Morro Bay High School at the south, and Azure, Coral, and San Jacinto Streets at the north.

It was well known, any development at the Cloisters was going to require a balance between continuation of lateral and vertical access within and through the property, while at the same time conserving the sensitive plant and wildlife resources present.

Zoning on most of the Cloisters site is Planned Development, Single-Family Residential with the sand dunes and wetlands zoned Environmentally Sensitive Habitat (ESH). The purpose of the Planned Development (PD) overlay zone is to provide for detailed and substantial analysis of development on parcels, which because of location, size or public ownership, warrant special review. That overlay zone was also intended to allow for the modification of, or exemption from, the development standards of the primary zone, which would otherwise apply if such action would result in better design or other public benefit.

On September 23, 1996, City Council passed Resolution No. 69-96, which accepted the final map for Tract 1996 known as the Cloisters Subdivision, consisting of 124 lots. Lots 1 through 120 were for single-family residential purposes, Lots 121, 122 (APN 065-386-005 & 016 on attached Assessor's Map) were for the 27.75-acre park and open space, Lot 124 was dedicated for a fire station and Lot 123 was offered to the state.

The findings and conditions of approval for the project were numerous. For example, City Council made findings the Cloisters project could cause significant environmental impacts relating to land use, visual/aesthetics, affordable housing, traffic generation, air quality noise, geology, drainage and water quality, ecological resources, and public services; but those impacts were mitigated by the recommended conditions. In addition, City Council made further findings the Cloisters project was in compliance with the specific policies of the General Plan/Land Use Plan (GP/LUP) and Zoning Ordinance with respect to protection of views, environmentally sensitive resources, public access, circulation, hazards and other requirements so long as the environmental impacts were mitigated. Finally, City Council made other findings the Cloisters project complies with the Morro Bay Municipal Code (MBMC) with respect to optional subdivision design and related improvements, and the optional design is justified in order to contribute to a better community environment through the dedication of extensive public areas, restoration of the ESH area (ESHA), provision of scenic easements, provision of larger than usual lots adjacent to such areas, and maintenance of a consistent lot layout pattern adjacent to existing development on the north side of Azure Street.

In order to mitigate the environmental impacts of the project, and to provide a greater than public benefit as required in a PD overlay zone, the conditions of approval for the project required the applicant to form an assessment district for the maintenance of the public park, bicycle pathway, right-of-way landscaping, coastal access ways, ESH restoration areas and any other improved common areas to be privately held or dedicated to the City. The public park area, as well as all open

space improvements and the assessment district, were part of many detailed discussions during City and Coastal Commission hearings.

The assessment district formation proceedings began in August 1996, with all of the owners of the real property within the proposed district petitioning the City and consenting in writing to the formation of the district pursuant to the Landscape and Lighting Act of 1972. The assessment district formation proceedings concluded with the final public hearing for formation on September 23, 1996, which levied the annual assessment of \$148,944 for the maintenance of the 27.75 acres of park and open space.

In preparing the various purchase and sale documents for each individual lot, including the Conditions, Covenants, and Restrictions, the developer was especially careful to call out the existence of the assessment district and to make certain the existence of the assessment district would not come as a surprise to anyone who purchased one of the lots. The Developer assured the City “There will be no surprises to prospective owners about the assessments or their amounts.”

In drafting all the project documents, the City and the developer reinforced the special benefits for the residents of the Cloisters Project with the public amenities and easements. Each Cloister’s lot directly benefits from the public park, bicycle pathway, right-of-way landscaping, coastal access ways, ESH restoration areas and coastal access ways. There was also created and reserved in favor of each owner in the Cloisters Development, Conservation Space in parcels 065-386-005 & 0065-386-016, and a Scenic Conservation Easement in parcel 065-386-020 for view, open space, scenic, passive recreation and coastal access, none of which will be developed with any improvements or structures, unless necessary and proper for the restoration and maintenance of the ESHA.

Each year since its formation, the City has used the same assessment rates and methodology, and assessed the Cloisters homeowners \$148,944 for the continued maintenance and operation of the public park, bicycle pathway, right-of-way landscaping, coastal access ways, ESH restoration areas and coastal access ways as required by the conditions of approval and pursuant to the Landscape and Lighting Act of 1972. Unfortunately, the assessment district does not have a built-in cost of living increase, so each year the assessment does not automatically increase. The assessment has remained at the original \$148,944, even though costs to maintain the accessed parcels (065-386-005 & 065-386-016) have consistently increased over the years.

Staff has worked with the Cloisters residents planning and executing a Major Maintenance Program. Those items include: replacement of interpretive panels (\$15,000) and the pavement maintenance for the path system (\$39,000).

CONCLUSION

The process for the annual levy of assessment for the Cloisters Landscaping and Lighting Maintenance Assessment District requires the City Council receive the Engineer’s Report, approve and/or modify the report and adopt a Resolution of Intention. The Resolution of Intention gives notice of the time, date and place for a public hearing by the City Council on the issue of the levy of assessment. The public hearing has been set for June 28, 2016, at 7:00 p.m., or as soon as feasible

thereafter, at the Veteran's Memorial Building. A summary of the Resolution of Intention shall be published in the newspaper as a legal notice of public hearing, to which all interested parties are afforded the opportunity to be heard either through written or oral communication. Upon completion of the public hearing on June 28, 2016, the City Council may adopt the resolution ordering the levy of the annual assessment.

ATTACHMENT

Engineer's Report

RESOLUTION NO. 33-16

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
DECLARING THE CITY'S INTENTION TO LEVY THE ANNUAL ASSESSMENT FOR
CLOISTERS LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT
DISTRICT PURSUANT TO THE "LANDSCAPING AND LIGHTING ACT OF 1972"
(STREETS AND HIGHWAYS SECTIONS 22500 ET.SEQ.)
AND SETTING A PUBLIC HEARING TO CONSIDER THAT LEVY**

City of Morro Bay, California

WHEREAS, all property owners of the Cloisters subdivision requested the City of Morro Bay form a maintenance assessment district to fund the maintenance of the Cloisters Park and Open Space; and

WHEREAS, the Landscaping and Lighting Act of 1972 (Streets and Highways Code sections 22500 et. seq.) (the "Act") enables the City to form assessment districts for the purpose of maintaining public improvements; and

WHEREAS, pursuant to Section 22623 of the Act, the City Engineer has filed in the Office of the City Clerk, and submitted for review to the City Council, a report entitled "Engineer's Report - Cloisters Landscaping and Lighting Maintenance Assessment District", dated April 28, 2016, prepared in accordance with Article 4 of the Act, commencing with Section 22565; and

WHEREAS, pursuant to Section 22608.2 of the Act, the subdivider was required by City Ordinance to install improvements for which an assessment district was required in order to assure continued and uninterrupted maintenance of the Cloisters Park and Open Space; and

WHEREAS, pursuant to the intent of Article XIII, Section 4, of the California Constitution, the property owners have elected to form the Cloisters Landscaping and Lighting Maintenance Assessment District.

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

Section 1. The City Council approves the Engineer's Report.

Section 2. It is the intent of the Council to order the annual levy and collection of assessments for the Cloisters Landscaping and Lighting Maintenance Assessment District at a public hearing to be held at the Regular City Council Meeting on June 28, 2016, at 7:00 P.M. in the Veteran's Memorial Building, 209 Surf Street, Morro Bay, CA.

Section 3. The improvements to be maintained at the Cloisters Park and Open Space are specified in the Engineer's Report dated April 28, 2016, which is hereby approved.

Section 4. The assessment upon assessable lots within the district is proposed to total \$148,944 or \$1,241.20 per assessable parcel for Fiscal Year 2016/17.

Section 5. Staff is directed to continue a Major Maintenance Program that will address items requiring significant expenditures in FY 2016/2017.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting held on this 10th day of May, 2016 by the following roll call vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



CITY OF MORRO BAY

**CLOISTERS
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

2016/2017 ENGINEER'S ANNUAL LEVY REPORT

April 28, 2016

Public Hearing: May 10, 2016

AFFIDAVIT FOR 2016/2017 ENGINEER'S ANNUAL LEVY REPORT

CITY OF MORRO BAY

**CLOISTERS
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

This report describes the proposed maintenance, improvements, budgets, zone of benefit and assessments to be levied on parcels of land within the Cloisters Landscaping and Lighting Maintenance Assessment District for the fiscal year 2016/2017, as the same existed at the time of the passage of the Resolution of Intention. Reference is hereby made to the San Luis Obispo County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed Report as directed by the City Council and, to the best of my knowledge, information, belief, the report, the assessments and diagrams have been prepared and computed in pursuant to the Landscaping and Lighting Act of 1972.

Dated this 5th day of May, 2016

 Digitally signed by Rob Livick
Date: 2016.05.05 09:09:26 -07'00'

Rob Livick, PE/PLS – Public Works Director/City Engineer



CITY OF MORRO BAY
CLOISTERS
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT
ENGINEER’S REPORT

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I. Overview
A. Introduction

The City Council of the City of Morro Bay (hereafter referred to as “City”), County of San Luis Obispo, State of California, previously formed and has levied and collected annual assessments for the district designated as:

**CLOISTERS LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

(hereafter referred to as “District”) pursuant to the provisions of the Landscaping and Lighting Act of 1972, being Part 2 of Division 15 of the California Streets and Highways Code, commencing with Section 22500 (hereafter referred to as the “1972 Act”), and in compliance with the provisions of the California State Constitution Articles XIII C and XIII D (hereafter referred to as the “Constitution” or “Proposition 218”).

This Report has been prepared in accordance with Chapter 1, Article 4 (commencing with Section 22565) of the 1972 Act and describes the District and changes to the District including: territories annexed; modifications to the improvements or organization; and the proposed budgets and assessments applicable for fiscal year 2016/2017.

History

Tract 1996, known as the Cloisters development, is a 124 lot subdivision bounded by State Highway One at the east, Atascadero State Beach at the west, Morro Bay High School at the south, and Azure, Coral, and San Jacinto Streets at the north (the “Cloisters”).

The Cloisters, prior to development, was a privately owned 80-plus acre expanse of open land. The property was historically used for lateral and vertical access and contained a large area of sensitive sand dunes abutting the eastern edge of Atascadero State Beach. Over the years, it was the subject of various land development proposals including an RV park, a 390-unit condominium development, a 466-unit single family residential development, a 455-unit mixed residential development, and a 213-unit residential development. The City of Morro Bay (the “City”) approved none of these development proposals.

It was well known that any development at the Cloisters was going to require a balance between continuation of lateral and vertical access within and through the property, while at the same time conserving the sensitive plant and wildlife resources present. In addition, the negative impacts of development on the site would have to be sufficiently offset by public resources and public amenities from the site.

Zoning on most of the Cloisters site is Planned Development, Single-Family Residential with the sand dunes and wetlands zoned Environmentally Sensitive Habitat (ESH). The purpose of the Planned Development (PD) overlay zone is to provide for detailed and substantial analysis of development on parcels, which because of location, size or public ownership, warrant special review. This overlay zone is also intended to allow for the modification of, or exemption from, the development standards of the primary zone which would otherwise apply if such action would

result in better design or other public benefit.

On September 23, 1996, the City Council passed Resolution No. 69-96, which accepted the final map for Tract 1996, known as the Cloisters Subdivision, consisting of 124 lots. Lots 1 through 120 were for single-family residential purposes; Lots 121, 122 and 124 (dedicated for a fire station) were offered to the City subject to the completion of the public improvements; and Lot 123 was offered to the state.

The findings and conditions of approval for the project were numerous. For example, the City Council made findings that the Cloisters project could cause significant environmental impacts relating to land use, visual/aesthetics, affordable housing, traffic generation, air quality, noise, geology, drainage and water quality, ecological resources, and public services; but that these impacts could be mitigated by the recommended conditions. In addition, the City Council made further findings that the Cloisters project was in compliance with the specific policies of the GP/LUP and zoning ordinance with respect to protection of views, environmentally sensitive resources, public access, circulation, hazards and other requirements so long as the environmental impacts were mitigated. Finally, the City Council made further findings that the Cloisters project complied with MBMC with respect to optional subdivision design and related improvements, and that the optional design was justified in order to contribute to a better community environment through the dedication of extensive public areas, restoration of the ESH area, provision of scenic easements, and provision of larger than usual lots adjacent to such areas, and maintenance of a consistent lot layout pattern adjacent to existing development on the north side of Azure Street.

In order to mitigate the environmental impacts of the project and to provide a greater public benefit as required in a PD overlay zone, the conditions of approval for the project required the applicant to form an assessment district for the maintenance of the public park, bicycle pathway, right of way landscaping, coastal access ways, ESH restoration areas and any other improved common areas to be privately held or dedicated to the City. The public park area, as well as all open space improvements and the assessment district were part of many detailed discussions during each City and Coastal Commission hearing. Without this Condition of Approval and the creation of the assessment district, the project would not have been approved and there would not be a Cloisters Development.

B Assessment History and Current Legislation

In November 1996, California voters approved Proposition 218 that established specific requirements for the ongoing imposition of taxes, assessments and fees. The provisions of the Proposition are now contained in the California Constitutional Articles XIIC and XIID. All assessments described in this Report and approved by the City Council are prepared in accordance with the 1972 Act and in compliance with these provisions of the Constitution.

Pursuant to the Article XIID Section 5 of the Constitution, certain existing assessments were exempt from the substantive and procedural requirements of the Article XIID Section 4, and property owner balloting is not required until such time that a new or increased assessment is proposed. Specifically, the City determined that the annual assessments originally established for the Cloisters were imposed in accordance with a consent and waiver as part of the original development approval for the properties within these areas. As such, pursuant to Article XIID

Section 5b, all the property owners approved the existing District assessments at the time the assessments were created (originally imposed pursuant to a 100% landowner petition). Therefore, the pre-existing assessments (the maximum assessment rates adopted prior to the passage of Proposition 218) for this district is exempt from the procedural requirements Article XIID Section 4. However, any new or increased assessment for the Cloisters shall comply with both the substantive and procedural requirements of Article XIID Section 4 before such assessments are imposed.

The assessment district formation proceedings began in August 1996, and concluded with the final public hearing on September 23, 1996 for formation of the Cloisters Landscaping and Lighting Maintenance Assessment District (the “District”) pursuant to the Landscaping and Lighting Act of 1972 (the “Act”) This formation led to the annual assessment levy of \$148,944 (the “Assessment”) for the maintenance of the thirty-four (34) acres of public resource lands including open space and natural lands, wetland area and pond used for drainage mitigation for homes constructed in Cloisters, median landscaping, trees, a neighborhood park and recreation area, fencing and other public improvements. the formation. The maximum assessment rates that previously existed and adopted in fiscal year 1996/1997 did not include the assessment range formula (inflationary adjustment) for their maximum assessment rates.

In preparing the various purchase and sale documents for each individual lot, including the Conditions, Covenants, and Restrictions, the owners and developer were especially careful to call out the existence of the assessment district and to make certain that the existence of assessment district was disclosed to anyone who purchased one of these lots. In drafting all the project documents, the City and the developer reinforced the special benefits for the residents of the Cloisters Project from the public amenities and easements maintained by the Assessments.

II. Description of the District

A. Improvements Authorized by the 1972 Act

As applicable or may be applicable to this proposed District, the 1972 Act defines improvements to mean one or any combination of the following:

- The installation or planting of landscaping.
- The installation or construction of statuary, fountains, and other ornamental structures and facilities
- The installation or construction of public lighting facilities.
- The installation or construction of any facilities which are appurtenant to any of the foregoing or which are necessary or convenient for the maintenance or servicing thereof, including, but not limited to, grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks, or paving, or water, irrigation, drainage, or electrical facilities.
- The maintenance or servicing, or both, of any of the foregoing.
- The acquisition of any existing improvement otherwise authorized pursuant to this section.

Incidental expenses associated with the improvements including, but not limited to:

- The cost of preparation of the report, including plans, specifications, estimates, diagram, and assessment;
- The costs of printing, advertising, and the publishing, posting and mailing of notices;

- Compensation payable to the County for collection of assessments;
- Compensation of any engineer or attorney employed to render services;
- Any other expenses incidental to the construction, installation, or maintenance and servicing of the improvements;
- Any expenses incidental to the issuance of bonds or notes pursuant to Section 22662.5.
- Costs associated with any elections held for the approval of a new or increased assessment.

The 1972 Act defines "Maintain" or "maintenance" to mean furnishing of services and materials for the ordinary and usual maintenance, operation, and servicing of any improvement, including:

- Repair, removal, or replacement of all or any part of any improvement.
- Providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury.
- The removal of trimmings, rubbish, debris, and other solid waste.
- The cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

B. Maintenance Items

The ongoing maintenance for the Cloisters Landscaping and Lighting Maintenance Assessment District, and the costs thereof, paid from the levy of the annual assessments, are generally described below.

Replacement, maintenance and servicing of improvements include, but are not limited to, turf, ground cover, shrubs, trees, other landscaping, irrigation systems, fencing, signage, trails, walkways, recreation facilities, lighting, restroom facilities, parking and all necessary appurtenances, and labor, materials, supplies, utilities and equipment. The public resources maintained by the assessments from the District are further summarized as follows:

- Parkland: 4 Acres
- Open space meadow and natural land: 18.15 Acres
- Wetland: 5.5 Acres
- Medians and parkways within the public right-of-ways: 1.6 Acres



Within those areas, the following items are maintained through the levy of assessments:

1. Landscaping

- a. Turf
- b. Planted medians
- c. Planter beds (formerly demonstration garden)
- d. Drainage systems, including gabion channels
- e. Irrigation system (spray and drip)
- f. Scrub/meadow plantings
- g. Trees & shrubs along the sound wall
- h. Willows
- i. Wetland area plantings and pond

2. Hardscaping

- a. Asphalt path system
- b. Concrete walkways
- c. Parking lot
- d. Decomposed granite paths
- e. Play area surfacing
- f. Bridge on City owned property

3. Facilities and miscellaneous

- a. Barbeques
- b. Bike rack
- c. Benches
- d. Directional signs
- e. Drinking fountains
- f. Fences:
 - i. 6' and 3' solid
 - ii. Habitat Area (ESHA) fencing and keep out signs
- g. Interpretive panels
- h. Light bollards
- i. Monuments with lights
- j. Observation pier at pond
- k. Picnic tables
- l. Play equipment and sand lot
- m. Restroom
- n. Sound wall
- o. Trash cans

III. Method of Apportionment

A General

This section of the Engineer's Report includes an explanation of the special benefits to be derived from the installation, maintenance and servicing of the improvements and the methodology used to apportion the total assessment to properties within the District.

The 1972 Act permits the establishment of assessment districts by agencies for the purpose of providing certain public improvements which include the construction, maintenance and servicing of public lights, landscaping and appurtenant facilities. The 1972 Act further requires that the cost of these improvements be levied according to benefit rather than assessed value:

“The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements.”

The proceeds from the District are used to fund the maintenance and upkeep of public resources within the Cloisters development project for the special benefit of the properties located within the

project. The continued maintenance and upkeep of these important items is a distinct and special benefit to properties within the District.

Easements were created and reserved in favor of each owner in the Cloisters Development for view, open space, scenic, passive recreation and coastal access across the entirety of Lots 121, 122 and 123; these lots shall not be developed with any improvements or structures unless necessary and proper for the restoration and maintenance of the Environmentally Sensitive Habitat Area. This is another distinct and special benefit conferred on property within the District.

B. Benefit Analysis

Each of the proposed improvements, the associated costs and assessments have been carefully reviewed, identified and allocated based on special benefit pursuant to the provisions of the Constitution and 1972 Act. The improvements associated with the District have been identified as necessary, required and/or desired for the orderly development of the properties within the District to their full potential, consistent with the proposed development plans and applicable portions of the City General Plan and Local Coastal Plan as identified previously in this report. As such, these improvements would be necessary and required of individual property owners for the development of such properties, and the ongoing operation, servicing and maintenance of these improvements would be the financial obligation of those properties. Therefore, the improvements and the annual costs of ensuring the maintenance and operation of the improvements are of direct and special benefit to the properties. The method of apportionment (method of assessment) is based on the premise that each assessed parcel within the District receives special benefit from various improvements provided by the District. The desirability and security of properties is enhanced by the presence of local improvements in close proximity to those properties. The special benefits associated with landscaped improvements are specifically:

- Enhanced desirability of properties through association with the improvements.
- Improved aesthetic appeal of properties providing a positive representation of the area.
- Enhanced adaptation of the urban environment within the natural environment from adequate green space and landscaping.

C. Maintenance Tasks

A list of maintenance tasks required to maintain the Cloisters Park and Open Space in acceptable condition for public use was developed by the City Recreation and Parks Department based on maintenance standards established for existing parks within the City and is included in this report as Attachment A. The list has since been divided into Janitorial and Landscaping Maintenance Tasks, with an additional section for Deferred Maintenance Tasks/Capital Replacement Projects.

D. Maintenance Costs

The estimated annual cost of maintaining the Cloisters Park and Open Space was originally developed by the Recreation and Parks Department based on the tasks required and the City's Flat Rate Manual for Parks Maintenance. Annual maintenance is currently provided through contract services and is supplemented by City Public Works staff. Assessment district costs include labor, utilities, insurance, engineering services and depreciation/reserves. The annual cost of maintenance, including any reserves, for the 2016/17 fiscal year is estimated to be \$148,944. The cost estimate is included in this report as Attachment B.

E. Apportionment of Assessment

The total assessment for the District is apportioned equally to each of the one hundred and twenty

residential lots. Lots 121 and 122 (Parcel 1) Cloisters Park and Open Space, Lot 124 (dedicated for a fire station and currently vacant) and Lot 123 (now Parcel 2) offered to the State are not assessed. Individual assessments are listed in the table shown in Attachment C.

Attachment A

CLOISTERS PARK AND OPEN SPACE MAINTENANCE TASKS

LANDSCAPING MAINTENANCE TASKS

Task	Weekly	Twice Weekly	Monthly	Twice Annually	Annually	As Needed
I <i>Turf Maintenance</i>						
Mow	XX					XX
Edge/Trim	XX					XX
Fertilize				XX		XX
Aerate/Seed				XX		XX
II <i>Other Landscape Maint.</i>						
Prune plants/shrubbery				XX		XX
Maintain weed free						XX
Maintain bark mulch						XX
Rake/distribute gravel/sand			XX			XX
Fertilize				XX		
III <i>Tree Maintenance</i>						
Prune trees					XX	
Maintain tree supports						XX
Remove dead trees						XX
IV <i>Irrigation</i>						
Maintain/repair irrigation system						XX
Program/check controllers			XX			XX
Hand water as required						XX
Monitor water usage			XX			
V <i>Weed control</i>						
Mow open areas				XX		XX
Remove noxious weeds				XX		
Weed identified areas				XX		XX
VI <i>Wetlands</i>						
Coordinate maint. with city						XX
VII <i>Paths, walkways, parking lot maintenance</i>						
Conduct general safety inspection					XX	XX
Remove foreign objects						XX
Trim/spray pathways						XX

**CLOISTERS PARK AND OPEN SPACE
MAINTENANCE TASKS**

LANDSCAPING MAINTENANCE TASKS

Task	Weekly	Twice Weekly	Monthly	Twice Annually	Annually	As Needed
VII <i>Paths, walkways, parking lot maintenance (cont.)</i>						
Inspect hardscape for damage			XX			XX
Remove dog litter						XX
VIII <i>Pest/Disease Control</i>						
Control pests/rodents and plant diseases						XX
IX <i>Litter/trash control</i>						
Litter pick up throughout						XX
Remove trash from garbage cans		XX				
Empty ashes from bbq's		XX				
X <i>Restroom</i>						
Clean/sanitize/service	Daily M-F					
Maintain roof						XX
Maintain plumbing						XX
Paint structure						XX

TECHNICAL SPECIFICATIONS FOR

Landscape Maintenance Cloisters Landscaping and Lighting Maintenance Assessment District

I TURF MAINTENANCE

Mowing operations shall be performed in a workmanlike manner that ensures a smooth appearance without scalping or allowing excessive cuttings to remain.

Turf shall be mowed with a reel type mower equipped with rollers or a rotary type mower. All equipment shall be adjusted to the proper cutting height and shall be adequately sharpened.

Mowing height shall be three inches (3") for all turf areas. Mowing height may vary for special events and conditions as determined by the City of Morro Bay. Any and all litter and trash must be removed before the mowing operation. Asphalt paths and concrete walkways shall be cleaned immediately following each mowing operation.

All turf areas will be mowed per the seasonal task frequency schedule. Mowing will be scheduled to occur Monday through Friday.

All turf edges, including but not limited to asphalt paths, driveways, curbs, shrub beds, ground cover beds, tree basins and open space areas shall be edged to a neat and uniform line; all grass invasion must be eliminated. All turf edges shall be trimmed and limited around sprinklers, valve boxes, meter boxes, backflow devices, park equipment and other obstacles.

When a power edger with a rigid blade is used, the edging of turf shall be completed as one operation in a manner that avoids damage to concrete sidewalks and borders and results in a well-defined, V-shaped edge that extends into the soil.

All turf shall be fertilized per the task table. Turf fertilizer shall be a complete fertilizer, evenly broadcast at the minimum rate of one (1) pound actual available nitrogen per one-thousand (1,000) square feet of turf area, per application. Applications shall be as follows:

- 16-8-8 applied in May
- 22-3-9 (slow release) applied in January.

Turf areas shall be aerated and seeded, as needed, per the task table.

Turf areas shall be maintained in a weed free condition.

Revision to turf maintenance may be directed in times of drought and low water availability.

II OTHER LANDSCAPE AREA MAINTENANCE

All plants and shrubbery shall be pruned to encourage healthy growth habits for shape and appearance according to accepted industry standard. Pruning shall be done according to the natural growth of each individual species of plant to maintain viability by cutting out dead, diseased or injured wood and to control growth when an unshapely shrub may result. Shrubby adjacent to concrete walkways, roadways or other hardscape, along fences and walls

must be kept pruned, avoiding safety hazards in traveled areas.

Irrigated landscape beds shall be maintained in a weed free condition. Shrub beds shall be raked free of all debris, weeds and leaves and maintained in a neat condition during each work session.

Bark mulch will be maintained in shrub beds as per the task table. Mulch to be refreshed seasonally and/or as needed.

All fence lines, curbs, gutters, asphalt paths, parking lots, signs and other structures shall be free of all weeds.

Gravel around and under picnic tables and benches, as well as play area surface, shall be raked and redistributed as needed.

Shrubs and shrub beds shall be fertilized per the task table.

Shrub fertilizer shall be a complete slow release fertilizer equal to a ratio of 25-5-5 evenly broadcast at the minimum rate of five (5) pounds per one thousand (1,000) square feet of ground cover area, per application.

Ground cover fertilizer shall be a complete slow release fertilizer equal to a ratio of 15-15-15 evenly broadcast at the minimum rate of five (5) pounds per one thousand (1,000) square feet of ground cover area, per application.

III TREE MAINTENANCE

All tree pruning activities shall be performed only by trained, experienced personnel. Supervision shall be by a Western Chapter International Society of Arboriculture Certified Arborist complying with WCISA Pruning Standards or ANSI 300 specifications.

All trees shall be pruned to provide pedestrian and vehicular clearance.

All tree wells are to be kept clear of trash, suckers and weeds. No structural changes are to be made.

All newly planted trees must be supported sufficiently. Maintenance includes, but is not limited to, minor repairs consisting of replacing or repairing ties, refastening boards/ braces and removal of nursery stakes. All staking and ties shall be done in a way to avoid tripping hazards. Tree stakes or ties shall be removed promptly once their function has been completed.

All dead trees shall be removed and replaced, as required.

IV IRRIGATION

All irrigation schedules shall comply with City watering restrictions. Irrigation shall be programmed to maintain proper plant growth in all areas.

Proper maintenance and/or replacement of all irrigation systems and their component parts is required. This includes, but is not limited to, valve boxes and lids, gate valves, quick couplers, mainlines and laterals, all fittings and riser assemblies, hose bibs, sprinkler heads and emitters,

wiring, backflow devices, remote control valves, irrigation controllers and enclosures.

Automatic controllers shall be programmed for seasonal water requirements. Each automatic system shall be checked monthly for proper operation.

Where automatic sprinkler systems do not exist, manual watering all plant material is required.

The irrigation system requires monitoring of water usage at or below a three year running historical average.

V WEED CONTROL - MISCELLANEOUS OPEN SPACE AREAS/ DETENTION BASINS

Designated open space, non-irrigated areas, drainage ditches and detention basins are to be mowed or weed-whipped seasonally, as needed (approximately three to four times per year).

All noxious weeds are to be removed and discarded.

All fence lines, light standard bases, tree wells, sidewalks, curbs, gutters, asphalt berms, parking lots, signs and other structures shall be free of all weeds.

VI WETLANDS

Wetland maintenance must be coordinated with City of Morro Bay Public Works and within the State Fish and Game guidelines as stated on current maintenance permit.

VII ASPHALT PATHS, CONCRETE WALKWAYS AND PARKING LOT MAINTENANCE

The paths, walks and parking lot will be inspected to ensure they are in safe condition. All foreign objects, trash and weeds are to be removed from surfaces. Trash, clippings and foreign objects will be removed from the site. Inspections will also include checking the condition of the asphalt path, concrete walkway and parking lot surface for erosion and drainage problems, for required clearances (vegetation encroachment or fallen trees) and for condition and proper function of their furnishings and amenities. These include signs, gates, bollards, fencing, benches, etc. Inspections after storm events shall be done to check for erosion, drainage problems and fallen trees or debris blocking the trail surface. The removal of invasive species from much of the asphalt path and concrete walkway will assist in the restoration of native habitats, the diversifying of plant species present along the trail, and the improvement of the health, vigor and longevity of existing vegetation. Erosion of the path and/or walkway surface, shoulders, base and sub-base courses can create hazardous conditions for trail users and compromise the structural integrity of the path and/or walkway.

A blow pack may be used to clean walkways and median hardscape between 8:00 a.m. and 4:00 p.m., Monday through Friday only. All litter gathered by a blow pack must be picked up and removed from the site.

The grass shoulder adjacent to the path and/or walkway shall be kept to a maximum height of 3" throughout the growing season.

Signs are critical to the safe and convenient functioning of the path and/or walkway and must be kept graffiti free and free of obstructions, such as vegetation.

Site furnishings, fencing and signs are typically constructed of wood or metal. They should be inspected to check for graffiti, splintering, chipped paint or general deterioration or damage, and should be repaired or replaced.

Walkways and median hardscape shall be kept clear of all shrubs and ground cover. Prune shrubs and ground cover as necessary to maintain safety. Edging and pruning is to be done per frequency schedule. Plant growth shall not encroach onto sidewalk, pathways, roadway or other hardscape, or along fences and walls. Chemical application is not an acceptable method for edging.

Path and/or walkway users should be encouraged through appropriate signage to clean up after themselves and to pick up litter they find as they use the trail. Dog litter shall be removed as needed.

VIII PEST & DISEASE CONTROL

Control and elimination of insects, rodents and diseases affecting all vegetation using material and methods that are non-injurious to the plants, as well as citizens and pets, is required.

IX LITTER AND TRASH CONTROL

Litter is to be picked up as encountered during scheduled visits to each designated area. Particular care must be given to the removal of fecal matter from highly traveled and highly visible areas.

Trash removal from garbage cans, as specified on the Project Area Map. Cans are to be dumped per the distributed seasonal frequency schedule.

Empty barbeques of ashes.

All debris removed from the work site at the end of each work day.

X RESTROOM

Restroom sanitation is the process of cleaning and sanitizing restrooms to keep them safe and in proper working order. Cleaning and sanitizing is required daily.

Service and refill all dispensers to include soap, paper towel, toilet tissue; and empty sanitary napkin and waste receptacles. Ensure all dispensers are in good working order and properly cleaned.

Clean and disinfect toilets, urinal and wash basins. Liquid bowl cleaner shall be used as needed to prevent stains and lime buildup.

Floors shall be swept daily and pressure washed as needed.

Attachment B

**CLOISTERS
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

2016/2017

NAME: Cloisters Landscaping and Lighting Maintenance Assessment District

DIAGRAM: Attached

PLANS AND SPECIFICATIONS: Attached. No bonds or notes will be issued for this Maintenance Assessment District.

ESTIMATED COST OF MAINTENANCE: The table on the following page outlines the estimated budget for the maintenance of the Cloisters Park and Open Space for fiscal year 2016/17. It also provides a look back at the three previous fiscal years including the current year with expenses as of March 31, 2016.

CONTRACT SERVICES

Includes all daily and routine tasks as well as non-routine maintenance and repair costs.

PERSONNEL SERVICES

Includes contract supervision of daily and routine tasks as well as non-routine maintenance and repair costs.

SUPPLIES

Includes all supplies used in daily tasks as well as non-routine repair and maintenance.

SERVICES

Includes utilities, outside engineering, insurance and contract services.

DEFERRED MAINTENANCE

Accumulated funds to be directed at capital projects, permits, and other one-time expenses (as described in Attachment A).

GENERAL FUND TRANSFER

Funds provided by the General Fund to reimburse costs that exceeded the annual assessment and were charged to the assessment district without disclosure.

TOTAL ASSESSMENT:	\$148,944
PER PARCEL YEARLY ASSESSMENT (\$148,944/120 parcels)	\$ 1,241.20
CASH BALANCE (March 31,2016)¹	\$1,947.73

¹ The first quarter property tax of \$31,581.60 arrived on April 18, 2016

RESERVE BALANCE (March 31, 2016)

\$71,463.00

Account Number	Account Description	2013 Actual Amount	2014 Actual Amount	2015 Actual Amount	2016 Amended Budget	2016 Actual Amount	2016 Projected Amount	2017 Budget
Fund: 570 - Cloisters Park Maint AD								
REVENUES								
Department: 6167 - Cloisters Park								
300-Rev Taxes - Revenues From Taxes								
3018	Property Tax Spec. Assess	145,374.94	151,429.00	148,322.40	148,944.00	88,768.80	131,509.33	148,944.00
<i>Account Classification Total: 300-Rev Taxes - Revenues From Taxes</i>		<i>\$145,374.94</i>	<i>\$151,429.00</i>	<i>\$148,322.40</i>	<i>\$148,944.00</i>	<i>\$88,768.80</i>	<i>\$131,509.33</i>	<i>\$148,944.00</i>
Department Total: 6167 - Cloisters Park		\$145,374.94	\$151,429.00	\$148,322.40	\$148,944.00	\$88,768.80	\$131,509.33	\$148,944.00
Department: 7710 - Interfund Transactions								
100-Interfund - Interfund Transfers								
3801	Transfers In	8,221.00	0.00	5.00	0.00	0.00	0.00	0.00
<i>Account Classification Total: 100-Interfund - Interfund Transfers</i>		<i>\$8,221.00</i>	<i>\$0.00</i>	<i>\$5.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Department Total: 7710 - Interfund Transactions		\$8,221.00	\$0.00	\$5.00	\$0.00	\$0.00	\$0.00	\$0.00
REVENUES Total		\$153,595.94	\$151,429.00	\$148,327.40	\$148,944.00	\$88,768.80	\$131,509.33	\$148,944.00
EXPENSES								
Department: 6167 - Cloisters Park								
10-Personnel - Personnel Services								
4910	Employer Paid Benefits	726.23	994.09	1,504.97	0.00	686.51	1,020.01	3,000.00
4999	Labor Costs Applied	1,669.79	2,856.17	3,281.14	2,500.00	2,437.03	3,610.41	8,000.00
<i>Account Classification Total: 10-Personnel - Personnel Services</i>		<i>\$2,396.02</i>	<i>\$3,850.26</i>	<i>\$4,786.11</i>	<i>\$2,500.00</i>	<i>\$3,123.54</i>	<i>\$4,630.43</i>	<i>\$11,000.00</i>
60-Supplies - Supplies								
5199	Misc. Operating Supplies	758.26	519.90	21.83	1,000.00	3,706.33	5,490.86	4,000.00
5501	Grounds Maint. Supplies	1,647.25	1,388.55	1,763.08	2,000.00	944.56	1,399.35	2,500.00
5502	Building Maint. Supplies	0.00	22.93	3,309.12	0.00	0.00	0.00	500.00
<i>Account Classification Total: 60-Supplies - Supplies</i>		<i>\$2,405.51</i>	<i>\$1,931.38</i>	<i>\$5,094.03</i>	<i>\$3,000.00</i>	<i>\$4,650.89</i>	<i>\$6,890.21</i>	<i>\$7,000.00</i>
70-Services - Services								
6104	Engineering Services	0.00	0.00	0.00	10,000.00	0.00	0.00	0.00
6106	Contractual Services	89,778.94	92,163.80	95,575.26	99,000.00	48,715.00	72,170.37	99,000.00
6199	Other Professional Svc	650.00	246.00	6.43	0.00	760.00	1,125.93	1,500.00
6300	Utilities	24,437.82	26,049.62	21,349.59	30,000.00	13,833.95	20,494.74	22,000.00
6411	Property Damage Ins.	300.00	300.00	0.00	0.00	0.00	0.00	0.00
6602	Outside Structural Repair	0.00	1,980.33	0.00	0.00	0.00	0.00	0.00
6710	Notices & Publications	135.29	139.13	298.32	0.00	0.00	0.00	0.00
<i>Account Classification Total: 70-Services - Services</i>		<i>\$115,302.05</i>	<i>\$120,678.88</i>	<i>\$117,229.60</i>	<i>\$139,000.00</i>	<i>\$63,308.95</i>	<i>\$93,791.04</i>	<i>\$122,500.00</i>
Department Total: 6167 - Cloisters Park		\$120,103.58	\$126,660.52	\$127,109.74	\$144,500.00	\$71,085.38	\$105,311.67	\$140,500.00
EXPENSES Total		\$120,103.58	\$126,660.52	\$127,109.74	\$144,500.00	\$71,085.38	\$105,311.67	\$140,500.00
Fund REVENUE Total: 570 - Cloisters Park Maint AD		\$153,595.94	\$151,429.00	\$148,327.40	\$148,944.00	\$88,768.80	\$131,509.33	\$148,944.00
Fund EXPENSE Total: 570 - Cloisters Park Maint AD		\$120,103.58	\$126,660.52	\$127,109.74	\$144,500.00	\$71,085.38	\$105,311.67	\$140,500.00
Fund Total: 570 - Cloisters Park Maint AD		\$33,492.36	\$24,768.48	\$21,217.66	\$4,444.00	\$17,683.42	\$26,197.66	\$8,444.00

Attachment C

**CLOISTERS
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

PARCEL/ASSESSMENT TABLE

Lot Number	County Assessor's Parcel Number	Annual Assessment
1	065-387-001	\$1,241.20
2	065-387-002	\$1,241.20
3	065-387-003	\$1,241.20
4	065-387-004	\$1,241.20
5	065-387-005	\$1,241.20
6	065-387-006	\$1,241.20
7	065-387-007	\$1,241.20
8	065-387-008	\$1,241.20
9	065-387-009	\$1,241.20
10	065-387-010	\$1,241.20
11	065-387-011	\$1,241.20
12	065-387-012	\$1,241.20
13	065-387-013	\$1,241.20
14	065-387-014	\$1,241.20
15	065-387-015	\$1,241.20
16	065-387-016	\$1,241.20
17	065-387-017	\$1,241.20
18	065-387-018	\$1,241.20
19	065-387-019	\$1,241.20

Lot Number	County Assessor's Parcel Number	Annual Assessment
20	065-387-053	\$1,241.20
21	065-387-054	\$1,241.20
22	065-387-055	\$1,241.20
23	065-387-023	\$1,241.20
24	065-387-024	\$1,241.20
25	065-387-025	\$1,241.20
26	065-387-026	\$1,241.20
27	065-387-027	\$1,241.20
28	065-387-028	\$1,241.20
29	065-387-029	\$1,241.20
30	065-387-030	\$1,241.20
31	065-387-031	\$1,241.20
32	065-387-032	\$1,241.20
33	065-387-033	\$1,241.20
34	065-387-034	\$1,241.20
35	065-387-035	\$1,241.20
36	065-387-036	\$1,241.20
37	065-387-037	\$1,241.20
38	065-387-038	\$1,241.20
39	065-387-039	\$1,241.20
40	065-387-040	\$1,241.20
41	065-387-041	\$1,241.20
42	065-387-042	\$1,241.20
43	065-387-043	\$1,241.20

Lot Number	County Assessor's Parcel Number	Annual Assessment
44	065-387-044	\$1,241.20
45	065-387-045	\$1,241.20
46	065-388-001	\$1,241.20
47	065-388-002	\$1,241.20
48	065-388-003	\$1,241.20
49	065-388-004	\$1,241.20
50	065-388-005	\$1,241.20
51	065-388-006	\$1,241.20
52	065-388-007	\$1,241.20
53	065-388-008	\$1,241.20
54	065-388-009	\$1,241.20
55	065-388-010	\$1,241.20
56	065-388-011	\$1,241.20
57	065-388-012	\$1,241.20
58	065-388-013	\$1,241.20
59	065-388-014	\$1,241.20
60	065-388-015	\$1,241.20
61	065-388-016	\$1,241.20
62	065-388-017	\$1,241.20
63	065-388-018	\$1,241.20
64	065-388-019	\$1,241.20
65	065-388-020	\$1,241.20
66	065-388-021	\$1,241.20
67	065-388-022	\$1,241.20

Lot Number	County Assessor's Parcel Number	Annual Assessment
68	065-388-023	\$1,241.20
69	065-388-024	\$1,241.20
70	065-388-025	\$1,241.20
71	065-388-026	\$1,241.20
72	065-388-027	\$1,241.20
73	065-388-028	\$1,241.20
74	065-388-029	\$1,241.20
75	065-388-030	\$1,241.20
76	065-388-031	\$1,241.20
77	065-388-032	\$1,241.20
78	065-388-033	\$1,241.20
79	065-388-034	\$1,241.20
80	065-388-035	\$1,241.20
81	065-388-036	\$1,241.20
82	065-388-037	\$1,241.20
83	065-388-038	\$1,241.20
84	065-388-039	\$1,241.20
85	065-388-040	\$1,241.20
86	065-388-041	\$1,241.20
87	065-388-042	\$1,241.20
88	065-388-043	\$1,241.20
89	065-388-044	\$1,241.20
90	065-388-045	\$1,241.20
91	065-388-046	\$1,241.20

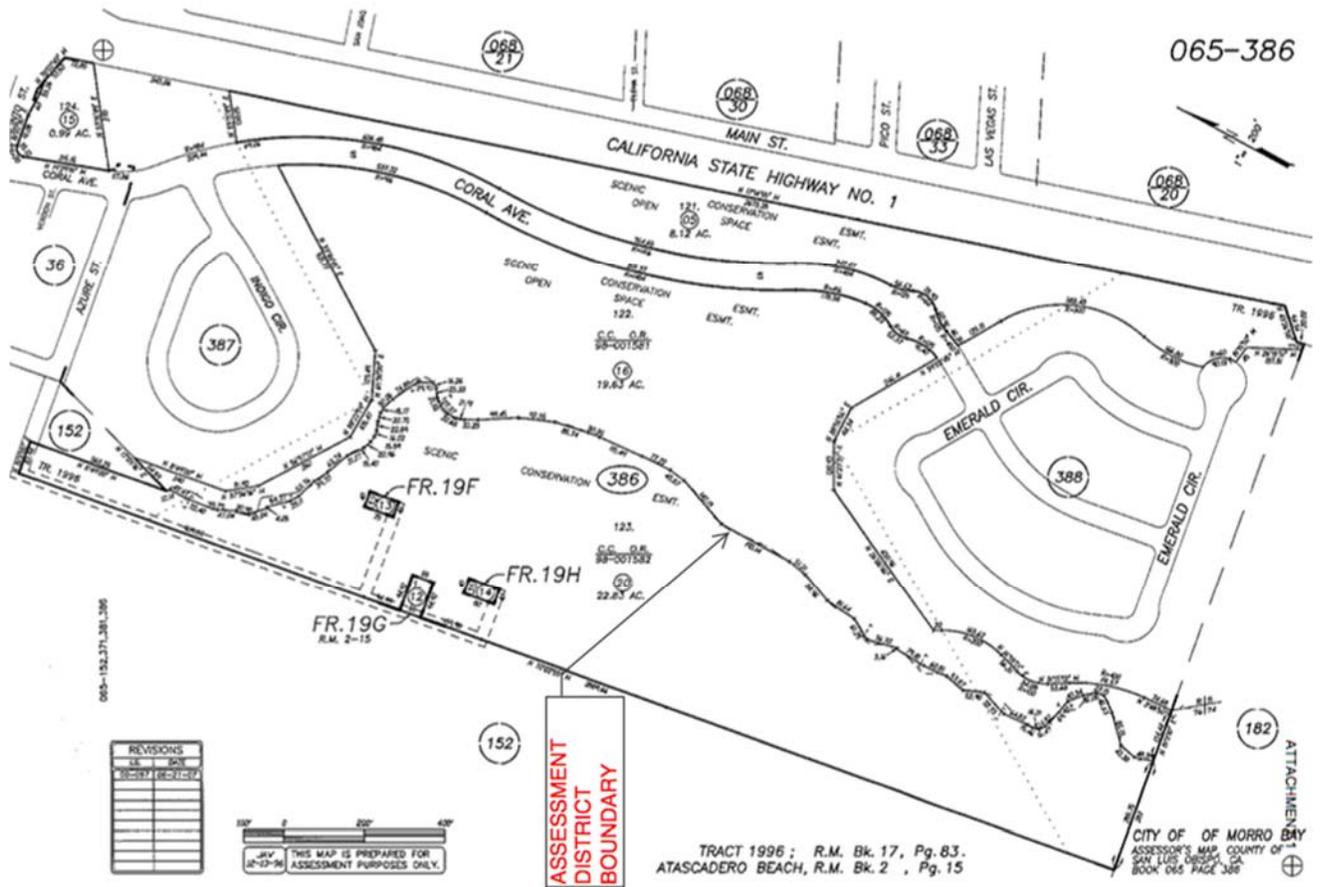
Lot Number	County Assessor's Parcel Number	Annual Assessment
92	065-388-047	\$1,241.20
93	065-388-048	\$1,241.20
94	065-388-049	\$1,241.20
95	065-388-050	\$1,241.20
96	065-388-051	\$1,241.20
97	065-388-052	\$1,241.20
98	065-388-053	\$1,241.20
99	065-388-054	\$1,241.20
100	065-388-055	\$1,241.20
101	065-388-056	\$1,241.20
102	065-388-057	\$1,241.20
103	065-388-058	\$1,241.20
104	065-388-059	\$1,241.20
105	065-388-060	\$1,241.20
106	065-388-061	\$1,241.20
107	065-388-062	\$1,241.20
108	065-388-063	\$1,241.20
109	065-388-064	\$1,241.20
110	065-388-065	\$1,241.20
111	065-388-066	\$1,241.20
112	065-388-067	\$1,241.20
113	065-388-068	\$1,241.20
114	065-388-069	\$1,241.20
115	065-388-070	\$1,241.20

Lot Number	County Assessor's Parcel Number	Annual Assessment
116	065-388-071	\$1,241.20
117	065-388-072	\$1,241.20
118	065-388-073	\$1,241.20
119	065-388-074	\$1,241.20
120	065-388-075	\$1,241.20
121	065-386-005	0
122 (Parcel 1)	065-386-016	0
123 (Parcel 2)	065-386-017 065-386-018 065-386-019 065-386-012 065-386-013 065-386-014 065-386-010	0
124	065-386-015	0

Attachment C

DISTRICT BOUNDARY DIAGRAM

The boundary diagrams for the District have previously been submitted to the City Clerk in the format required under the Act and, by reference are hereby made part of this Report. The boundary diagrams are available for inspection at the office of the City Clerk during normal business hours. The following diagram provides an overview of the District.



is \$5,645 or \$564.50 per parcel for fiscal year 2016/17, which is the same as last year.

Personnel costs, as well as supplies and services, have risen significantly in the last several years. However, due to the small acreage, natural landscaping and little irrigation in the North Point Natural Area, the assessment amount collected is currently adequate to cover the costs of maintenance.

CONCLUSION

The process for the annual levy of assessment for the North Point Natural Area Landscaping and Lighting Maintenance Assessment District requires the City Council to receive the Engineer's Report, approve and/or modify the report and adopt a Resolution of Intention. The Resolution of Intention gives notice of the time, date and place for a public hearing by the City Council on the issue of the levy of assessment. The public hearing has been set for the Regular City Council meeting on June 28, 2016, at 7:00 p.m., or as soon thereafter as feasible, in the Veteran's Memorial Building. A summary of the Resolution of Intention shall be published in the newspaper as a legal notice of public hearing, at which all interested parties will be afforded the opportunity to be heard either through written or oral communication. Upon completion of the public hearing on June 28, 2016, the City Council may adopt the resolution ordering the levy of the annual assessment.

ATTACHMENT

1. Engineer's Report

RESOLUTION NO. 34-16

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING THE ENGINEER'S REPORT, DECLARING THE CITY'S INTENTION
TO LEVY THE ANNUAL ASSESSMENT FOR THE MAINTENANCE
OF THE NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT PURSUANT TO THE
"LANDSCAPING AND LIGHTING ACT OF 1972"
(STREETS AND HIGHWAYS SECTIONS 22500 *ET SEQ.*)
AND SETTING A PUBLIC HEARING TO CONSIDER THAT LEVY**

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

WHEREAS, all property owners of the North Point subdivision requested the City of Morro Bay form a maintenance assessment district to fund the maintenance of the North Point Natural Area; and

WHEREAS, the Landscaping and Lighting Act of 1972, commencing with Streets and Highways Code section 22500 (the "Act") enables the City to form assessment districts for the purpose of maintaining public improvements; and

WHEREAS, pursuant to Section 22623 of the Act, the City Engineer has filed in the Office of the City Clerk, and submitted for review to the City Council, a report entitled "Engineers Report North Point Natural Area Landscaping and Lighting Maintenance Assessment," dated April 28, 2016, prepared in accordance with Article 4 of the Act, commencing with Section 22565 (the "Engineer's Report"); and

WHEREAS, pursuant to Section 22608.2 of the Act, the subdivider was required by City ordinance to install improvements for which an assessment district was required in order to assure continued and uninterrupted maintenance of the North Point Natural Area; and

WHEREAS, pursuant to the intent of Article XIII, Section 4, of the California Constitution, the property owners have elected to form the North Point Natural Area Landscaping and Lighting Maintenance Assessment District.

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

Section 1. The City Council approves the Engineer's Report.

Section 2. It is the intent of the Council to order the annual levy and collection of assessments for the North Point Natural Area Landscaping and Lighting Maintenance Assessment District at a public hearing to be held at the Regular City Council meeting on June 28, 2016, at 7:00 p.m., or as soon as feasible thereafter, in the Veteran's Memorial Building, 209 Surf Street, Morro Bay, CA.

Section 3. The improvements to be maintained at the North Point Natural Area are specified in the Engineer's Report dated April 28, 2016 which is hereby approved.

Section 4. The assessment upon assessable lots within the district is proposed to total \$5,645 or \$564.50 per assessable parcel for fiscal year 2016/17.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held this 10th of May, 2016 by the following roll call vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



CITY OF MORRO BAY

**NORTH POINT NATURAL AREA
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

2016/2017 ENGINEER'S ANNUAL LEVY REPORT

April 28, 2016

Public Hearing: May 10, 2016

AFFIDAVIT FOR 2016/2017 ENGINEER'S ANNUAL LEVY REPORT

CITY OF MORRO BAY

**NORTH POINT NATURAL AREA
LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

This report describes the proposed maintenance, improvements, budgets, zone of benefit and assessments to be levied on parcels of land within the North Point Natural Area Landscaping and Lighting Maintenance Assessment District for the fiscal year 2016/2017, as the same existed at the time of the passage of the Resolution of Intention. Reference is hereby made to the San Luis Obispo County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed Report as directed by the City Council and, to the best of my knowledge, information, belief, the report, the assessments and diagrams have been prepared and computed in pursuant to the Landscaping and Lighting Act of 1972.

Dated this 5th day of May, 2016

 Digitally signed by Rob Livick
Date: 2016.05.05 09:25:20 -07'00'

Rob Livick, PE/PLS – Public Works Director/City Engineer



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 Detailed Maintenance Task List	 Attachment A
 District Budget – Fiscal Year 2016/2017	 Attachment B
 Parcel/Assessment Table	 Attachment C
 District Boundary Diagram	 Attachment D

I. Overview

A Introduction

The City Council of the City of Morro Bay (hereafter referred to as “City”), County of San Luis Obispo, State of California, previously formed and has levied and collected annual assessments for the district designated as:

**NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT**

(hereafter referred to as “District”) pursuant to the provisions of the Landscaping and Lighting Act of 1972, being Part 2 of Division 15 of the California Streets and Highways Code, commencing with Section 22500 (hereafter referred to as the “1972 Act”), and in compliance with the provisions of the California State Constitution Articles XIIC and XIID (hereafter referred to as the “Constitution” or “Proposition 218”).

This Report has been prepared in accordance with Chapter 1, Article 4 (commencing with Section 22565) of the 1972 Act and describes the District and changes to the District including: territories annexed; modifications to the improvements or organization; and the proposed budgets and assessments applicable for fiscal year 2016/2017.

History

As a condition of approval for Tract No. 2110, the North Point subdivision, the developers were required to offer to the City for dedication Lot 11 of the subdivision for park purposes, and to construct improvements on Lot 11 including a paved parking area, a stairway providing access to the beach, benches, landscaping and irrigation, lighting, and other improvements. The subdivision was also conditioned to provide maintenance of the park by establishing an assessment district. Lot 11 of Tract No. 2110 is identified as the North Point Natural Area.

B Assessment History and Current Legislation

In November 1996, California voters approved Proposition 218 that established specific requirements for the ongoing imposition of taxes, assessments and fees. The provisions of the Proposition are now contained in the California Constitutional Articles XIIC and XIID. All assessments described in this Report and approved by the City Council are prepared in accordance with the 1972 Act and in compliance with these provisions of the Constitution.

Pursuant to the Article XIID Section 5 of the Constitution, certain existing assessments were exempt from the substantive and procedural requirements of the Article XIID Section 4, and property owner balloting is not required until such time that a new or increased assessment is proposed. Specifically, the City determined that the annual assessments originally established for the Cloisters were imposed in accordance with a consent and waiver as part of the original development approval for the properties within these areas. As such, pursuant to Article XIID Section 5b, all the property owners approved the existing District assessments at the time the assessments were created (originally imposed pursuant to a 100% landowner petition). Therefore, the pre-existing assessments (the maximum assessment rates adopted prior to the passage of Proposition 218) for this district is exempt from the procedural requirements Article XIID Section 4. However, any new or increased assessment for the North Point Natural Area shall comply with both the substantive and procedural requirements of Article XIID Section 4 before such assessments are imposed.

II. Description of the District

A. Improvements Authorized by the 1972 Act

As applicable or may be applicable to this proposed District, the 1972 Act defines improvements to mean one or any combination of the following:

- The installation or planting of landscaping.
- The installation or construction of statuary, fountains, and other ornamental structures and facilities
- The installation or construction of public lighting facilities.
- The installation or construction of any facilities which are appurtenant to any of the foregoing or which are necessary or convenient for the maintenance or servicing thereof, including, but not limited to, grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks, or paving, or water, irrigation, drainage, or electrical facilities.
- The maintenance or servicing, or both, of any of the foregoing.
- The acquisition of any existing improvement otherwise authorized pursuant to this section.

Incidental expenses associated with the improvements including, but not limited to:

- The cost of preparation of the report, including plans, specifications, estimates, diagram, and assessment;
- The costs of printing, advertising, and the publishing, posting and mailing of notices;
- Compensation payable to the County for collection of assessments;
- Compensation of any engineer or attorney employed to render services;
- Any other expenses incidental to the construction, installation, or maintenance and servicing of the improvements;
- Any expenses incidental to the issuance of bonds or notes pursuant to Section 22662.5.
- Costs associated with any elections held for the approval of a new or increased assessment.

The 1972 Act defines "Maintain" or "maintenance" to mean furnishing of services and materials for the ordinary and usual maintenance, operation, and servicing of any improvement, including:

- Repair, removal, or replacement of all or any part of any improvement.
- Providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury.
- The removal of trimmings, rubbish, debris, and other solid waste.
- The cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

B. Maintenance Items

A list of maintenance tasks required to maintain the North Point Natural Area in acceptable condition for public use was developed by the City Recreation and Parks Department based on maintenance standards established for existing parks within the City.

III. Method of Apportionment

A General

This section of the Engineer's Report includes an explanation of the special benefits to be derived from the installation, maintenance and servicing of the improvements and the methodology used to apportion the total assessment to properties within the District.

The 1972 Act permits the establishment of assessment districts by agencies for the purpose of providing certain public improvements which include the construction, maintenance and servicing of public lights, landscaping and appurtenant facilities. The 1972 Act further requires that the cost of these improvements be levied according to benefit rather than assessed value:

“The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements.”

The proceeds from the District are used to fund the maintenance and upkeep of public resources within the Cloisters development project for the special benefit of the properties located within the project. The continued maintenance and upkeep of these important items is a distinct and special benefit to properties within the District.

Easements were created and reserved in favor of each owner in the Cloisters Development for view, open space, scenic, passive recreation and coastal access across the entirety of Lots 121, 122 and 123; these lots shall not be developed with any improvements or structures unless necessary and proper for the restoration and maintenance of the Environmentally Sensitive Habitat Area. This is another distinct and special benefit conferred on property within the District.

B. Benefit Analysis

Each of the proposed improvements, the associated costs and assessments have been carefully reviewed, identified and allocated based on special benefit pursuant to the provisions of the Constitution and 1972 Act. The improvements associated with the District have been identified as necessary, required and/or desired for the orderly development of the properties within the District to their full potential, consistent with the proposed development plans and applicable portions of the City General Plan and Local Coastal Plan as identified previously in this report. As such, these improvements would be necessary and required of individual property owners for the development of such properties, and the ongoing operation, servicing and maintenance of these improvements would be the financial obligation of those properties. Therefore, the improvements and the annual costs of ensuring the maintenance and operation of the improvements are of direct and special benefit to the properties. The method of apportionment (method of assessment) is based on the premise that each assessed parcel within the District receives special benefit from various improvements provided by the District. The desirability and security of properties is enhanced by the presence of local improvements in close proximity to those properties. The special benefits associated with landscaped improvements are specifically:

- Enhanced desirability of properties through association with the improvements.
- Improved aesthetic appeal of properties providing a positive representation of the area.
- Enhanced adaptation of the urban environment within the natural environment from adequate open space and landscaping.

C. Maintenance Tasks

A list of maintenance tasks required to maintain the North Point Natural Area in acceptable condition for public use was developed by the Public Works Department based on maintenance standards established for existing parks within the City and is included in this report as Attachment A.

D. Maintenance Costs

The estimated annual cost of maintaining the North Point Natural Area was originally developed by the Recreation and Parks Department based on the tasks required and the City's Flat Rate Manual for Parks Maintenance. Annual maintenance is currently provided through contract services and is supplemented by City Public Works staff. Assessment district costs include labor, utilities, insurance, engineering services and depreciation/reserves. The annual cost of maintenance, including any reserves, for the 2016/17 fiscal year is estimated to be \$148,944. The cost estimate is included in this report as Attachment B.

E. Apportionment of Assessment

The total assessment for the District is apportioned to each of the ten residential lots equally. Lot 11, the North Point Natural Area; Lot 12, a private street; and Lot 13, an open space parcel to be granted to the State of California; are not assessed. Individual assessments are listed in Attachment C.

Attachment A

NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT MAINTENANCE TASKS

Routine Maintenance Tasks

- Review for vandalism/repair
- Pick-up - paper
- trash
- cigarette butts
- Empty - trash cans
- Clean - benches
- Check - fencing
- beach access stairway
- bike rack
- lights
- planting hillside, erosion

Weekly or as needed

- Blow paths, parking lot
- Monthly or as needed
- Check trees
- Check/repair sprinkler system
- Trim trees and bushes as needed
- Critical parts inspections

Annually or as needed

- Paint beach access stairway, public access signage
- New plantings (replacement)
- General safety inspection
- Annual tree pruning
- Remove graffiti
- Mow open space
- Pest/gopher control
- Trim and spray paths
- Repair public access signage

Attachment B

NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT

NAME: North Point Natural Area Landscaping and Lighting Maintenance Assessment District

DIAGRAM: Attached

PLANS AND SPECIFICATIONS: For a detailed description of the improvements, refer to the plans and specifications for Tract 2110 on file in the office of the City Engineer. No bonds or notes will be issued for this Maintenance Assessment District.

ESTIMATED COST OF MAINTENANCE: The following outlines the estimated budget for the maintenance of the North Point Natural Area for fiscal year 2016/17.

TOTAL ASSESSMENT:	\$5,645.00
PER PARCEL YEARLY ASSESSMENT (\$148,944/120 parcels)	\$564.50
RESERVE BALANCE (March 31, 2016)	\$24,000.00

Account Number	Account Description	2013 Actual Amount	2014 Actual Amount	2015 Actual Amount	2016 Adopted Budget	2016 Amended Budget	2016 Actual Amount	2016 Projected Amount	2017 Budget
Fund: 500 - Assessment Districts									
REVENUES									
Department: 6162 - North Point Park									
300-Rev Taxes - Revenues From Taxes									
3018	Property Tax Spec. Assess	5,645.00	5,645.00	5,645.00	5,645.00	5,645.00	2,822.50	4,181.48	5,645.00
Account Classification Total: 300-Rev Taxes - Revenues From Taxes		\$5,645.00	\$5,645.00	\$5,645.00	\$5,645.00	\$5,645.00	\$2,822.50	\$4,181.48	\$5,645.00
Department Total: 6162 - North Point Park		\$5,645.00	\$5,645.00	\$5,645.00	\$5,645.00	\$5,645.00	\$2,822.50	\$4,181.48	\$5,645.00
EXPENSES									
Department: 6162 - North Point Park									
10-Personnel - Personnel Services									
4910	Employer Paid Benefits	45.76	0.00	53.29	0.00	0.00	0.00	0.00	0.00
4999	Labor Costs Applied	181.70	0.00	174.28	0.00	0.00	0.00	0.00	800.00
Account Classification Total: 10-Personnel - Personnel Services		\$227.46	\$0.00	\$227.57	\$0.00	\$0.00	\$0.00	\$0.00	\$800.00
60-Supplies - Supplies									
5501	Grounds Maint. Supplies	80.28	0.00	0.00	2,200.00	2,200.00	0.00	0.00	2,000.00
Account Classification Total: 60-Supplies - Supplies		\$80.28	\$0.00	\$0.00	\$2,200.00	\$2,200.00	\$0.00	\$0.00	\$2,000.00
70-Services - Services									
6199	Other Professional Svc	7,959.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6300	Utilities	1,808.15	1,929.86	2,338.44	0.00	0.00	1,318.37	1,953.14	2,000.00
6710	Notices & Publications	135.29	139.13	293.80	0.00	0.00	0.00	0.00	0.00
Account Classification Total: 70-Services - Services		\$9,912.44	\$2,068.99	\$2,632.24	\$0.00	\$0.00	\$1,318.37	\$1,953.14	\$2,000.00
Department Total: 6162 - North Point Park		\$10,220.18	\$2,068.99	\$2,869.81	\$2,200.00	\$2,200.00	\$1,318.37	\$1,953.14	\$4,800.00

Attachment C

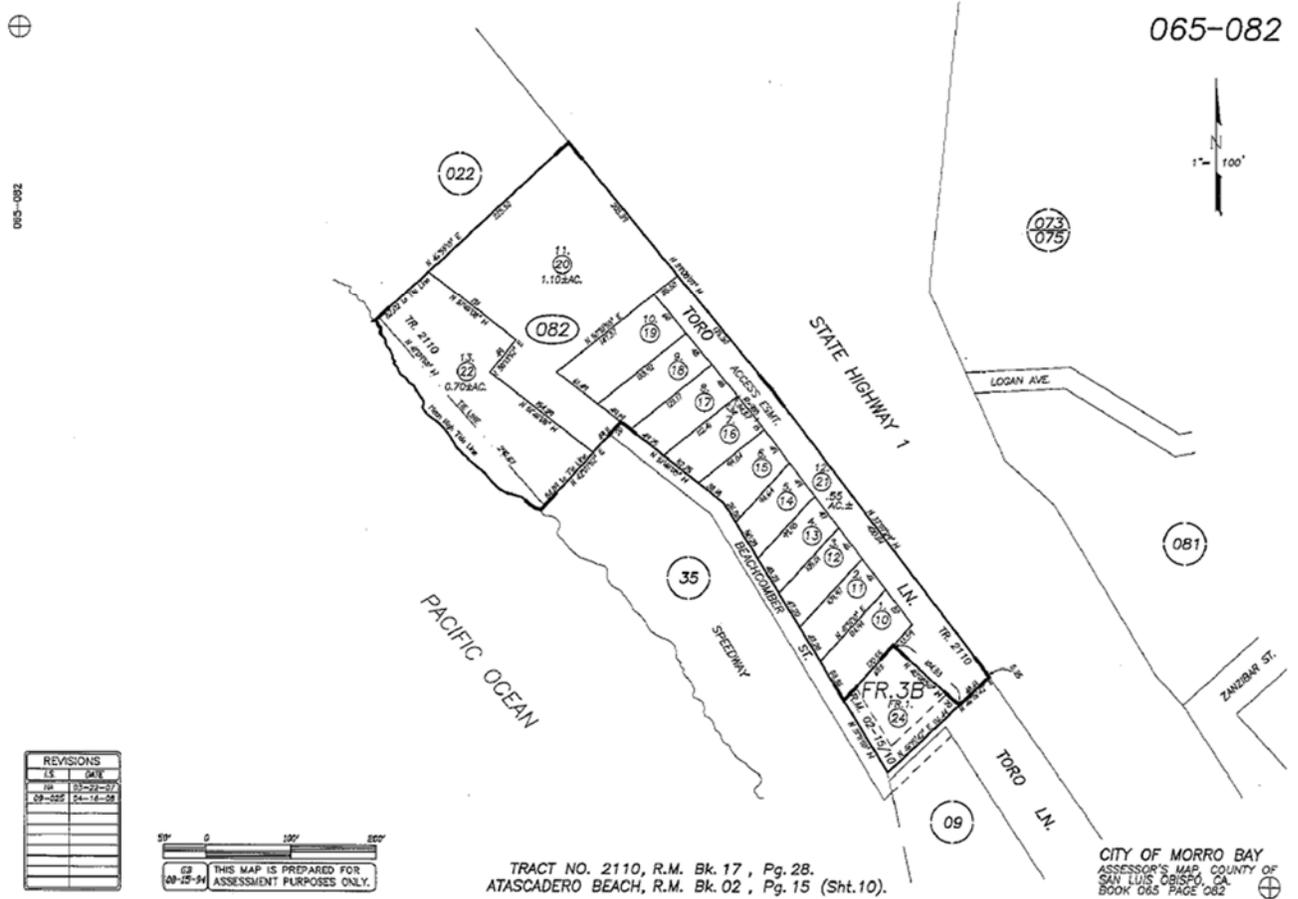
PARCEL/ASSESSMENT TABLE

Lot Number	County Assessor's Parcel Number	Annual Assessment
1	065-082-10	\$564.50
2	065-082-11	\$564.50
3	065-082-12	\$564.50
4	065-082-13	\$564.50
5	065-082-14	\$564.50
6	065-082-15	\$564.50
7	065-082-16	\$564.50
8	065-082-17	\$564.50
9	065-082-18	\$564.50
10	065-082-19	\$564.50
11	065-082-20	\$ 0.00
12	065-082-21	\$ 0.00
13	065-082-22	\$ 0.00

Attachment C

DISTRICT BOUNDARY DIAGRAM

The boundary diagrams for the District have previously been submitted to the City Clerk in the format required under the Act and, by reference are hereby made part of this Report. The boundary diagrams are available for inspection at the office of the City Clerk during normal business hours. The following diagram provides an overview of the District.



decision was in response to and regarding the 1977 hearings which related to the 1972 applications by the City of Morro Bay. In the 1982 decision, the State Water Board determined the waters of the Chorro basin to be “underflow” subject to the board’s jurisdiction. It then ordered the City to prepare an Environmental Impact Report (“EIR”) to support its permit applications.

Pursuant to the State Water Board’s 1982 decision, the City obtained a full Environmental Impact Report regarding the ostensible consequences of its applications. The EIR provided a complete groundwater analysis and concluded the City’s proposed pumping would not have any significant adverse impact on the environment because of a thick, impermeable clay layer between the ground water underflow and the stream upon which the fish and wildlife rely.

A further hearing was held by the State Water Board in 1987. The State Water Board considered the EIR and other testimony offered on behalf of the City and against it. The hearing was closed and the City awaited a decision. A decision was not issued. In 1994, after no response from the State Water Board, the City applied to re-open the permits in order to submit further evidence as was developed in the City’s Water Management Plan. On July 20, 1995, the Board issued a final decision. The Board approved the City’s applications and issued permits for 1,142.5 acre-feet per year (“ac-ft/yr”) from the Chorro Basin wells and for 591 acre-feet per year (“ac-ft/yr”) from the Morro Basin wells.

In 1963, the San Luis Obispo County Flood Control and Water Conservation District (SLO County) entered into an agreement with the Department of Water Resources (DWR) for 25,000 Acre-Feet per Year of State Water Allocation. From 1992-1993 the 4,830 acre-feet of State Water was allotted to various SLO County sub-contractors. Then from 1994-1998 the Polonio Pass Water Treatment Plant and pipeline were designed and constructed; and SLO County contracted with the Central Coast Water Authority (CCWA) for water treatment plant and pipeline operation and maintenance.

On December 17, 1991, the City Council approved Ordinance 411, an Ordinance of the People of Morro Bay that directed and mandated participation in the State Water Project (SWP). That Ordinance was a result of a successful citizens’ initiative, Measure G. The opinion of the then City Attorney was the Ordinance needed to be repealed should the City desire not to participate in the SWP. In 1994, the Council passed Resolution 07-94 which approved the 1994 Water Management Plan and placed Measure J on special election in August. Measure J would have de-obligated the City’s participation in the SWP. Measure J did not pass and the City continued to pursue the SWP.

The City of Morro Bay Desalination Facility was originally constructed in 1990 and 1991 under an emergency Coastal Development Permit (CDP). The emergency CDP, approved September 1991, allowed production of potable water during a Level 5 Water Emergency, from Morro Valley brackish water wells and seawater wells, with the brine discharged through the wastewater treatment plant outfall jointly owned by the City and the Cayucos Sanitary District (District). That first CDP was valid for two years, and included the seawater wells, pipelines and appurtenances. In May 1992, the California Coastal Commission (CCC) approved amended the CDP, allowing the City to discharge brine to the PG&E power plant outfall, in response to litigation by the District. In March 1993, following connection to the PG&E outfall channel, the City abandoned its original CDP as part of a settlement agreement with the District, and the new CDP was extended until July 8, 1994, and required that by March 1, 1993 the City obtain

appropriate permits and approvals prior to using the Desalination Facility for other than a temporary, emergency purpose. This requirement was extended to January 8, 1994.

On April 12, 1993, the City certified an Environmental Impact Report and approved its own CDP, allowing up to 960 gpm of production. On March 9, 1995, the CCC adopted a CDP, allowing the City to operate the Desalination Facility on a full-time, permanent basis, at the discretion of the City, for a five-year period, expiring on December 31, 1999. That CDP was approved for 400 gpm (645 ac-ft/yr). The CCC also approved an Amendment to Morro Bay’s Local Coastal Program, which allowed the City to operate the Desalination Facility “as needed to ensure that the City’s minimum water quality standards are met, as routine replacement, and to offset drought conditions”.

Water History 1997 to present

In September 1997, the City began receiving deliveries of 1,313 ac-ft/yr of water from the SWP. With the potential for reduced deliveries, the City also acquired a “drought buffer” which results in full deliveries when the SWP is providing as little as 33% deliveries.

From 1998 until 2004, the City utilized State Water as its sole source of water, except during periods of State Water Project maintenance operations. During this period of time the City had appropriated water rights under its permits to extract 1,142.4 ac-ft/yr from the Chorro Basin, but in its highest year during this period extracted only 38 ac-ft/yr.

Beginning in 2005, State water deliveries began to diminish due to two significant factors. The first was reduced water supplies caused by a lingering drought which altered hydrologic conditions in the State. The second was significant restrictions on the SWP in accordance with court-imposed rules to protect delta smelt in 2007. In 2005, the annual water production in the Chorro Valley was at its highest level since the issuance of permits from the Water Board.

From 2006 to 2008, with State Water reductions and nitrate levels high in the Morro well field, the City had to rely more heavily on the Chorro well field but still appropriated less than ¼ of its total allotment. Data presented as R/O plant production from 2006 to present represent the use of the water treatment facility to treat Morro Basin groundwater for nitrates and not seawater conversion.

Year	Water Production in Acre Feet				Total
	Chorro Basin	Morro Basin	R/O Plant	State Water	
1998	38			1288	1326
1999	34			1359	1393
2000	4	32	48	1396	1400
2001	11			1399	1410
2002	1			1373	1454
2003	1	28	13	1379	1421
2004	49	213	10	1205	1477
2005	204	150		1007	1361
2006	257	80	25	1009	1371
2007	276	35	19	1116	1446
2008	184	52	28	1175	1439
2009	235	80	64	1069	1448

2010	74	54	258	873	1259
2011	18	101	84	1144	1347
2012	Sampling water for testing only	109	70	1130	1310
2013		151	107	1139	1397
2014		59	41	1140	1240
2015			138	950	1088

In December 2008, the City prepared a status update to its 1994 Water Management Plan, which is a part of the City’s Local Coastal Plan. The plan outlined updated strategies to address the water needs of the community that, if successfully pursued, would provide adequate, sustainable water supplies for the community at General Plan build-out. The resources were prioritized as follows:

- Conservation
- Reclamation
- Groundwater
- State Water
- Desalination (routine replacement and seasonal peaking)
- Lake Nacimiento

The City stated it has substantially completed the tasks necessary to secure water resources adequate to meet the demands of the community in accord with the build-out projections of the General Plan. That has been accomplished through the acquisition of resources and completion of tasks and actions delineated in the 1995 Water Management Plan:

- Stridently continued levels of water conservation by the community;
- Commencement of potable water deliveries from the State Water Project with successful completion of measures to maximize reliability of those deliveries;
- Acquisition of appropriate groundwater rights permits;
- Acquisition of non-emergency operation permitting for the Desalination Facility, simultaneously providing seasonal peaking and routine replacement supply and allowing cessation of participation in the Lake Nacimiento Water Supply Project;
- Completion of two additional reclaimed water feasibility analyses;
- Completion of a system to uniformly blend water supplies within the City; and
- Other voluntary conservation programs underway.

Since 2012, the City has not appropriated any water from the Chorro Valley for municipal use due to drought conditions and reduced stream flow below the 1.4 cfs permit requirement to withdraw water from that basin. The City continues to work on satisfying other permit requirements, including the installation of two stream gauges on Chorro Creek. One gauge will be installed at the Canet Road Crossing and the other downstream of the Chorro Creek Road crossing.

In 2007, the City determined the nitrate contamination in the Morro Valley wells is a consistent issue. In order to use its existing water supplies, the City installed brackish water reverse osmosis (BWRO) treatment equipment at the Desalination Plant in order to reduce the nitrate concentration and retain beneficial use of this water resource. Since the plant did not have the capacity to transport the maximum production rate of both treated groundwater and converted seawater simultaneously, a potable water line was constructed in 2011 through a California Department of Public Health (CDPH) grant under Proposition 84. However, the mechanical and

electrical systems responsible for providing chemical treatment and pressurized delivery of treated water from these sources are deficient.

DISCUSSION

The City of Morro Bay requires sufficient water resources to satisfy the needs of its current residents, visitors and commerce within the community. Additionally, the City must be able to satisfy the growth anticipated in the City's General Plan. Currently, based on the 2016 Draft Urban Water Management Plan, the City's water demand is 1075 ac-ft/yr and is projected to grow to approximately 1191 ac-ft/yr in 2035. Those amounts are generally lower than anticipated in past planning documents, since the State of California has mandated reductions in consumption through both the Urban Water Management planning process and through emergency regulation. It is generally anticipated the State's emergency regulations for conservation will become permanent through the rule making process at the State Water Board or the Legislature this year.

The City's current allocation of State Water of 1,313 ac-ft/yr and other sources in the current water portfolio are more than sufficient to meet the City's demand far into the future. That being said, the previous conclusion relies upon State Water being a consistent source of supply. Since 2005 State Water deliveries have been unreliable and have varied from, 0-percent to 60-percent of the requests. Additionally, should a catastrophic event occur, such as a major earthquake the State Water supply is subject to interruption. In order to solve the reliability problems with the State Water supply, there need to be improvement to the way the water is transferred through the Sacramento-San Joaquin River Deltas, this project is anticipated to cost at least \$23 Billion and that cost will be passed along to the contractors and sub-contractors such as Morro Bay

Since the inception of the use of State Water in the City of Morro Bay in 1998, State Water has made up 86-percent of the City's supply, while the City's seawater desalination and brackish water reverse osmosis (BWRO) water treatment facility (WTF) has only provided for 4-percent of the City's supply and disinfected well water has provided about 10-percent of the City's water supply. In 2015, State Water provided 87-percent and the BWRO treated Morro well water made up 13-percent of the supply

The City will spend approximately \$2,400,000 for 1140 ac-ft of State Water in 2016/17, and due to the annual escalation, the high fixed fee for the City's 1313 ac-ft annual allocation, a 2290 ac-ft drought buffer and reduction in use due to conservation, that equates to a rate of \$2,100 per ac-ft. When we compare that to the production cost of other water sources the City has or has used in the past, State Water is very expensive water. For comparison purposes, desalted seawater costs approximately \$1,600 per ac-ft, BWRO treated Morro well water is \$1000 per ac-ft, and disinfected well water was about \$150-200 per ac-ft. Given that State Water is a "take-or-pay" contract, financially it makes sense to maximize the use of State Water.

The City's contract with the San Luis Obispo County Flood Control and Water Conservation District may not be terminated, so long as the Central Coast Water Authority Bonds are outstanding. It is staff's general understanding those bonds are due to be retired in about 7 years (2023). That would be the City's first opportunity to remove itself from the SWP's obligations.

Due to the expiration of the CDP for the desalination appurtenances facilities in 1999, the City was required by the CCC to apply for a new CDP in order to operate it outside of CCC permit jurisdiction, because the existing desalination discharge pipe (outfall line), five seawater wells,

and associated electrical services are within CCC jurisdiction and require Commission permit authorization. The City is currently working with CCC staff to renew Coastal Development Permit (CDP). On March 26, 2013, the City submitted a CDP for the permanent emergency use of the existing Desalination Facility and related components. This CDP will allow the use of the facility during time of State Water Project shutdown and for peaking during periods of high demand. Recent discussions with CCC staff indicate that they anticipate an August 2016 hearing for this CDP. The permit will also allow the City to process a local CDP for minor modifications in the facility. These modifications will allow for the use of both the BWRO and salt water trains simultaneously. It is also anticipated once the emergency use permit is issued, as a part of the City's water portfolio diversification, the City will begin working with the CCC staff on a permit to allow routine operation of this facility.

An additional source of "new" water is reclaimed water from the City's proposed Water Reclamation Facility (WRF). It is anticipated the WRF will ultimately be able to deliver approximately 1,000 ac-ft/yr of water that can be used to supplement the local water supply. While still in the planning stages, the water could be delivered to the local supply through indirect potable or direct potable means, once State regulatory processes have been finalized.

A vision for the City's future water portfolio is for it to be locally controlled, and independent of the State Water Project costs and reliability issues. That local water supply portfolio could include: local groundwater, desalted sea water and reclaimed water. For reliability and emergencies the City could pursue a connection to the Nacimiento system that would use the Chorro Valley pipeline to deliver water to Morro Bay. The Nacimiento supply would require the construction of improvements to the California Men's Colony Water Treatment Plant and extension of the supply pipeline. As an alternative to the Nacimiento source, the City could retain a reduced allocation of State Water.

As noted, the cost of water can range from \$150/ac-ft to over \$2,000/ac-ft. Further, the cost of State Water will likely increase substantially in the decade ahead, especially if the proposed \$23 Billion Sacramento-San Joaquin River Deltas project moves forward. Using present day costs, but projecting a possible locally-controlled water portfolio in a decade, a brief cost scenario is follows.

Remaining on State Water with State Water costs at a conservative \$2,500 / ac-ft, the expense for 1,200 ac-ft of water would be \$3,000,000 per year.

A possible locally controlled portfolio for the same 1200 ac-ft requirement might be:

- 550 ac-ft from Morro Valley Wells run thru BWRO for \$1000/ac-ft = \$550,000
- 400 ac-ft of reclaimed water at perhaps \$300/ac-ft for \$120,000
- 250 ac-ft of desalinated seawater at \$1,600/ac-ft for \$400,000
- Total cost of 1200af = \$1,070,000 per year.

While none of those costs are certain, and the reclamation plan for the new Water Reclamation Facility is being developed, it is clear beginning a thorough analysis of the pros and cons of remaining on State Water, or moving toward a locally controlled portfolio, is not only appropriate public policy planning but could have significant financial benefits to our rate payers of the future.

The next step in the process to address the City's water supply portfolio is to update its 1990's vintage Water System Master Plan. Staff recommends since all water is connected, the Water Plan update be combined into a "OneWater" plan that will address potable water, wastewater, reclaimed water and stormwater. This OneWater plan would serve as a resource that will guide and inform the General Plan process and carry the City into a sustainable future.



AGENDA NO: C-2

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council **DATE:** May 5, 2016

FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager

SUBJECT: Update on Potential Water Reclamation Facility Sites and Public Outreach Efforts

RECOMMENDATION

Staff recommends Council receive this report and provide staff guidance for next steps. A number of recommendations for consideration are included in the discussion section.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

All current outreach efforts and studies are being performed under existing contracts and authorizations. No additional expenditures are proposed as part of this report.

DISCUSSION

John Rickenbach, Deputy Program Manager, will provide a summary of the attached report to City Council on Potential Water Reclamation Facility (WRF) Sites. The report responds to the City Council's direction with respect to providing additional information on potential sites for the WRF, as set forth on March 8, 2016. At that time, the City Council directed staff as follows with respect to analyzing potential WRF sites:

- *Provide additional insight or information with respect to the two identified sites in the Morro Valley (Righetti and Rancho Colina);*
- *Revisit the Tri-W and Chevron/Toro Creek sites, and compare their potential suitability to the sites in the Morro Valley; and*
- *Explore other potential sites in the Morro Valley, and provide information on any sites that are potentially suitable for a WRF*

The City Council also directed the following supporting actions to help better inform site selection:

- *Conduct additional communitywide public outreach as appropriate;*

Prepared By: MN Dept Review:
City Manager Review: DWB
City Attorney Review:

- *Reach out to the Cayucos Sanitary District (CSD) to explore the possibility of the two agencies working together on a single facility; and*
- *Visit other facilities in the state that use technologies similar to those proposed for the WRF.*

Since that time, staff has performed the following to address the City Council's direction:

- Developed Spring 2016 WRF Newsletter to provide project information, address common questions from the community, and advertise community outreach efforts. The newsletter was posted on the WRF Project website, emailed to the community interest email list, mailed to every mailbox recipient in the City, mailed to each out-of-town property owner, provided at the community outreach events, and provided at City offices and Chamber of Commerce
- Researched additional potential properties in the Morro Valley and identified the Madonna site as a viable option
- Performed fatal flaw analyses on a new Morro Valley site (Madonna), including geotechnical analysis, legal research (Williamson Act, shared access easement), and biological survey
- Held meetings with adjacent property owners to the Madonna site
- Organized and attended two Community Farmer's Markets to talk with community members about the project (April 9th and 14th)
- Held two Open House events (same event offered at two times, on April 7 and April 10) to discuss the project with community members, collect community input, and respond to questions and concerns from community members
- Updated cost opinions that were previously developed for WRF Project at sites under consideration and developed cost opinion for Madonna site.
- Reviewed the Tri-W site (focusing on the portion within the County) and discussed availability with the property owner's representative
- Prepared report summarizing analyses for five potential WRF sites

On May 3, the Water Reclamation Facility Citizen's Advisory Committee (WRFCAC) received an update and draft report from the Program Management team and recommended the following to Council:

- Proceed with Tri-W as the preferred site, including consideration of both Tri-W parcels (inside and outside City limits)
- Remove the Righetti site from further consideration

Staff updated the attached report from the version presented to WRFCAC. Revisions include a comparison of possible sewer rate impacts among the various sites; clarification of the construction cost tables to distinguish between Phase 1 and Phase 2 costs; modification of the cost escalation chart to distinguish between contingency and construction cost; and refinement of the potential Tri-W wastewater facility sites and property limits.

Based on the recommendations from WRFCAC, and the information and public input obtained over the past 60 days, staff recommends proceeding as follows:

- Continue evaluating the Tri-W site, including outreach to adjacent and neighboring property owners, and other parties that may have direct interest in siting the WRF at that location;
- Prepare and mail a simple community-wide informational flyer that provides a very brief

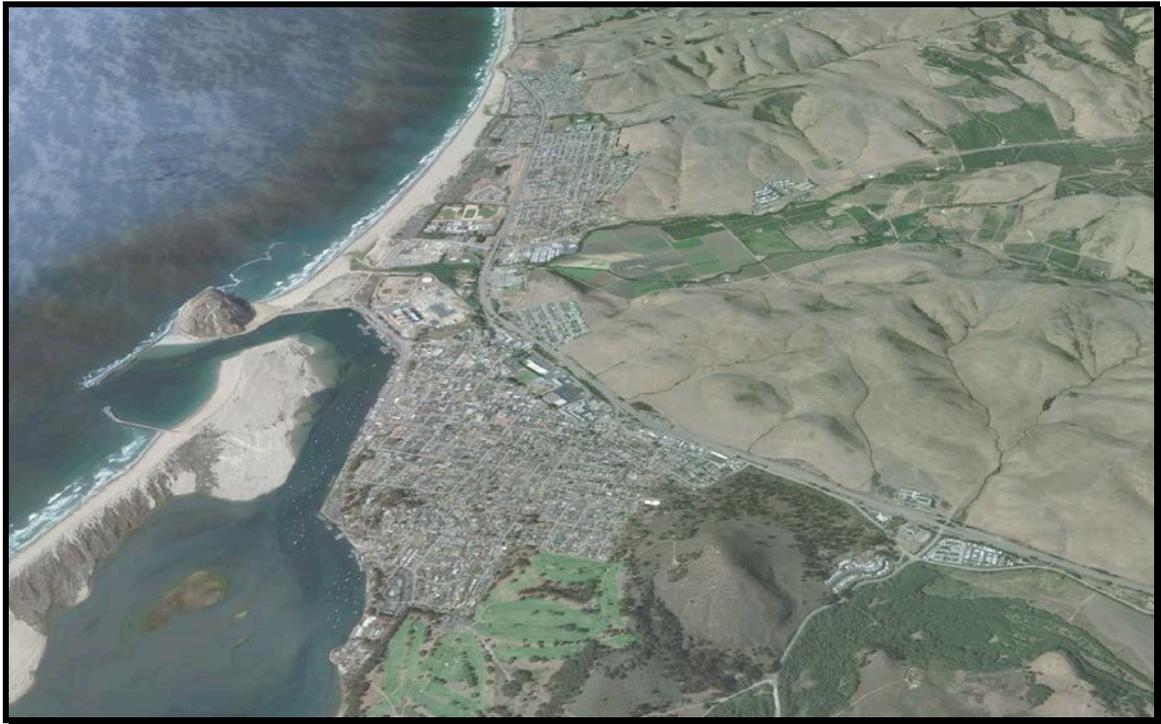
overview of the primary sites currently under consideration, and pros and cons including potential impacts to long-term sewer rates

- Bring back additional information on the Tri-W site, including results from outreach, to the June 14 City Council meeting for consideration of a preferred site for planning and environmental review
- While the WRFAC recommended removing the Righetti property from further consideration, staff recommends that Council not remove any potential WRF sites from consideration at this time. This is due in part to the requirement for examining project alternatives (including alternative sites) under the California Environmental Quality Act (CEQA), and also because of potentially unknown conditions at the Tri-W site. Potential EIR alternatives, including both alternative project designs and locations, are appropriately determined during the EIR scoping process, which will occur once a preferred site is selected for study as the “proposed project” under CEQA.

ATTACHMENT

1. Revised Site Report – JFR Consulting, May 2016

New Water Reclamation Facility Project
Report to City Council on
Potential WRF Sites



Submitted to:
City of Morro Bay
Department of Public Services

May 5, 2016
(updated from April 29, 2016 report)



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7675 Bella Vista Road
Atascadero, California 93422

Report to City Council on Potential WRF Sites

for the
City of Morro Bay
New Water Reclamation Facility Project

Prepared for:
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May 5, 2016
(updated from April 29, 2016 report)

City of Morro Bay

New Water Reclamation Facility Project

Report to City Council on Potential WRF Sites

1. Background and Purpose of this Report

This report responds to the City Council's direction with respect to providing additional information on potential sites for the Water Reclamation Facility (WRF), as set forth on March 8, 2016. At that time, the City Council directed staff as follows with respect to analyzing potential WRF sites:

- *Provide any addition insight or information with respect to the two identified sites in the Morro Valley (Righetti and Rancho Colina);*
- *Revisit the Tri-W and Chevron/Toro Creek sites, and compare their potentially suitability to the sites in the Morro Valley; and*
- *Explore other potential sites in the Morro Valley, and provide information on any sites that are potentially suitable for a WRF*

The City Council also directed the following supporting actions to help better inform site selection:

- *Conduct additional communitywide public outreach as appropriate;*
- *Reach out to the Cayucos Sanitary District (CSD) to explore the possibility of the two agencies working together on a single facility; and*
- *Visit other facilities in the state that use technologies similar to those proposed for the WRF.*

Staff has since conducted significant outreach, both within and outside the community, as described above. Some of the analysis that follows is based in part at input gathered through two community workshops conducted in April 2016, as well as additional input gained through outreach at two farmers markets during that time. Staff also conducted interviews with various neighbors near a new site in the Morro Valley, the input from which is reflected in the analysis.



2. Sites Under Consideration

This report addresses five possible sites for the WRF. Four of the five have been previously considered at length in various reports previously brought forth to the City Council, two of which are in the Morro Valley, which in May 2014 the Council had previously identified as the preferred location for a WRF. The fifth site (Madonna) is an additional site in the Morro Valley identified by staff as a result of direction provided on March 8, 2016 to investigate other potential sites in the Morro Valley. The five sites are as follows:

- **Site 1 – Rancho Colina**
- **Site 2 – Righetti**
- **Site 3 – Tri-W**
- **Site 4 – Chevron/Toro Creek**
- **Site 5 – Madonna**

These sites are described in more detail below in **Table 1**.

Table 1. Sites Examined in this Report				
Site	Site Name in this Report	General Location	Parcel Information	Discussion of the Study Site
1	Rancho Colina	Morro Valley (part of Options Report Site B)	APN 073-085-027 (187.4 ac) <u>Ownership:</u> W. Macelvaine <u>Jurisdiction:</u> SLO County	The May 2014 report examined a roughly 10-15 acre area in the lowest portion of the property, focused on the southeastern portion of the property, generally in the vicinity of the location of the existing WWTP that serves the nearby Rancho Colina residential community. The study site is about 150 to 160 feet above sea level. Now, based on direction from the property owner, the investigation in this report focuses on an 8-acre location in the southwestern corner of the site adjacent to Highway 41.
2	Righetti	Morro Valley (part of Options Report Site B)	APN 073-084-013 (251.2 ac) <u>Ownership:</u> P. Madonna <u>Jurisdiction:</u> SLO County	The focus area is limited to a roughly 10-15 acre area in the lowest portion of the property, at the location of an existing ranch house. The focus area is about 80 to 100 feet above sea level. For this report, this site has not changed from what was previously investigated.
3	Tri-W	Chorro Valley (part of Options Report Site C)	APN 068-401-013 (157.5 ac) <i>(this parcel is in the City)</i> APN 073-101-017 (396.3 ac) <i>(this parcel is in the County)</i>	The Tri-W site includes two parcels totaling 554 acres. The smaller of the two parcels is in the City, while the larger parcel is in the County. The Options Report identified the most promising location for a WRF to be on



Table 1. Sites Examined in this Report				
Site	Site Name in this Report	General Location	Parcel Information	Discussion of the Study Site
			<u>Ownership:</u> Tri-W Enterprises	a roughly 15-acre area within the County parcel, toward the eastern end of the property. There is currently no development at this location. The study site is about 100 to 120 feet above sea level.
4	Chevron	3 miles north of the City of Morro Bay (Options Report Site A)	APN 073-075-004 (13.3 ac) <u>Ownership:</u> Standard Pipeline APN 073-075-008 (14.2 ac) APN 073-075-010 (5.6 ac) APN 073-077-034 (126.8 ac) <u>Ownership:</u> Chevron USA	Originally studied in the 2012 Dudek Fine Screening Report, and carried forward in the December 2013 Options Report. Under consideration because of proximity between Morro Bay and Cayucos.
5	Madonna	Morro Valley (not included as one of the 7 study sites in the Options Report)	APN 073-031-026 (17.1 ac) APN 073-031-009 (126.7 ac) <u>Ownership:</u> P. Madonna	Site includes two parcels within the County under common ownership. The smaller area is the more promising location for a WRF because it is flat and has better access. This site had been previously considered in the Dudek Rough Screening Analysis (2011).

Figure 1 shows these relative to one another. **Figures 2 through 6** show the individual sites.



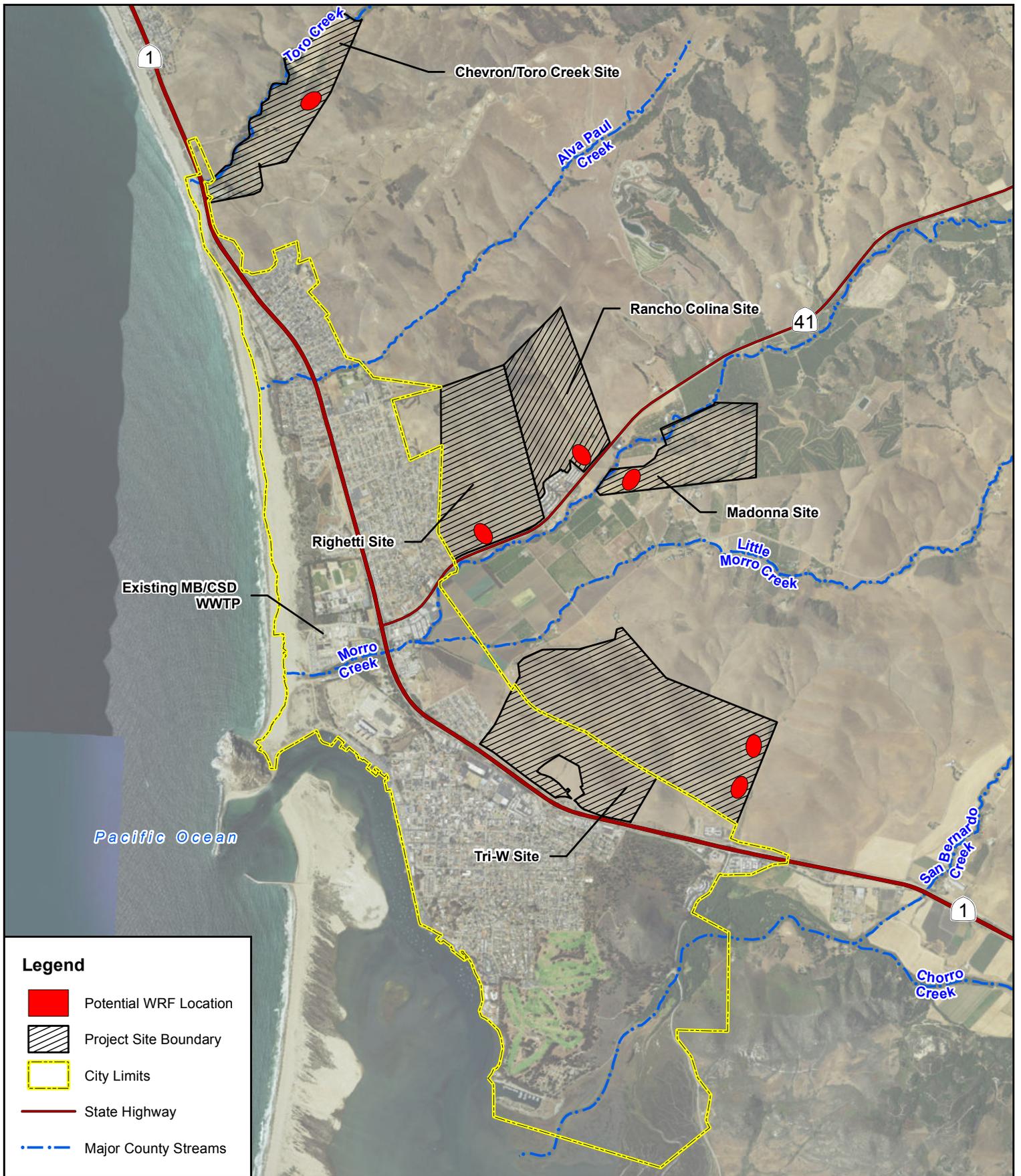
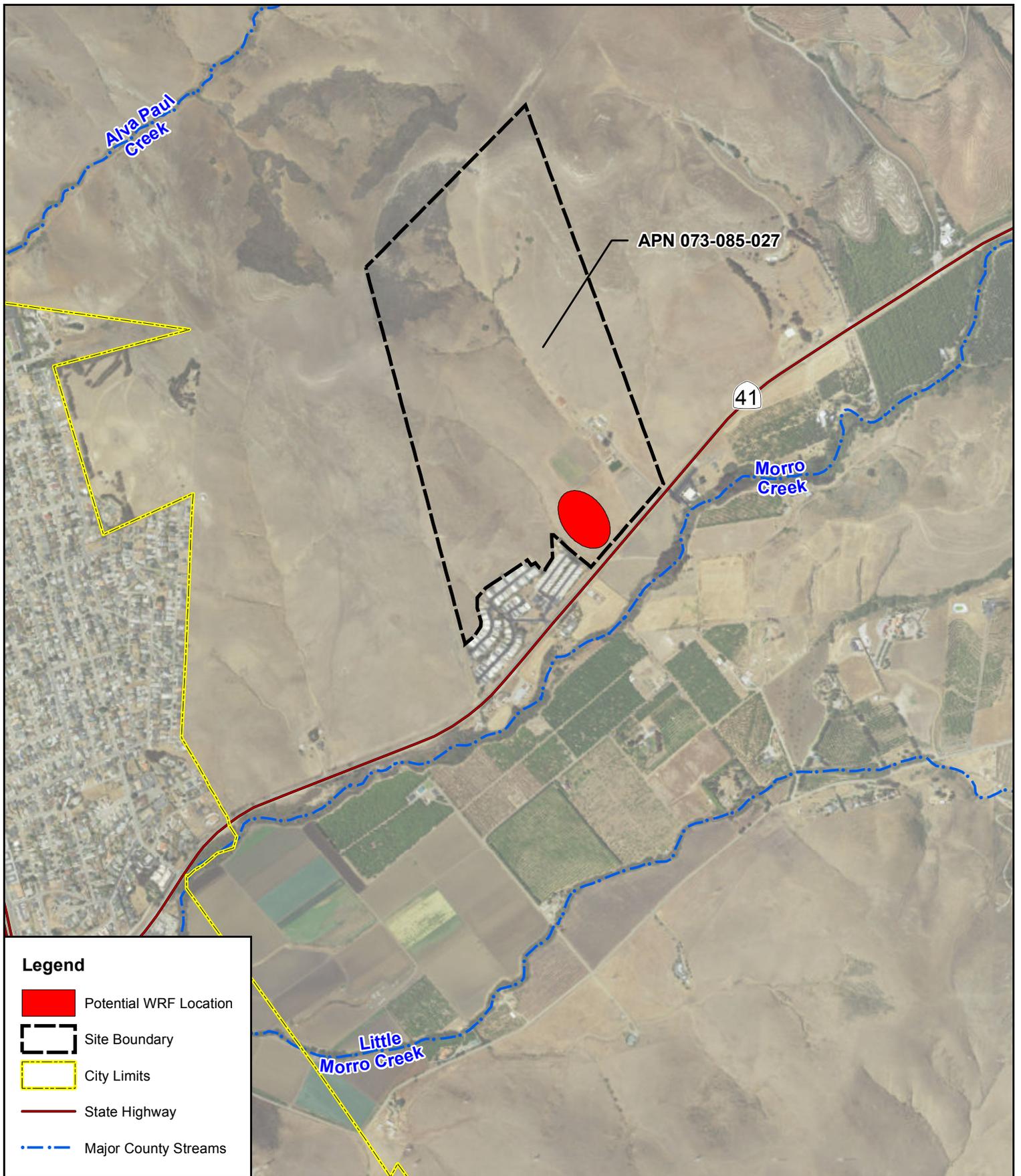


Figure 1: Potential WRF Sites

Note: Basemap data obtained from County of San Luis Obispo GIS

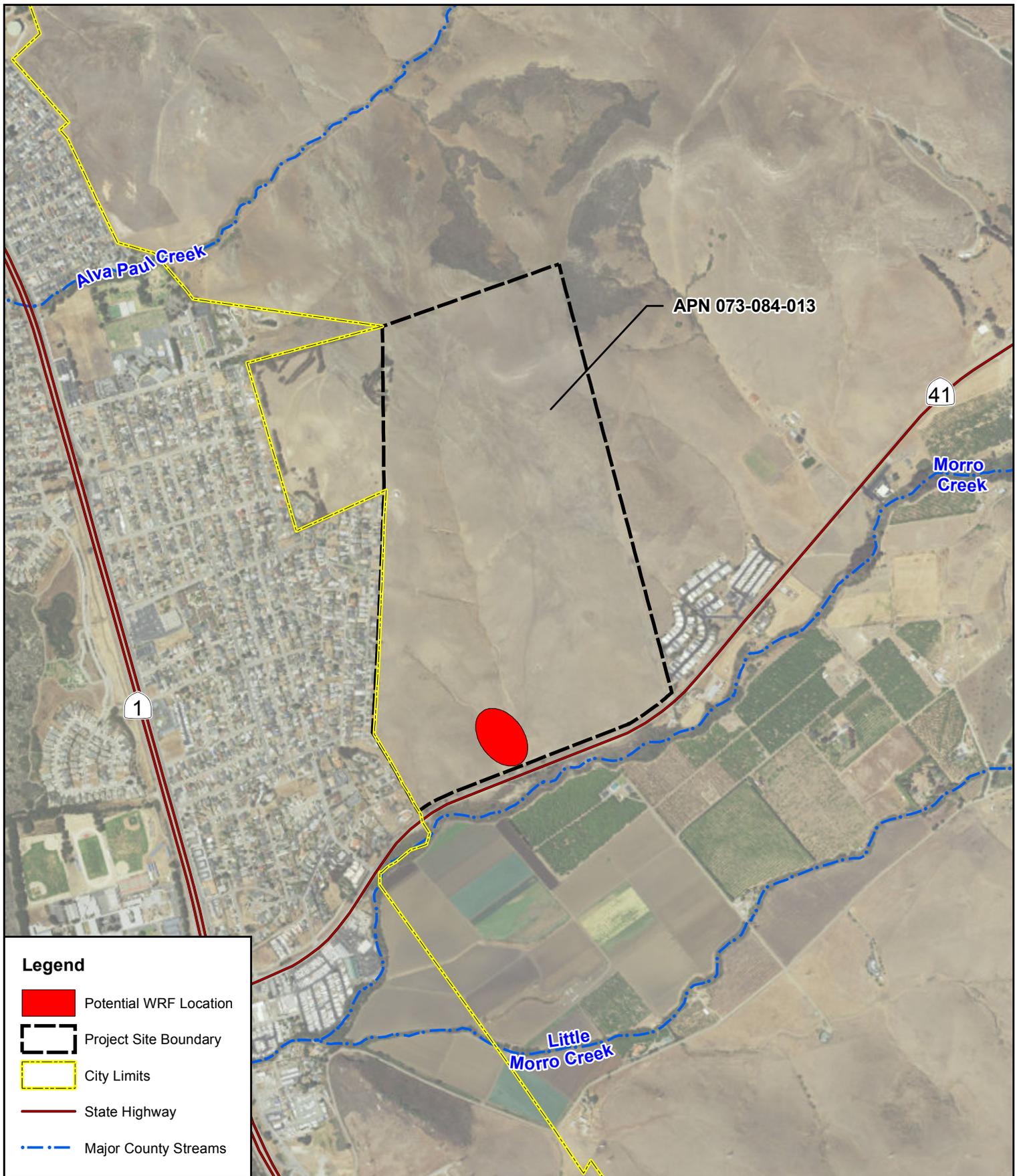


Legend

- Potential WRF Location
- Site Boundary
- City Limits
- State Highway
- Major County Streams

Figure 2: Rancho Colina Site

Note: Basemap data obtained from County of San Luis Obispo GIS

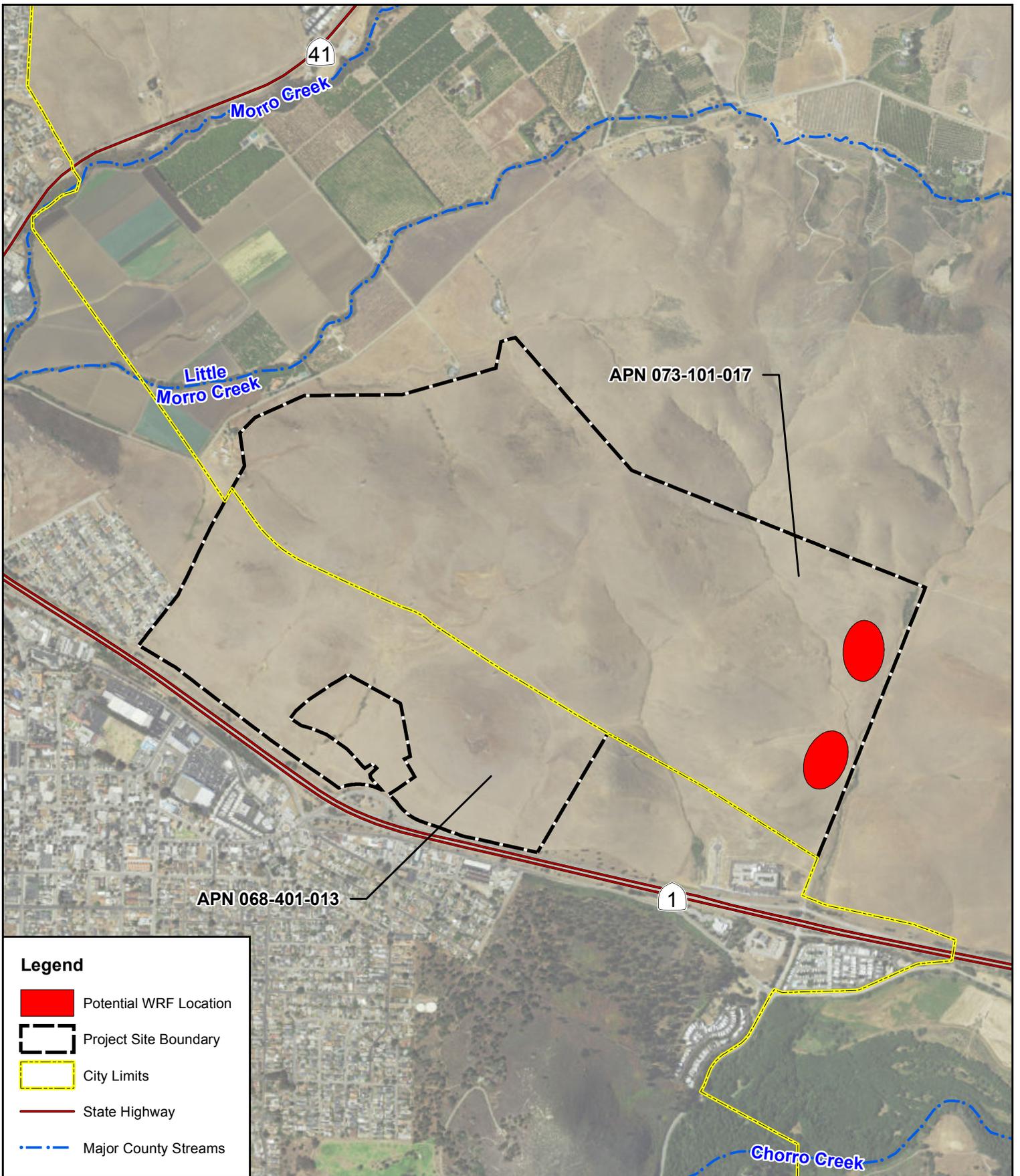


Legend

- Potential WRF Location
- Project Site Boundary
- City Limits
- State Highway
- Major County Streams

Figure 3: Righetti Site

Note: Basemap data obtained from County of San Luis Obispo GIS



Legend

- Potential WRF Location
- Project Site Boundary
- City Limits
- State Highway
- Major County Streams

Figure 4: Tri-W Site

Note: Basemap data obtained from County of San Luis Obispo GIS

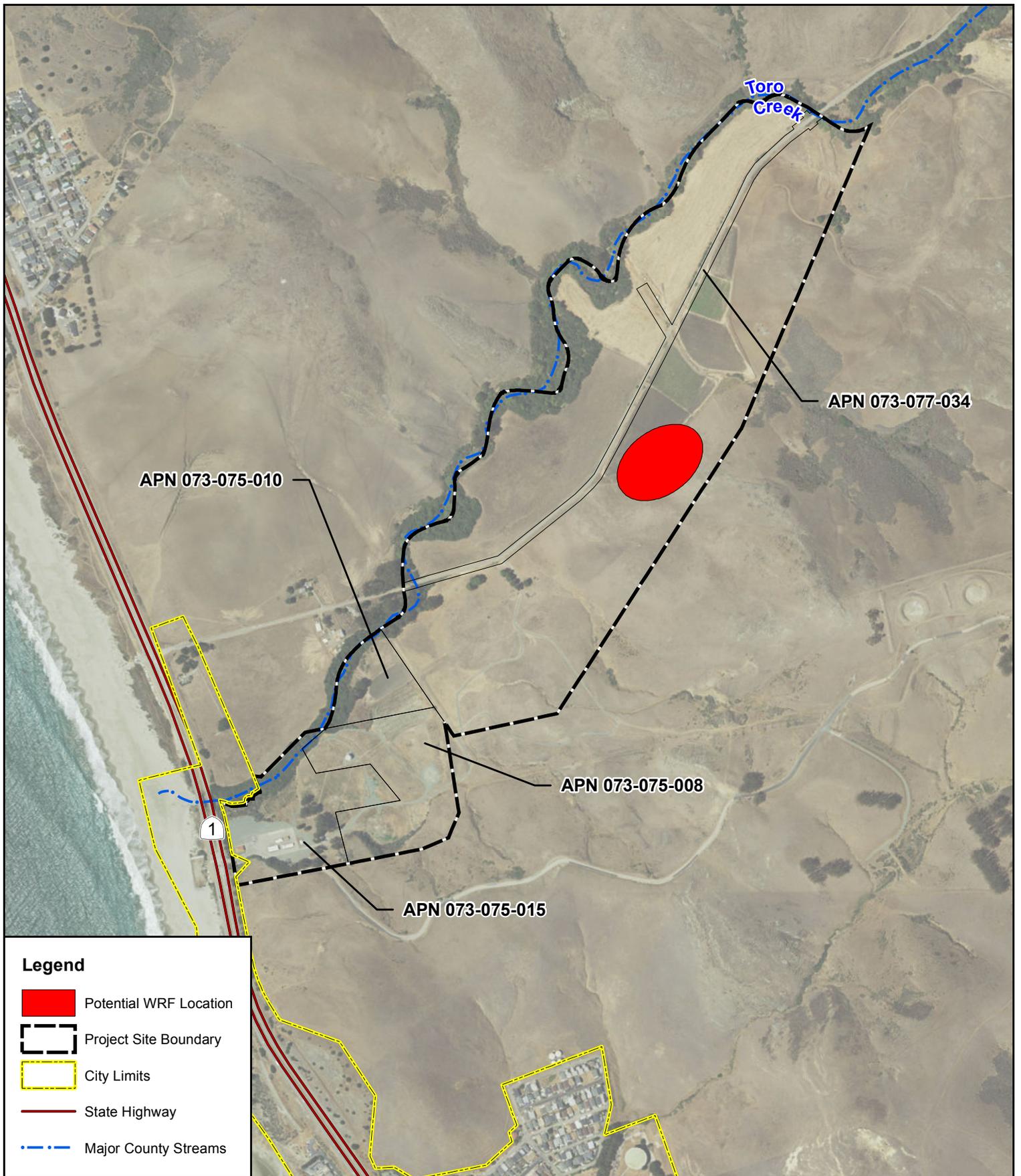
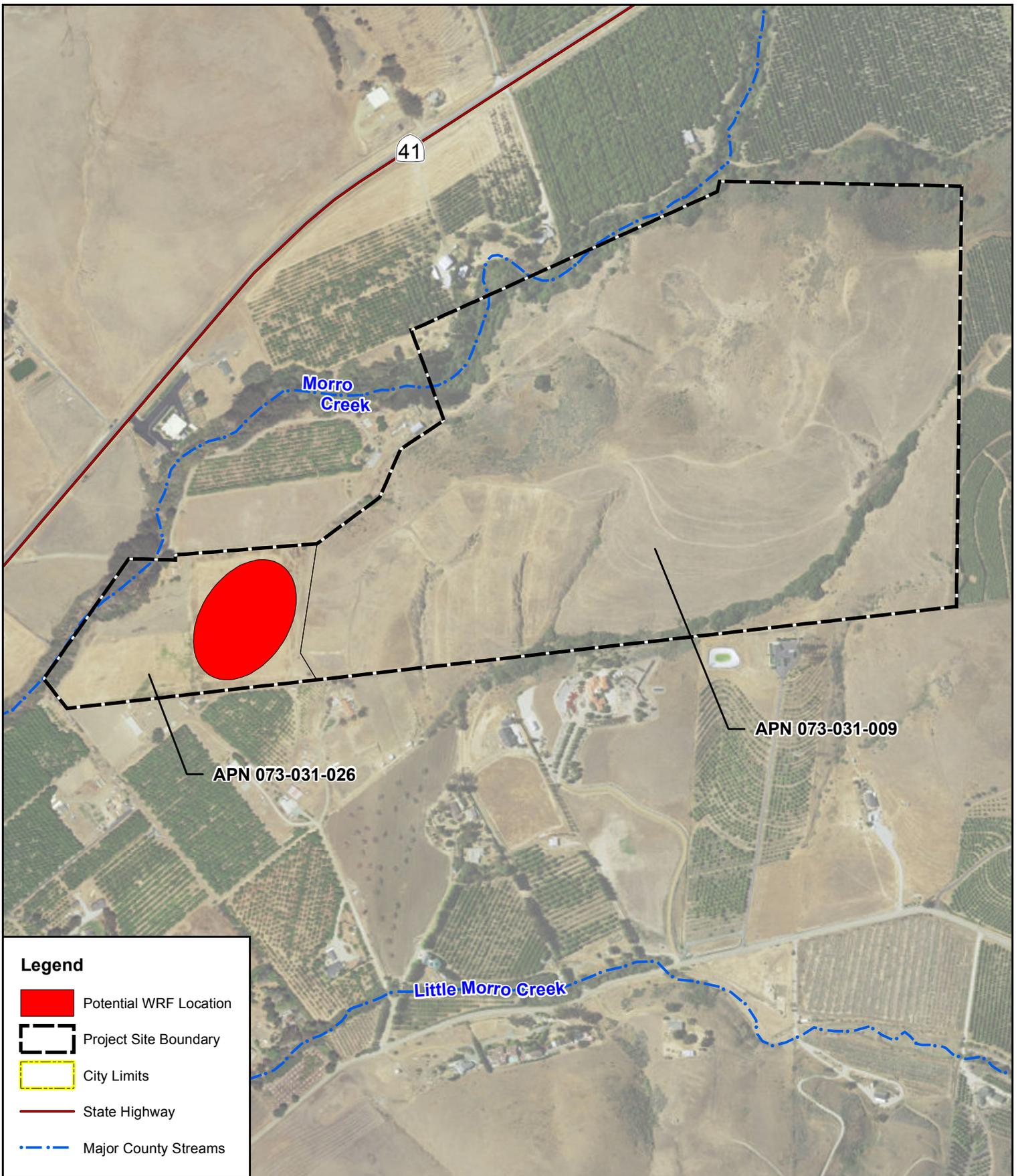


Figure 5: Chevron/Toro Creek Site

Note: Basemap data obtained from County of San Luis Obispo GIS



Legend

- Potential WRF Location
- Project Site Boundary
- City Limits
- State Highway
- Major County Streams

Figure 6: Madonna Site

Note: Basemap data obtained from County of San Luis Obispo GIS

3. Site Analysis

The site comparison is based on two tiers of analysis. First, the analysis presents the relative costs of developing a WRF at each location. The sites will be evaluated in the context of their ability to achieve the community's fundamental Council-adopted goal of providing cost-effective reclamation opportunities.

The sites will then be compared based on the following criteria:

- Key Opportunities
- Key Constraints
- Environmental and Physical Site Issues
- Regulatory and Permitting Issues

These include the same criteria applied in the May 2014 and February 2016 site reports, only in more focused and simplified form. Two summary tables will be presented at the conclusion of the report, comparing the sites relative to potential opportunities and constraints.

It should be noted that this report does not address political issues that could factor into the Council's site selection decision, but instead focuses on factual information intended to address one or more of the adopted community goals for the project.

A. Cost Comparison

The following compares the relative costs of the five sites under consideration. These should be considered planning level estimates, primarily useful for comparison purposes. Cost estimates are based on the likely components of the new facility at each site. A more refined estimate for the selected site will be possible once the Facility Master Plan is developed for that site.

Table 2 summarizes the estimated relative capital construction costs for the Phase 1 "reclamation ready" facility for the potential WRF sites. Relative construction costs include the raw wastewater conveyance (pump station and pipeline), the treatment plant to produce disinfected tertiary recycled water and brine and/or "wet weather" disposal pump station and pipeline from the WRF site to the existing outfall at the Morro Bay - Cayucos WWTP for the five sites under consideration.

Table 3 summarizes the estimated relative capital construction costs for Phase 2, including advanced treatment at the WRF (reverse osmosis and advanced oxidation), a recycled water tank and pump station, and a recycled water pipeline from the WRF to either Highway 41 or the intersection of Highway 41 and Highway 1, depending on the site. The costs for a regional recycled water reuse system are not included in these costs.

It is possible that construction of Phase 2, or portions of Phase 2, will occur simultaneously with construction of Phase 1. The total estimated relative construction costs for Phases 1 and 2 are summarized in **Table 4**. **Table 4** also provides estimated annual operation and maintenance (O&M) costs and the projected 20-year present value. Estimated O&M costs include operations and



maintenance at the WRF (labor, power, chemical), and power for pumping raw wastewater from the existing wastewater treatment plant, approximately where the new lift station will be sited, to the site.

Appendix A provides the assumptions used to develop the costs shown in **Tables 2 through 4**. Based on the unit cost ranges summarized in **Appendix A**, the construction costs could vary by +/-25% from the estimated costs shown herein.

	Rancho Colina	Righetti	Tri-W	Chevron	Madonna
Raw Wastewater Pump Station and Pipeline	\$6,075,000	\$4,297,000	\$7,951,500	\$10,025,000	\$5,985,000
WRF Phase 1	\$35,610,000	\$35,610,000	\$34,988,000	\$34,366,000	\$36,616,000
Brine/Wet Weather Disposal Pump Station and Pipeline	\$3,325,000	\$2,205,000	\$4,585,000	\$6,125,000	\$3,325,000
Construction Cost Subtotal	\$45,010,000	\$42,112,000	\$47,524,500	\$50,516,000	\$45,926,000
Construction Contingency (30%)	\$13,503,000	\$12,633,600	\$14,257,350	\$15,154,800	\$13,777,800
Admin, Design, and Management (30%)	\$13,503,000	\$12,633,600	\$14,257,350	\$15,154,800	\$13,777,800
Total Estimated Construction Cost (Rounded)	\$72,000,000	\$67,400,000	\$76,000,000	\$80,800,000	\$73,500,000

	Rancho Colina	Righetti	Tri-W	Chevron	Madonna
Advanced Treatment	\$14,450,000	\$14,450,000	\$14,450,000	\$14,450,000	\$14,450,000
Recycled Water Pump Station and Pipeline	\$1,575,000	\$1,575,000	\$4,935,000	\$5,495,000	\$1,715,000
Construction Cost Subtotal	\$16,025,000	\$16,025,000	\$19,385,000	\$19,945,000	\$16,165,000
Construction Contingency (30%)	\$4,807,500	\$4,807,500	\$5,815,500	\$5,983,500	\$4,849,500
Admin, Design, and Management (30%)	\$4,807,500	\$4,807,500	\$5,815,500	\$5,983,500	\$4,849,500
Total Estimated Construction Cost (Rounded)	\$26,000,000	\$26,000,000	\$31,000,000	\$32,000,000	\$26,000,000

	Rancho Colina	Righetti	Tri-W	Chevron	Madonna
Total Estimated Construction Cost Phase 1 + Phase 2	\$98,000,000	\$93,400,000	\$107,000,000	\$112,800,000	\$99,500,000
Total Estimated Annual O&M Cost (rounded)	\$1,910,000	\$1,830,000	\$1,930,000	\$1,890,000	\$1,870,000
Estimated 20-year Present Value	\$136,200,000	\$129,600,000	\$145,600,000	\$150,800,000	\$137,400,000

The City's rate consultant, Bartle Wells, provided a rate model to estimate the potential impacts of varying WRF Project costs to the average rate payer. Since this is a comparative analysis, the WRF cost at the Righetti site (lowest estimated cost) was used as a baseline. The potential incremental increase in



financial impact to the average single-family home for a WRF project at each of the other four sites was estimated using the range of capital costs (+/-25%). The model includes Phase 1, Phase 2, and annual O&M costs as described above and in Appendix A. Costs do not include a regional recycled water reuse system.

Table 5. Estimated Comparative Impacts to Average Monthly Sewer Rate				
Righetti	Rancho Colina	Tri-W	Chevron	Madonna
---	+\$3 to \$5	+ \$8 to \$13	+\$10 to \$17	+\$4 to \$6
<i>Note: Righetti site assumed to be the baseline benchmark for estimating relative rate impacts, based on the fact that construction costs would be lowest at this location.</i>				

There are many risks to project development that can affect the predictability of costs, as well as the costs themselves. During the recent public outreach process, significant negative feedback has been provided by many neighbors of the proposed Righetti and Madonna sites relative to potential use of those sites. The public will have many opportunities to weigh into major decisions on the development of the project, including the EIR process, City Council meetings, WRFCAC meetings, Facility Master Plan workshops, and annexation proceedings (if required). Each of these is necessary for development of public works projects, but strong opposition could result in time delays, especially if legal challenges arise from project opponents.

Time delays increase construction costs because of cost escalation (including inflation or appreciation of material costs, labor, and equipment). Engineering News Record (ENR) is a publication that calculates and publishes a construction cost index (CCI) that is commonly used to estimate the impact of time on construction costs. Since September 2013, when the Options Report cost opinions were initially developed, through April 2016, the ENR CCI has increased by approximately 8%. This represents an increase of 8% in construction costs for projects in less than 3 years.

Figure 7 depicts the increase in capital cost for a project at the Rancho Colina site over the next 10 years, based on the ENR CCI increase over the past 3 years. For a \$98M project, the increase is approximately \$2M per year.



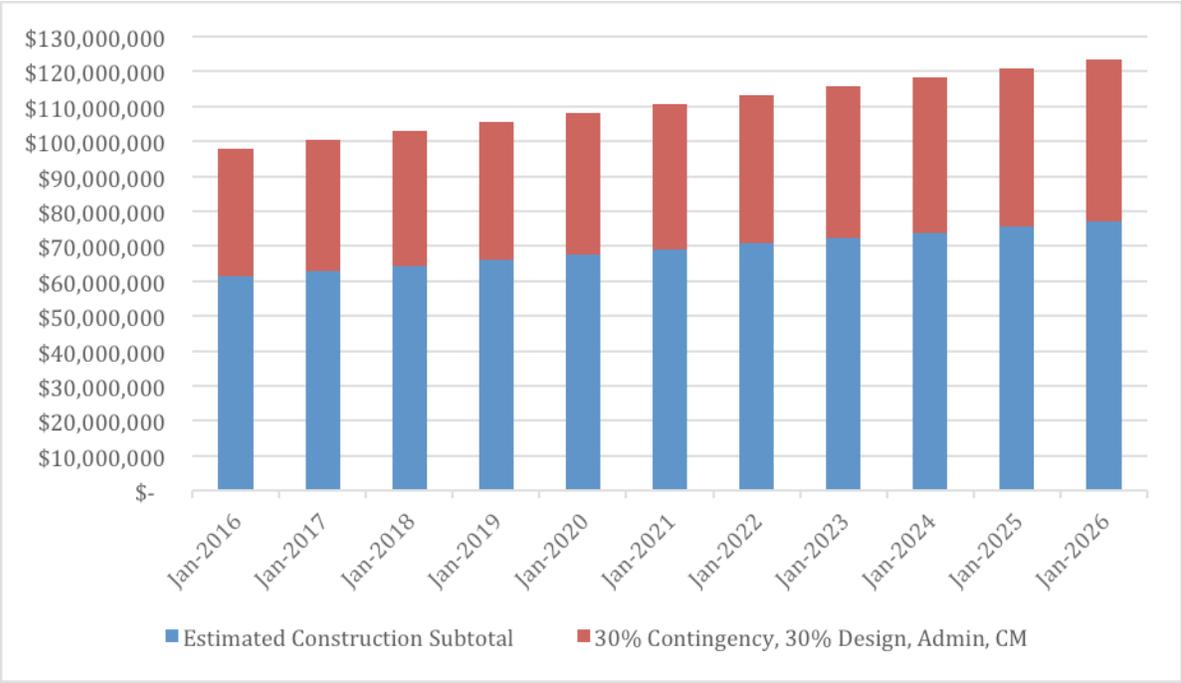


Figure 7. Projected Cost Escalation over Ten Years

Project costs are likely to increase as a result of potential public opposition, either through time delays or possibly through the threat of legal action. Therefore, it is recommended that Council consider this in site selection in the context of cost and project schedule. Proceeding with Master Planning and the CEQA process on a site that has few neighbors, is less visible, and has less opposition will improve the project team’s ability to predict and control construction costs even if overall construction costs may initially seem higher.

B. Site Comparison

Based on the cost comparison, development of a WRF at the Chevron and Tri-W sites was found to result in significantly higher costs than the Morro Valley sites. However, in order to provide the City Council a full picture of the potential tradeoffs associated with pursuing these sites, they are carried forward in the site analysis that follows.

Site 1: Rancho Colina

Overview

The Rancho Colina site (APN 073-085-027) is owned by Steve Macelvaine, who has been a willing potential partner for the City in the development of a new WRF. This has been a fundamental reason why this site has been relatively attractive for the City to pursue.

However, during the Facility Master Plan process initiated in 2015, the property owner has placed



crucial limitations on both the area for potential development, and the scope of development that could be pursued.

The conclusions of the May 2014 report were based on the assumption that the new WRF would be located in the least-constrained portion of the property, specifically the southeastern corner of the site, more or less between the location of the existing treatment plant on the site that serves the adjacent residential community, and Highway 41. This would be the lowest portion of the site, with the best access, lowest and most level visual profile, deepest soils, and farthest distance from neighboring residential properties offsite.

The property owner, in recent consultation with his family, has determined that this portion of the site is no longer available to the City. Instead, they desire to limit the City development to an 8-acre portion of the property, in the southwestern corner of the site closer to the neighboring Rancho Colina residential community. This portion of the site is more visually prominent from both the highway and neighboring property, and is on a small rise, so not as topographically advantageous.

The property owner also desires to limit the scope of the City's future development to only those facilities necessary to support the WRF and possibly the City Water Treatment Plant. Other non-WRF related City goals, such as development of a corporation yard, could not be pursued at this location.

This is a fundamental change in the property owner's stance from the time the May 2014 report was prepared. Although he is still a willing partner, it is now on strictly limited terms. In addition, any future negotiations with respect to the site will need the full support of his family, if recent events are any indication. Based on program management staff's recent meetings with the property owner and family, it is uncertain whether the family will present a unified voice on key matters related to the long-term use of the property, or the conditions related to the sale of the portions of the property needed to build the WRF.

Key Opportunities

Potential development at the Rancho Colina site presents the following key opportunities:

- **Potentially New Water Rights for City.** The property owner has established appropriate rights to water in Morro Creek that are second only to the City through existing private wells. He has indicated a willingness to transfer these to the City as part of a potential negotiation for use of the site.
- **Potential Removal of an Existing Outdated Package Wastewater Facility.** The existing wastewater treatment plant on the site that serves the nearby Rancho Colina residential area was originally built in 1971 but has been improved and modified to meet current demands and regulatory requirements. The RWQCB has repeatedly expressed interest in the concept of removing that standalone, privately-owned facility and transferring those residents to City services. Development of a new WRF would provide this opportunity.
- **More Customers and Revenue.** Adding customers would increase the amount of revenue available for debt service and operation/maintenance costs, as long as the City could charge those customers directly in the same manner as customers within the City.



- **Proximity to Reclamation Opportunities.** Because of its Morro Valley location, the site is relatively close to potential reclamation opportunities. Note, however, that compared to the Righetti site, it is not as close to the City's wells and the lowest part of the valley, where the most promising groundwater injection opportunities are likely to be.
- **Property Availability.** The property owner has been a willing partner to work with the City. However, the City has still not been able to enter into an MOU for use of the site, because of limitations placed on the location and uses that may be allowed on the site (see Key Constraints).

Key Constraints

The key constraints facing development at this location include:

- **Limited Acreage Available.** The property owner has limited future development to an 8-acre portion of the site, which will severely restrict the flexibility of a design at that location.
- **Limited Uses Allowed.** The property owner has stated that only WRF and WRF-related uses could be developed on this property. Other non-WRF City goals, such as a corporation yard, could not be constructed on this property.
- **Visually Prominent Location.** This portion of the site is slightly sloping on a knoll and located about 150 to 160 feet above sea level. The site would require substantial grading to accommodate the new facility, a factor that would contribute to a relatively higher cost than at a flatter location. The site is also more visually prominent from Highway 41 than a lower elevation location farther from the highway.

The likely WRF location is visible for about 3,800 feet along Highway 41 (about 3,000 feet to westbound travelers and for about 800 feet to eastbound travelers). The eastbound view is partially blocked by topography and the existing Rancho Colina community.

- **Property Owner Would Live Onsite.** If the WRF were built on the site, the current property owner intends to remain on the property, living in his existing home, which is about 700 feet from the nearest portion of the site where the new WRF could be built. While the property owner has expressed support for constructing a new WRF at this location, his family has also expressed concern related to odors and visual impacts, and could potentially object in the future to potential nuisance issues based on proximity.
- **Neighborhood Proximity.** The site of potential development is east of the existing Rancho Colina residential complex, within 200 feet of the nearest temporary residential trailer, and within about 500 feet of the nearest permanent home along Santa Barbara Avenue. There are 116 homes and RV sites within 2,000 feet of the site, 46 of which are within 500 feet of the site. Although relatively few people in this neighborhood have expressed concerns regarding proximity of the WRF, typical concerns could be related to visual impacts, odors, noise and effects on property values.

Two homes at the eastern end of Santa Barbara Avenue would have an unobstructed view of



the WRF site at a distance of less than 500 feet. Several other homes on Santa Barbara Avenue and San Fernando Avenue would have a partially obstructed view of the site, blocked to some extent by other homes on those streets or within the trailer park. A portion of the Rancho Colina trailer park would have a direct view of the WRF site at a distance of 100 to 500 feet, partially blocked by intervening trees at the property line.

Environmental and Physical Site Issues

Coastal Proximity and Access. The site is about 1.7 miles from the ocean, and separated by intervening topography. It is not subject to coastal hazards such as tsunami and possible sea-level rise. A project at this location would not impede coastal access, or otherwise affect future development along the coastline.

Visual Impacts. There are no visual impacts relative to the coast, since the site cannot be seen from the ocean or estuary, nor would development on the site block views of these features. The area where potential development could occur is as close as 100 feet from Highway 41, and can easily be seen from that roadway. It is in the direct line of viewing for motorists traveling on that highway. The site of potential development is as close as 200 feet east of the Rancho Colina residential complex, and potentially visible from homes within the Rancho Colina community.

There are 116 homes and RV sites within 2,000 feet of the site, 46 of which are within 500 feet of the site. Of these, less than 10 have a direct line of sight to the likely WRF location.

In a December 10, 2013 letter to the City, the California Coastal Commission noted that minimizing visual impacts would be an important consideration with respect to development of a new WRF. As noted above, the site restrictions associated with Rancho Colina would make a new WRF at that location more visually prominent from Highway 41 than one located at either Righetti or Madonna. For that reason, it may be surmised that because Rancho Colina would have a greater visual impact, and Coastal Commission staff confirmed this perspective in a meeting of April 27, 2016.

Biological Resources/ESHA. The site contains some areas that qualify as designated Environmentally Sensitive Habitat Area (ESHA) per the City's LCP and California Coastal Commission (CCC) definition. These include the onsite drainage features, which are considered coastal streams per CCC definition. There is also ESHA along the riparian margins of Morro Creek, but that is outside of the potential WRF development area (Kevin Merk Associates, January 2016). Overall, the majority of the site is highly disturbed from development, agriculture, traffic, and human presence.

Cultural Resources. No cultural resources have been previously identified on portions of the site where development could occur (Far Western, January 2016). The potential for encountering unknown resources on this site is considered low, except for the southeastern most edge of the 8-acre developable portion of the site, which is considered to have a high (Far Western, January 2016). Because the survey report conducted for the site includes sensitive information related to the protection of the resources identified within the general area, it is not publicly available.

Agriculture. Much of the land in Morro Valley features gently rolling hillsides trending to steeper topography to the north, particularly north of Highway 41. Most of this area is in rangeland,



although some of this land supports avocado orchards. There are no prime soils on or near the most developable portions of the site.

The 8-acre portion of the Rancho Colina site that could be developed is underlain by Los Osos-Diablo complex soils, which consist of loamy top layer overlying clay, sandy loam and bedrock, which is typically found at a depth of 39 to 59 inches (NRCS Soil Survey). It is not considered prime farmland by the NRCS, with a land capability classification of 6e. These soils are well-drained, and not prone to flooding or ponding. The depth to the water table is typically greater than 80 inches.

The portion of the property closest to Highway 41 (southeastern part of the developable 8-acre area of the site) is Marimel silty clay loam, which consists of silty clay loam stratified loam and/or clay loam. This soil is considered prime farmland if irrigated, though it is not currently nor has it historically been irrigated on this property. Therefore, this property does not support prime farmland. The soil has a land classification of 1 (if irrigated), and 3c (if nonirrigated). The potential development of a new WRF would not preclude continued agricultural uses on the property, which consists of grazing. Grazing land (uphill of the existing treatment plant site) has historically been provided from treated wastewater from the existing plant.

Minimize Greenhouse Gas Emissions. Energy (electricity) use during operation of the new facility, and lift stations and pumps used convey effluent from the facility, would generate GHG emissions. Although the pumps would not directly result in GHG emissions, use of pumps would indirectly release GHG emissions through the purchase/use of electricity. The site is located about 1.7 miles from the existing ocean outfall, and it is expected that the new WRF would need to tie into the existing infrastructure network at this location, with lift stations needed to pump wastewater uphill to the new site, which is at an elevation of about 150 to 160 feet.

From a comparative perspective, this is a slightly higher in elevation and farther from the existing infrastructure network than the Righetti or Madonna site, so energy use and resulting GHG emissions would be expected to be slightly higher.

100-Year Flood Plain. The site is not within a 100-year floodplain. While an ephemeral drainage feature traverses the property, it is possible to avoid this through the design of the project.

Geotechnical Issues. Fugro Consultants, Inc. performed a geological hazards evaluation and geophysical survey of the Rancho Colina site (Fugro, 2016). They collected samples and performed laboratory analysis to identify any fatal flaws for the site and performed a seismic refraction survey in order to evaluate bedrock structure. Based on their work, the site is considered to have low landslide potential, with higher landslide potential on the steeper slopes well above the most developable part of the site. The site is considered to have very low liquefaction potential. The site has expansive clays but this condition can be mitigated for constructing new facilities through foundation design and/or overexcavation.

The area is subject to seismic hazards. The potentially active Cambria fault and two other unnamed faults are mapped trending through the Rancho Colina property on published geologic maps. Because there are no active or potentially active faults that traverse the proposed WRF site within the property, the potential for ground-surface rupture is low to very low.

In their samples, Fugro observed the depth to bedrock varied from 1½ feet to 12 feet below ground



surface and the rock may include Naturally Occurring Asbestos, requiring special handling requirements, but this is a typical condition in the region. According to the Fugro report, the bedrock can likely be graded and prepared for foundations using typical earthmoving equipment.

Regulatory and Permitting Issues

The site is not encumbered with any unusual regulatory challenges, including Land Conservation Act contracts, Habitat Conservation Plan restrictions, conservation easements, or Alquist-Priolo Fault Zones. There are no drainages on the 8-acre portion of site that may qualify as Waters of the United States or Waters of the State. Based on investigations conducted for this site in 2015 with respect to biological resources, cultural resources, and geologic hazards, preliminary indications appear to be that the site does not face unusual or unique challenges with respect to these issues that may result in substantial restrictions on the design and resulting permitting timeframe for the project.

Site 2: Righetti

Overview

The area commonly known as the “Righetti site” (APN 073-084-013) is owned by Paul Madonna et al. In 2015, the property was put on the market for sale, and the property owner indicated a willingness to sell it to the City. The City has recently entered into an MOU with the property owner that pending the outcome of various diligence steps related to the WRF, the City can purchase the property at its option.

Key Opportunities

Potential development at the Righetti site presents several key opportunities, which include:

- **Property Availability.** The City has entered into an MOU with the existing property owner to purchase and control the site. The City purchased an option to hold the property for 6 months for \$25,000 on January 26, 2016. The City may extend that option for an additional 400 days (through August 28, 2017) for an additional \$100,000. The payments are non-refundable, but may be applied to the purchase price if the City buys the property. The importance of securing an option is to allow for the necessary time to develop a Facility Master Plan and CEQA documentation, both of which are due diligence steps necessary before the City would consider buying the property in anticipation of a building a WRF.
- **Closest to Existing Wastewater Infrastructure.** The site is adjacent to the City, and slightly closer to the heart of the City’s existing wastewater conveyance system than any other site. This factor would be important with respect to minimizing both construction and maintenance costs.
- **Proximity to Reclamation Opportunities.** Because of its Morro Valley location, the site is relatively close to potential reclamation opportunities, and closer than any other Morro Valley site to the City’s wells and the lowest part of the valley, where the most promising groundwater injection opportunities are likely to be.



- ***The Site is at Lower Elevation than any other Location.*** The most developable 10 to 15-acre portion of the site is relatively level and located about 80 to 100 feet above sea level. This is lower than any other potential location considered in this report, and well below the 250-foot contour, above which a new facility would likely require several lift stations and/or high-pressure mains to convey untreated wastewater.
- ***Ability to Achieve Multiple City Goals.*** Since the City will own the entire site, it can be relatively flexible in the location and design of the WRF. It could also integrate other non-WRF facilities onto the site that address other City goals, including the development of a corporation yard. Note, however, that the development of other non-WRF facilities could be constrained by land use compatibility issues raised by residents in the neighborhood to the west.
- ***Potential for Land Conservation.*** Only a small portion of the 250-acre site would be needed for the WRF. The City is exploring the potential to work with land trusts to preserve the remainder of the site in open space, agriculture or some other similar passive use in perpetuity, including all areas in direct proximity to neighbors in the Nutmeg neighborhood.

Key Constraints

The key constraints facing development at this location include:

- ***Neighborhood Proximity.*** The site of potential development is about 600 feet east of the nearest homes along Nutmeg Avenue and Ponderosa Street, a distance that expands to 2,200 feet or more for homes farther north along Nutmeg Avenue or farther west within that neighborhood. The backyards or some rear-facing windows of fewer than 10 of these homes along those streets have a direct line of sight to the potential WRF location, and are somewhat elevated relative to the site under consideration (from 50 to 250 feet higher, from south to north). In all, 424 homes within this neighborhood are within 2,000 feet of the potential WRF site, with 35 homes within 1,000 feet, although nearly all of these homes are on the opposite side of a ridgeline that separates them from the WRF site.

At a February 25, 2016 community workshop, many residents in this neighborhood voiced strong opposition to locating the WRF on the Righetti site, citing visual, odor, noise, and traffic concerns. Although the City is committed to designing the facility to address these issues, many in this neighborhood remain unconvinced, since they believe the presence of a WRF, no matter how well-designed, could adversely impact their property values.

Many of the same residents expressed similar concerns at several subsequent public workshops and meetings, including at the Citizen Advisory Committee meeting (March 1), City Council (March 8), two community workshops (April 7 and 10), and outreach at local farmers' markets (April 9 and 14).

The site is also about 1,300 feet west of the nearest homes within the Rancho Colina community. These homes, however, are blocked from a direct line of sight by intervening topography. There is also a ranch home on the south side of Highway 41 about 1,100 feet to the south directly across from the site. These residents have not expressed similar concerns regarding the site as those in the Nutmeg/Ponderosa neighborhood.



- **Onsite Drainage Features.** There is an ephemeral drainage trending north-south that comes from the higher elevations on the site, and passes directly through the site on its way toward Morro Creek across Highway 41. The drainage is identified by San Luis Obispo County as “Coastal Zone stream”. It is unlikely that development could avoid this typically dry drainage feature, and would most likely need to be elevated to avoid be subject to runoff during heavy rain events. This issue will require further investigation in the design and environmental review processes for a facility at this location. Coastal Commission staff were consulted regarding these drainages, and agreed they will need to be addressed through the permitting process (Dan Carl, CCC staff, April 27, 2016).

Environmental and Physical Site Issues

Coastal Proximity and Access. The site is about 1.1 miles from the ocean, and separated by intervening topography. It is not subject to coastal hazards such as tsunami and possible sea-level rise. A project at this location would not impede coastal access, or otherwise affect future development along the coastline.

Visual Impacts. There are no visual impacts relative to the coast, since the site cannot be seen from the ocean or estuary, nor would development on the site block views of these features. The Righetti property is also directly adjacent to an existing neighborhood to the west within the City limits, but only visible from the backyards of the homes on the east side of Nutmeg Avenue, since the other homes are blocked by the ridgeline that separates this parcel from the neighborhood. The most developable portion of the site is about 600 feet from the nearest homes, and directly visible from those homes. It is also within 350 feet of Highway 41, and can be seen for about 500 feet along the highway. It is near the eastern gateway to the City, and that may be of some concern relative to establishing a visually inviting entrance to the City from that direction.

In a December 10, 2013 letter to the City, the California Coastal Commission noted that minimizing visual impacts would be an important consideration with respect to development of a new WRF. As noted above, the site restrictions associated with Righetti would make a new WRF at that location less visually prominent from Highway 41 than one located at Rancho Colina, but more visually prominent than one at the Madonna location (Site 5 in this report).

Biological Resources/ESHA. The site contains some areas that qualify as designated Environmentally Sensitive Habitat Area (ESHA) per the City’s LCP and California Coastal Commission (CCC) definition. These include onsite drainage features that include saltgrass (which indicate a coastal wetland) and Morro Creek, which are considered coastal streams per CCC definition. Morro Creek is out of the likely development footprint of the WRF, and it is possible that impacts to the other drainages could be either avoided or mitigated, depending on the project design (Kevin Merk Associates, January 2016). However, the potential need to modify one or another onsite drainage would likely be a concern for the Coastal Commission, based on input from Coastal staff (Dan Carl, CCC staff, April 27, 2016), although staff concurs that it may be possible to mitigate this issue.

The eastern portion of the site also contains native bunchgrass and related habitat, which is also considered ESHA. However, this area is likely outside the footprint of potential development on the site. Overall, the majority of the site is highly disturbed from development, agriculture, traffic, and human presence.



Cultural Resources. No cultural resources have been previously identified on portions of the site where development could occur (Far Western, January 2016). In general, the portions of the Morro Valley nearest to Morro Creek have a fairly high potential for encountering cultural resources, and the fact that the area has a long history of human habitation. The potential for encountering unknown resources on this site is considered moderate, particularly on the flat area in the vicinity of the existing ranch house. At higher elevations, the potential for encountering previously unknown resources is low (Far Western, January 2016). Because the survey report conducted for the site includes sensitive information related to the protection of the resources identified within the general area, it is not publicly available.

Agriculture. Much of the land in Morro Valley features gently rolling hillsides trending to steeper topography to the north, particularly north of Highway 41. Most of this area is in rangeland, although some of this land supports avocado orchards.

About 5 acres of the most developable portion of the site (generally from where a ranch complex is located toward the highway) is underlain by Cropley clay soils, which consist of clay overlying silty clay loam, which is typically found at a depth of 36 to 60 inches (NRCS Soil Survey). This soil is considered prime farmland if irrigated, though it is not currently nor has it historically been irrigated on this property. One reason for this is that the limited area of high quality soils has discouraged potential irrigated agriculture. Therefore, this property does not support prime farmland. The soil has a land classification of 2s (if irrigated), and 3s (if nonirrigated). These soils are moderately well-drained, and not prone to flooding or ponding. The depth to the water table is typically greater than 80 inches.

The remainder of the site (about 245 acres) consists of Diablo and Cibo clays, which consist of clay over weathered bedrock, which is typically encountered at a depth of 58 to 68 inches below the surface. It is not considered prime farmland by the NRCS, with a land capability classification of 4e. These soils are well-drained, and not prone to flooding or ponding. The depth to the water table is typically greater than 80 inches.

The potential development of a new WRF would not necessarily preclude continued agricultural use of the property, which consists of grazing.

Minimize Greenhouse Gas Emissions. Energy (electricity) use during operation of the new facility, and lift stations and pumps used convey effluent from the facility, would generate GHG emissions. Although the pumps would not directly result in GHG emissions, use of pumps would indirectly release GHG emissions through the purchase/use of electricity. The site is located about 1.1 miles from the existing ocean outfall, and it is expected that the new WRF would need to tie into the existing infrastructure network at this location, with lift stations needed to pump wastewater uphill to the new site, which is at an elevation of about 80 to 90 feet.

From a comparative perspective, this is a slightly lower in elevation and closer to the existing infrastructure network than either the Rancho Colina or Madonna sites, so energy use and resulting GHG emissions might be expected to be slightly lower.

100-Year Flood Plain. The site is not within a 100-year floodplain.

Geotechnical Issues. As summarized in the 2011 Fine Screening Evaluation (Dudek), Earth Systems Pacific, Inc., performed a geological hazards evaluation of the Righetti Property. They collected



samples and performed laboratory analysis to identify any fatal flaws for the site. The site is considered to have low landslide potential, with higher landslide potential on the steeper slopes well above the most developable part of the site. The site is considered to have very low liquefaction potential. The site has expansive clays but this condition can be mitigated for constructing new facilities through foundation design and/or overexcavation.

The area is subject to seismic hazards. The Cambria fault crosses the northern part of the property trending in a northwesterly direction. Since the fault does not cross the site proposed for the new WRF, the potential for ground rupture due to seismic activity is considered to be low.

They observed the depth to bedrock varied from 8 feet to over 26 feet below ground surface and the rock may include Naturally Occurring Asbestos, requiring special handling requirements, but this is a typical condition in the region. According to the Dudek report, the bedrock can likely be graded and prepared for foundations using typical earthmoving equipment.

Regulatory and Permitting Issues

Except as noted below, the site is not encumbered with any unusual regulatory challenges, including Land Conservation Act contracts, Habitat Conservation Plan restrictions, conservation easements, or Alquist-Priolo Fault Zones. There are drainages on the site that may qualify as Waters of the United States or Waters of the State, and it may be possible to avoid these areas in the design, but if not this will be subject to permitting conditions from the Coastal Commission, CDFW, RWQCB, and the U.S. Army Corps of Engineers. However, based on investigations conducted for this site in 2015 with respect to biological resources, cultural resources, and geologic hazards, preliminary indications appear to be that the site does not face unusual or unique challenges with respect to these issues that may result in substantial restrictions on the design and resulting permitting timeframe for the project.

The site is adjacent to Caltrans right-of-way (Highway 41), but development of the new WRF would not affect nor encroach upon Caltrans property other than driveway access and utility service to or from the site. It would also likely be necessary build pipelines within or across the Caltrans right-of-way either to bring wastewater to the site, or to distribute reclaimed water to potential users.

The most developable portion of the Righetti site is within an area that may qualify for protection under the Clean Water Act as a Waters of the United States and Waters of the State. Although potentially avoidable through design, mitigation may be required through the CEQA and permitting process. Development on either site will likely require encroaching on Caltrans property as part of the pipeline system either to bring wastewater to the site, or to distribute reclaimed water to potential users.

Site 3: Tri-W

Overview

The Tri-W site actually consists of two separate parcels under a single ownership, Tri-W Enterprises. Collectively, the two parcels comprise 554 acres. The smaller of the two parcels is within the City limits, while the larger parcel is within the County. Both parcels are within the Coastal Zone. Each parcel is described in more detail below:



- **Tri-W Site #1 (APN 068-401-013; in the City).** This 157.5-acre parcel is within the City limits. It is immediately east of existing residential development, north of Highway 1, and south of existing power lines that parallel the highway. This site is designated as Agriculture, but envelops a central portion of the area near the Highway 1/Morro Bay Boulevard interchange that has been designated Commercial and slated for future development consistent with that designation. This site is the remainder of what was once a single parcel, which resulted from the City's 1993 approval of the adjacent 17-acre commercial use consistent with Measure H, which was a voter-approved initiative that passed in 1991. After a series of appeals to the Coastal Commission through 1999, it remains potentially unclear whether or not this 157.5-acre remainder parcel may be subdivided in any way, or whether it must remain in agricultural use until another voter initiative might change its current land use status. In addition, much of this property is visually prominent from Highway 1, which would be a concern to the Coastal Commission. *Because of these constraints, the City parcel is not considered to be an optimal location for a WRF, and is not considered further in this analysis.* (The proximity of the westernmost portion of the parcel within the City to residences along Downing Street would potentially also face challenges similar to those facing the Righetti and Madonna sites.)
- **Tri-W Site #2 (APN 073-101-017; in the County).** This 396.3-acre parcel is immediately north of the previously described Tri-W parcel, and is located in unincorporated San Luis Obispo County. Most of this site is generally over 250 feet in elevation, and ranging to nearly 500 feet, which is too high in elevation to be a suitable WRF site. However, there is a significant portion of the site at lower elevation (100 to 160 feet above sea level) that has potential for development a new WRF, primarily near the eastern edge of the site, about 1,500 to 2,000 feet north of the South Bay Boulevard/SR 1 interchange. Two separate and roughly 15-acre portions of this area are considered the most viable location for a WRF within the Tri-W site.

Key Opportunities

Potential development within the County portion of the Tri-W site presents several key opportunities, which include:

- **Not Near Existing Residential Uses.** Development at this location would neither be near nor visible to any offsite residents, and there are no homes on the site itself. The nearest residents live within Casa de Flores, a senior residential complex roughly 1,200 to 1,600 feet to the south, which is visually blocked by intervening topography. The lack of neighbors could reduce the potential for controversy or opposition as the project moves forward through the design and CEQA process. It could also reduce cost for architectural features and screening since it will be less visible.
- **A Large Site Providing Design Flexibility.** The site is located on a 396-acre undeveloped parcel. The most developable area includes two nearly level or gently sloping 15-acre sites relatively free of constraints, except for the possibility of encroaching within Waters of the State or Waters of the United States, which would require appropriate state or federal permits under the Clean Water Act and the Porter-Cologne Act. One of the two most promising sites may be able to avoid this drainage feature altogether.
- **Proximity to Chorro Creek and Morro Bay Estuary.** Although the site is not as close to the bulk



of reclamation opportunities in Morro Valley as the Morro Valley sites, it is closer to Chorro Creek than the other locations, which offers the possibility of streamflow augmentation to supplement City water supplies, enhancement of the Morro Bay estuary, if determined to be an appropriate use of reclaimed water, and delivery of water to the Morro Bay State Park Golf Course. Over the course of the life of the project, additional reclamation opportunities could potentially present themselves in the Chorro Valley.

- **Relatively Free of Coastal Resource Concerns.** The best locations on the site are relatively free of issues that would be of potential concern to the Coastal Commission. These locations are not visually prominent from Highway 1, nor do they include prime soils. It may also be possible to avoid onsite drainage features at one of the two best locations.
- **Potential for Land Conservation.** Only a small portion of the 396-acre site would be needed for the WRF. The City could explore the potential to work with land trusts to preserve some or all of the remainder of the site in open space, agriculture or some other similar passive use in perpetuity.
- **Potential to Achieve Multiple City Goals.** The usable portion of the site appears to be large enough to allow for other non-WRF facilities onto the site that address other City goals, including the development of a corporation yard, and possibly energy recovery facilities. This could result in a cost savings overall for the City if these facilities and the WRF can be constructed on a shared site.
- **Longer Pipeline Route but Fewer Complexities.** The pipelines are longer than those to Morro Valley sites, but can be constructed within City rights-of-way with the exception of the Highway 1 freeway crossing. This requires significantly less coordination with Caltrans than constructing a pipeline along the Highway 41 corridor. It also will avoid the cultural resource sites identified along Highway 41 associated with the Morro valley sites. In addition, pipeline construction could be phased with planned repaving of streets or other capital improvements to reduce cost.

Key Constraints

The key constraints facing development at this location include:

- **Relatively Higher Cost.** Development of a WRF at this site would be relatively more expensive than any site in the Morro Valley. For planning purposes, it is estimated that construction costs (with contingencies) would be 10% higher, or about \$8-9 million higher than either the Rancho Colina or Madonna sites, and about \$14 million higher than the Righetti site. This cost, however, may potentially be offset to some extent by time delays that lead to cost escalation, which may be encountered at the Morro Valley sites, particularly Righetti and Madonna.
- **Far from Most Reclamation Opportunities.** There are substantially fewer reclamation opportunities near the Tri-W site than any site in the Morro Valley, since most of the best reclamation potential is in the Morro Valley. The most important possible nearby opportunity is streamflow augmentation in Chorro Creek, which may have the ancillary benefit of allowing the City to be able to use two of its wells along this drainage wells if stream volumes are high enough. There are limited nearby reclamation opportunities related to agriculture, the largest of which is a 303-acre parcel just east of San Bernardo Creek owned by Morro Bay Ranch, about



85% of which currently supports row crops. A second nearby possibility is the Chorro Flats Enhancement Project, a 45-acre site that currently has no current water source.

- **Far from the City's Existing Wastewater Collection System.** The site is located about 2.4 miles from the existing treatment plant (the hub of the City's wastewater treatment infrastructure network) and the ocean outfall. This distance is farther from the City's existing wastewater infrastructure than any other site except Chevron, which will increase relative potential construction and energy costs for the conveyance of raw wastewater.
- **Onsite Drainage Features.** The site is large, but the most buildable portion is located directly in the path of the confluences of two drainages traversing the property, which may be within Waters of the United States and Waters of the State of California, and thus potentially subject to regulatory requirements under the Clean Water Act and Porter-Cologne Act. The potential for being within these jurisdictional boundaries is similar to the Righetti site. However, it may be possible to avoid these drainage features at one of the two best WRF locations on the property.

Environmental and Physical Site Issues

Coastal Proximity and Access. The site is about 1.7 miles from the Morro Bay estuary and 2.3 miles from the ocean, separated from each by intervening topography. It is not subject to coastal hazards such as tsunami and possible sea-level rise. A project at this location would not impede coastal access, or otherwise affect future development along the coastline.

Visual Impacts. There are no visual impacts relative to the coast, since the site cannot be seen from the ocean or estuary, nor would development on the site block views of these features. The property is not visible from any existing neighborhood. It is within 1,500 to 2,000 feet of Highway 1, but can only briefly be seen from the highway at the relatively long distance.

The nearest residences to the site are within the Casa de Flores senior complex, about 1,200 to 1,600 feet to the south, separated by a topographic rise of about 30 to 40 feet. The site is not directly visible from the residential complex.

Biological Resources/ESHA. The site does not contain any designated Environmentally Sensitive Habitat Area (ESHA) per the County's LCP. The nearest ESHA is along the riparian margins of Chorro Creek on the south side of Highway 1, but that is outside of the potential WRF development area. The Tri-W site has not been surveyed for biological resources in detail, so if this site were selected, surveys to determine the presence or absence of the potentially occurring special status species would be required.

Cultural Resources. No cultural resources have been previously identified on the most developable portions of the site. In general, properties in the Chorro Valley have a moderate to high potential for encountering cultural resources because of its proximity to Chorro Creek, and the fact that the area has a long history of human habitation. Several sites are recorded near San Bernardo Creek on the eastern edge of this option area (Applied Earthworks, informal evaluation, March 2014). At the same time, the Tri-W site is not included in the County's "Archaeological Sensitive Area" Combining Designation, which suggests that the area does not have the highest level of sensitivity. That said, the property has not been surveyed to determine the potential presence or absence of such resources.



Until such time, the possibility of encountering sensitive cultural resources on these properties cannot be discounted.

Agriculture. Much of the land in Chorro Valley features gently rolling hillsides trending to steeper topography to the north, particularly north of Highway 41. The Tri-W site is currently in rangeland. There are no prime soils on or near the most developable portions of the site.

The most developable portion of the site (where a ranch complex is located) is underlain by Cropley clay soils, which consist of clay overlying silty clay loam, which is typically found at a depth of 36 to 60 inches (NRCS Soil Survey). This soil is considered prime farmland if irrigated, though it is not currently nor has it historically been irrigated on this property. Therefore, this property is not considered to support prime farmland. The soil has a land classification of 2s (if irrigated), and 3s (if nonirrigated). These soils are moderately well-drained, and not prone to flooding or ponding. The depth to the water table is typically greater than 80 inches.

The potential development of a new WRF would not preclude continued agricultural use of the remainder of the property, which consists of grazing.

Minimize Greenhouse Gas Emissions. Energy (electricity) use during operation of the new facility, and lift stations and pumps used convey effluent from the facility, would generate GHG emissions. Although the pumps would not directly result in GHG emissions, use of pumps would indirectly release GHG emissions through the purchase/use of electricity. The site is located about 2.4 miles from the existing ocean outfall, and it is expected that the new WRF would need to tie into the existing infrastructure network at this location, with lift stations needed to pump wastewater uphill to the new site, which is at an elevation of about 100 to 160 feet.

From a comparative perspective, this is about a slightly higher elevation than the Righetti site, and much farther from the existing infrastructure network, so energy use and resulting GHG emissions might be expected to be somewhat higher.

100-Year Flood Plain. The site is not within a 100-year floodplain.

Geotechnical Issues. The relatively level developable portion of the site is considered to have low landslide potential, but the potential increases on steeper slopes. Liquefaction potential is considered low on the steeper portions of the site. The more level portions of the site below the confluence of the two drainage features not subject to high landslide potential are considered to have high liquefaction potential. The area is subject to seismic hazards, but no known active faults directly traverse the area.

Regulatory and Permitting Issues

The site is not encumbered with any unusual regulatory challenges, including Land Conservation Act contracts, Habitat Conservation Plan restrictions, conservation easements, or Alquist-Priolo Fault Zones. While there would need to be investigations of the site with respect to biological resources, cultural resources, and geologic hazards, preliminary indications appear to be that the site does not face unusual or unique challenges with respect to these issues that may result in substantial restrictions on the design and resulting permitting timeframe for the project.



A portion of the site is crossed by PG&E powerline easements, but not at the location indicated as having the most promising development potential as described above. This will not present a regulatory constraint to development on the site.

The site is adjacent to Caltrans right-of-way (Highway 1), but development of the new WRF would not affect nor encroach upon Caltrans property. Other than to laterally cross beneath Highway 1 at South Bay Boulevard, it would not be necessary build pipelines within Caltrans rights-of-way either to bring wastewater to the site, or to distribute reclaimed water to potential users. The majority of the pipelines can be constructed within City rights-of-way.

Permit requirements at the Tri-W site are similar to those as discussed for Righetti. The site is large, but the most buildable portion is near the confluence of two drainages traversing the property, which may be within Waters of the United States and Waters of the State of California, and thus potentially subject to regulatory requirements under the Clean Water Act and Porter-Cologne Act. However, one of the two best locations on this site may be able to avoid these drainage features.

Site 4: Chevron/Toro Creek

Overview

The 160-acre Chevron Site (identified as Site A in the December 2013 Options Report) is located southeast of Toro Creek, spanning both sides of Toro Creek Road. It is located in unincorporated San Luis Obispo County, east of and adjacent to Highway 1 between the City of Morro Bay and the community of Cayucos.

The “shore plant” portion of the site closest to Highway 1 is on a coastal terrace, which formerly housed a Chevron oil facility. It consists of three parcels, which collective encompass 33.1 acres. The more inland portion of the site farther from the highway is on a single parcel that includes 126.8 acres, and follows the Toro Creek drainage. This was also part of the former Chevron oil facility, and is known as the Chevron Hillside property.

The southernmost portion of the site is located at the lowest elevation and supports the former Chevron oil facility; the inland portion of the property consists primarily of rolling hills that range from gentle near the road to steep slopes on the hillsides interspersed with secondary drainages to Toro Creek, which parallels its northern boundary. The site supports is surrounded primarily open space, agricultural, and rural residential land uses. The easternmost 100-acre portion of the larger inland parcel is outside the Coastal Zone. This is the general area where the Cayucos Sanitary District (CSD) is currently considering locating its new wastewater facility.

Key Opportunities

Potential development at the Chevron/Toro Creek site presents several key opportunities, which include:

- **Not Near Existing Residential Uses.** Development could be located in such a way to be would



neither near nor visible to any offsite residents, and there are no homes on the site itself. The nearest residents live along Toro Creek Road on large rural parcels. Depending on the ultimate location of a WRF in this area, homes could range anywhere from 500 feet to over 2,000 feet away. The lack of neighbors could reduce the potential for controversy or opposition as the project moves forward through the design and CEQA process. However, it should be noted that at the Cayucos Sanitary District's (CSD's) EIR scoping meeting of April 28, 2016, one resident who lives on Toro Creek Road expressed concern about the proximity of CSD's proposed facility in relation to his home. This type of feedback could be anticipated if the City of Morro Bay located its facility near the CSD 's proposed site on Toro Creek Road.

- **A Large Site, Providing Design Flexibility.** The inland portion of the site is located on a 127-acre parcel with at least two locations that could accommodate a WRF, including a site currently being considered by the CSD for its own similar facility. There appears to be sufficient area on these sites to accommodate different design concepts.
- **Potential to Achieve Multiple City Goals.** The usable portions of the site appear to be large enough to allow for other non-WRF facilities onto the site that address other City goals, including the development of a corporation yard.

Key Constraints

The key constraints facing development at this location include:

- **Relatively High Cost.** Development of a WRF at this site would be relatively more expensive than any site in the Morro Valley. For planning purposes, it is estimated that construction costs (with contingencies) would be 15% higher, or about \$14-\$15 million higher than Rancho Colina or Madonna sites, and about \$20 million higher than the Righetti site. Because the CSD has recently and formally stated it does not wish to work with the City on a common facility, there is no realistic potential for cost savings that might otherwise be possible if the two agencies shared a single facility (see **Appendix B** for CSD's letter of April 22, 2016).
- **Far from Most Reclamation Opportunities.** There are substantially fewer reclamation opportunities near the Chevron site than any site in the Morro Valley. The site is more than 4 miles to reclamation opportunities in the Morro Valley.
- **Far from the City's Existing Wastewater Collection System.** The site is located about 3 miles from the existing treatment plant (the hub of the City's wastewater treatment infrastructure network) and the ocean outfall. This distance is farther from the City's existing wastewater infrastructure than any other site, which will increase relative potential construction and energy costs for the conveyance of raw wastewater.
- **ESHA.** The potential WRF locations on the site are near designated ESHA associated with Toro Creek, although depending on the design and location, ESHA could potentially be avoided.
- **Prime Agricultural Land.** The best (most level) potential WRF sites include prime soils on productive agricultural land.



- **Cultural Resources.** Based on past surveys conducted on the Chevron property, the site is highly sensitive and there is a high potential to encounter cultural resources on the site. The number and size of archaeological sites recorded on the site represent constraints to potential development of a new facility on portions of the property. Over half of the upper portion of the property, particularly the easterly portion, has not been systematically surveyed for the presence of archaeological resources. Therefore, the overall archaeological constraints to development cannot be precisely defined. However, it is very likely, given the prehistoric occupation of portions of the site, that other archaeological resources may exist on the property. Therefore, potential archaeological constraints on the Chevron property are considered substantial.
- **Complications with CSD.** Because the CSD is already planning a wastewater treatment facility in this general area, it may appear logical to plan and build a single facility together at this location. However, this would require the two agencies to work together toward this goal. Although the two agencies worked together toward this goal at one time, the CSD unilaterally suspended its participation in working with the City of Morro Bay on a common facility in April 2015. The City has consistently stated that it would welcome working with CSD again, most recently in an April 7, 2016, letter from the mayor and City Council to the CSD Board. The CSD formally responded in an April 22, 2016, letter that it is pursuing its own project, and is not interested in working together toward this common goal. (See **Appendix B** for both letters.) If the two facilities go forward on separate paths, but both within the Toro Creek valley, it will likely encourage further public interest in bringing the two agencies back together on a single plant. There is the potential that this interest could ultimately slow development and completion of either facility, in order to explore an outcome that CSD in particular has shown little interest in pursuing.

Environmental and Physical Site Issues

Coastal Proximity and Access. The inland portion of the site is about 0.5 to 1.5 miles from the ocean, and a portion of the property is outside the Coastal Zone. This inland area is not subject to coastal hazards such as tsunami and possible sea-level rise. A project at this location would not impede coastal access, or otherwise affect future development along the coastline.

Visual Impacts. There are no visual impacts relative to the coast, since the site cannot be seen from the ocean, nor would development on the site block views of these features. The property is not visible from any existing neighborhood. The westernmost portion of the site is within 2,000 feet of Highway 1, but cannot but can only briefly be seen from the highway at that relatively long distance.

Biological Resources/ESHA. Several potential biological constraints are associated with this site. Toro Creek is an intermittent stream with adjacent riparian vegetation and therefore constitutes an Environmentally Sensitive Habitat Area (ESHA). The creek is designated Critical Habitat for the federally listed south central California coast DPS steelhead and California red-legged frog. The creek also includes habitat for federally listed tidewater goby (on the lower portion of the creek). These biological resources are protected under the County's Local Coastal Plan (LCP) under Policies 1-2, 4, 7-8, 10, 13, and 16-21, 25-30, and 35-39, which limits development in ESHA and establishes associated buffer setback areas. A 100-foot stream buffer setback is recommended for stream and associated riparian habitat in rural areas. Wetland habitat also receives a 100-foot buffer setback. Development within ESHAs, specifically streams and wetlands, including sewer mains are regulated under Policies 21, 25, 26, and 27. It is recommended that wetland and riparian mapping be performed to delineate jurisdictional boundaries for which the



CCC, the U.S. Army Corps of Engineers (USACE), California Department of Fish and Wildlife (CDFW), and the RWQCB. Additionally, the National Marine Fisheries Services (NMFS) and U.S. Fish and Wildlife Service (USFWS) should be consulted for steelhead and the California red-legged frog and tidewater goby, respectively, since these species have been documented in Toro Creek and the creek is designated Critical Habitat. Due to the topography of the site, indirect impacts from storm water runoff through sedimentation during construction activities could negatively affect steelhead and tidewater gobies.

California red-legged frogs have the potential to occur within Toro Creek. There have been no CNDDDB recorded observations; however, suitable riverine and riparian habitats are present for breeding and dispersal. Nearby documented observations for the California red-legged frog has been recorded. Direct impacts to the California red-legged frog can be avoided by applying the 100-foot no-impact buffer from Toro Creek riparian and wetland habitats and performing construction outside the winter and spring seasons.

Cultural Resources. A records search of all recorded archaeological sites and investigations located within this site and a 0.5-mile radius was conducted at the Central Coast Information Center, University of California, Santa Barbara, on August 19, 2011. Two archaeological sites are located on the property (CA-SLO-181 and -879), while a third, CA-SLO-1378, is located to the south. Nine investigations have occurred within the Chevron site boundaries.

The identified resources onsite include permanent encampments containing food remains and artifacts, with other evidence of past settlement. CA-SLO-1889 on the eastern portion of the site is recorded south of Toro Creek Road. This site consists of two historic period structures and debris associated with the Perry Dairy Barn, a three-story structure that dates from the late 1800s or early 1900s.

The number and size of archaeological sites recorded on the site represent constraints to potential development of a new facility on portions of the property.

Over half of the upper portion of the property, particularly the easterly portion, has not been systematically surveyed for the presence of archaeological resources. Therefore, the overall archaeological constraints to development cannot be precisely defined. However, it is very likely, given the prehistoric occupation of portions of the site, that other archaeological resources may exist on the property. Therefore, potential archaeological constraints on the Chevron property are considered substantial.

Agriculture. The 127-acre inland site has gently sloping lands on either side of Toro Creek Road that support cultivated row crop and hay fields, with more sloping areas dedicated to sheep grazing. The majority of the area currently used for row crops and hay field is located on prime soils (68 acres, or 53% of the site is underlain by Class I soils). Approximately 23 acres (or 18% of the site) at the south end of the site is currently used for cattle grazing, and is underlain by subprime soils (Class III).

County LCP Policies 1, 2, and 3 require that agricultural lands be maintained unless there are circumstances in and around existing urban are that make agriculture infeasible or that would make conversion of the land to a non-agricultural use a logical land use change to better protect agricultural lands and strengthen the urban-rural boundary; that agricultural lands should not be subdivided unless such division would maintain or enhance agriculture; and, that non-agricultural uses should not be allowed except under limited circumstances, including in terms of supplemental non-agricultural uses where supplemental income is required for the continuation of agricultural use and 98% of the land is



restricted for and maintained in agriculture. However, CZLUO Section 23.08.288, and Coastal Table "O", of the Land Use Element provide for the development of Public Facilities such as contemplated with the new WRF.

The County LCP allows for the siting of public utilities on agriculturally zoned property, partly from the recognition that agriculture uses are not an incompatible land use adjacent to a wastewater treatment or water reclamation facility. These uses can co-exist, without pressure from either one for limitations or restrictions on activities.

Minimize Greenhouse Gas Emissions. Energy (electricity) use during operation of the new facility, and lift stations and pumps used convey effluent from the facility, would generate GHG emissions. Although the pumps would not directly result in GHG emissions, use of pumps would indirectly release GHG emissions through the purchase/use of electricity. The site is located about 3 miles from the existing ocean outfall, and it is expected that the new WRF would need to tie into the existing infrastructure network at this location, with lift stations needed to pump wastewater uphill to the new site, which is at an elevation of about 80 to 120 feet.

From a comparative perspective, this is a similar elevation to the Righetti site, but much farther from the existing infrastructure network, so energy use and resulting GHG emissions might be expected to be somewhat higher.

100-Year Flood Plain. Portions of the site along Toro Creek are within the 100-year floodplain, but may be largely avoidable depending on the facility location and design.

Geotechnical Issues. The inland area ranges from 80 to 120 feet in elevation as it follows the Toro Creek watershed. Most of the site is generally level or has gentle slopes. About 97 acres (60% of the site) has slopes of less than 10%, so steep slopes can be avoided. Overall, the site is highly suitable from a slope and elevation standpoint.

The relatively level developable portion of the site is considered to have low landslide potential, but the potential increases on steeper slopes. Liquefaction potential is considered low to moderate on the more level portions of the site. The area is subject to seismic hazards, but no known active faults directly traverse the area.

Regulatory and Permitting Issues

The site is not encumbered with any unusual regulatory challenges, including Land Conservation Act contracts, Habitat Conservation Plan restrictions, conservation easements, or Alquist-Priolo Fault Zones. While there would need to be investigations of the site with respect to biological resources, cultural resources, and geologic hazards, preliminary indications appear to be that the site does not face unusual or unique challenges with respect to these issues that may result in substantial restrictions on the design and resulting permitting timeframe for the project.

The inland 127-acre portion of the site is not adjacent to Caltrans right-of-way (Highway 1), and development of the new WRF would not affect nor encroach upon Caltrans property. That said, it would be necessary build pipelines within or across Caltrans rights-of-way either to bring wastewater to the site, or to distribute reclaimed water to potential users.



The eastern 100 acres of this parcel are outside the Coastal Zone. However, a Coastal Development Permit would still be required for the project in this area because pipelines and other needed offsite infrastructure that support the WRF are within the Coastal Zone. For this reason, Coastal staff indicates it is likely that the entirety of the project, including the portion of the facility outside the Coastal Zone, would need to undergo Coastal Commission review (Dan Carl, CCC staff, April 27, 2016).

Site 5: Madonna

Overview

Based on City Council direction, the City's Program Management Team took a fresh look at sites in the Morro Valley, including some that had been previously rejected in past studies. The City spoke with several property owners in the Valley to gauge their interest in locating a WRF on their property, and also considered other key siting criteria, such as elevation, topography, distance from the City and its existing wastewater infrastructure, and proximity to neighbors. The team also considered various environmental criteria, including issues related to biological and cultural resources, flooding, and agriculture.

From this search, the 145-acre Madonna site was identified as having the potential to meet City goals for a WRF, and was investigated further. The site consists of two parcels, a larger 126.7-acre steeply-sloping parcel, and a smaller but level 17.1-acre parcel. It is the 17.1-acre parcel that would be most suitable for a WRF. Although the City's interest is in the smaller parcel, the entire 145-acre site is for sale as a unit at this time. The property owner appears receptive to discussing the possible location of a WRF on the site. Preliminary site analysis of the smaller parcel related to cultural resources, biological resources, and geotechnical issues were conducted to determine whether or not there were any technical fatal flaws related to these issues. None were identified. Because the site is under Williamson Act contract, the team reached out to the State Department of Conservation as well as to San Luis Obispo County to investigate the degree to which this could pose a constraint to potential WRF development. Most importantly, the team reached out to neighbors with property within 500 feet of the smaller parcel individually to gauge their interest or concerns related to building a WRF at this location.

Previous Analysis. This site had been previously considered as one of 17 potential sites for a new facility in the Rough Screening Analysis (Dudek, 2011), in which it was identified as Site 4 ("Highway 41/Madonna"). The 2011 report rejected the site as fatally flawed based on the presence of prime agriculture. This analysis was carried forward in the December 2013 Options Report, which stated the reasons it had been previously rejected, without conducting any new investigation at that time:

"The entire site is designated as prime agriculture when irrigated, based on the criteria set forth by the Natural Resources Conservation Service (NRCS), and is designated as prime farmland by the California Department of Conservation through its FMMP Important Farmland mapping program.

The site is also in agricultural production, and lies within the fertile valley floor along the Morro Creek corridor, adjacent to Highway 41. Since it is in productive irrigated agricultural production, and development of the site would necessitate removal of not only the existing production, but preclude the future use of the prime soils, this is considered a fatal flaw relative to the location of a new water reclamation facility."

As of May 2016, the site is no longer in agricultural production, and has been fallow in recent years.



Nevertheless, the soils are considered prime when irrigated. The site is also under Williamson Act contract. The updated analysis that follows is based on new investigation into these key issues.

Key Opportunities

Potential development at the Madonna site presents several key opportunities or comparative advantages, which include:

- **Flat Site Suitable for Development.** The 17.1-acre site is nearly level, and nearly all of it is outside the 100-year flood zone and designated ESHA. Outside the ESHA and flood zone areas, it is estimated that 15.5 acres of the site are developable. Compared to either of the other sites in the Morro Valley, the Madonna site has by far the most level developable area.
- **Screened from Highway 41.** This site is set back roughly 500 feet and more from Highway 41, which is considerably farther than either of the other two Morro Valley sites. It is also screened by a tall stand of eucalyptus trees and riparian vegetation along Morro Creek. Overall, these factors make the site considerably less visible from the highway than either of the other Morro Valley sites, which is a key consideration to the California Coastal Commission.
- **Proximity to Reclamation Opportunities.** Its location in the Morro Valley provides access to potential reclamation opportunities, similar to what would be the case for Rancho Colina. However, it does not have the same relative advantage as the Righetti site, which is located about 3,000 feet closer to the deepest part of the groundwater aquifer in the valley, and important consideration in the Master Reclamation Plan.
- **The Site is at Relative Low Elevation.** The site is located between 105 and 130 feet above sea level, which is lower than Rancho Colina, but slightly higher than the lowest part of the Righetti site. This is an important factor in reducing pumping costs to convey untreated wastewater.
- **Ability to Achieve Multiple City goals.** Because the site is flat and mostly free of physical constraints, there is considerable flexibility to build not only the WRF, but potentially other public facilities in support of community goals, including a corporation yard, if the City decides to pursue these non-WRF related facilities. Note, however, that the development of other non-WRF facilities could be constrained by land use compatibility issues that may be raised by residents in the vicinity of the site (see Key Constraints discussion).
- **Property Availability.** The property is currently for sale, although the City has not entered into an MOU with the owner at this time. However, in order to address Williamson Act constraints, the City may need to acquire the property by eminent domain or the threat of eminent domain (see Key Constraints related to the Williamson Act).

Key Constraints

The key constraints facing development at this location include:

- **Site Access.** The site is not adjacent to any public roadway, and so must be accessed across



other properties via existing or new easements. The site is currently accessed via a legal easement over an unimproved roadway within an adjacent 0.37-acre parcel (APN 073-085-025) that includes both the roadway and a bridge across Morro Creek. According to the County Assessor, this existing access property is owned by the same landowner of the adjacent parcel to the north, who also uses this parcel for access from Highway 41. This landowner has expressed opposition to a WRF on the Madonna site (interview, April 14, 2016). In order to accommodate a WRF, both the road and the bridge would need to be improved, if this easement were used for this purpose.

As an access alternative, the WRF could take access via a possible easement across the adjacent property to the south of the existing roadway (part of APN 073-085-023), if an agreement can be reached with that landowner. As is the case with the existing easement, a new roadway and bridge would be needed. If this approach is used, the City would need to work with this landowner as soon as possible to reach an access agreement, because the project would depend on this to move forward. Spanning Morro Creek would also likely require permits from various resource regulatory agencies, including the Regional Water Quality Control Board, U.S. Army Corps of Engineers, and the State of California Department of Fish and Wildlife.

- **Williamson Act (Land Conservation Act).** The project site is under Williamson Act contract (actually, two contracts—one for each parcel), which is a State Department of Conservation program intended to encourage agricultural preservation. In exchange for reduced property taxes, properties that participate under the Williamson Act (also known as the Land Conservation Act) may not be converted to non-agricultural use, except under certain conditions. This restriction remains in place until a property owner files a “notice of non-renewal”, at which point a clock begins running; all contract conditions are lifted nine years after filing the notice.

Public facilities may be built on parcels under Williamson Act contract, subject to meeting certain conditions that result in the cancellation of that contract. There are several ways to remove property from a Williamson Act Contract. These include (a) acquiring property by eminent domain (or the threat of eminent domain); (b) filing for non-renewal of the contract (which, as noted above, takes 9 years); (c) petitioning for cancellation of the contract, and (d) in certain circumstances, annexation of the property to the City.

Practically speaking, the use of eminent domain or the threat of eminent domain is the only viable approach the City could follow in the case of this property. State Department of Conservation staff concurs with this assessment. If the City uses eminent domain or the threat of eminent domain to acquire property under Williamson Act Contract, and that acquisition is for a water reclamation facility and certain findings can be made, then that contract would become null and void upon the complete of that acquisition. Those findings are (a) the location is not based primarily on a consideration of the lower cost of acquiring land in an agricultural preserve and (b) there is no other land within or outside the preserve on which it is reasonably feasible to locate the public improvement. If the land acquired by the City is more than necessary for the WRF, then the Williamson Act Contract for that “extra” land may not be null and void. There is also a noticing requirement that must be followed to use that approach.

Following the required procedure, acquisition of the property by eminent domain could take several months.



The other possible approach to voiding the Williamson Act contract is to petition for cancellation of the contract. However, certain findings must be made, and there are some discretionary decisions that must be made by governmental entities other than the City to have that cancellation become effective. These agencies would include San Luis Obispo County (who holds the contract), and the cancellation must be approved by the Board of Supervisors. Because of the complexity of this approach, and the fact it would rely on actions out of the City's control, this option is not practical for the WRF.

Under certain circumstances, annexation of a property to a City could result in the cancellation of the contract. These circumstances must apply: (a) that land is within 1 mile of the City's boundaries, (b) the City protested the original contract with LAFCO, and (c) LAFCO made certain findings at the time of the protest. Because the parcel in question includes land more than 1 mile from the existing City limits, this approach may not be used.

San Luis Obispo County staff were consulted for perspective on Williamson Act-related issues, since the contract actually resides with the County. In general, they agreed with the information described above, noting that whatever approach is used, it will require coordination with the State Department of Conservation, and the County tends to defer to the State in order to maintain their strong working relationship on a number of unrelated issues.

- **Neighborhood/Land Use Compatibility.** Although there are relatively few homes on the within 1,000 feet of the 17.1-acre site of potential interest (perhaps a dozen homes south of Highway 41, plus a portion of the Rancho Colina neighborhood), a few have unobstructed or partially-obstructed views of the site, and are relatively close. One house to the east on an adjacent property has an unobstructed view of the site, free of topographic barriers, trees, or manmade barriers. The house is with 450 feet of the northeastern corner of the 17.1-acre site, and is about 1,100 feet from the center point of the site. That house shares a driveway that is used to access both properties.

Several other nearby homes to the south are also in visual range. The nearest of these is within 120 feet of the southeastern corner of the site, and about 775 from the center of the site. Another is 325 feet of the site, and about 750 feet from the center point of the site. Several other homes that are accessed from Little Morro Creek Road range from 1,200 to 1,500 feet from the edge of the site, although these homes are visually blocked either by topography or intervening vegetation (mostly agriculture).

Although there are fewer homes close to this site as compared to Righetti or Rancho Colina, the ones that are there are generally closer and less visually obstructed. The change from the existing condition that would result from a WRF may also be greater, in that these homes are located in a rural area with few neighbors. This compares to either the neighborhoods near Rancho Colina or Righetti, which include homes in close proximity to one another, and in the case of Righetti, in a relatively densely urbanized neighborhood, where most of the homes are visually obstructed by a ridgeline.

Anticipating potential concerns, the WRF program management team reached out to several of these nearby property owners, conducting interviews with several of them in April 2016. The feedback varied considerably. Most neighbors expressed varying levels of concern regarding a



variety of issues related to land use compatibility, including visual impacts, noise, odors and property values, and were opposed to the WRF concept, no matter the potential benefits. A minority felt these issues could be mitigated, and did not share the same level of concern, or conceptually liked the idea of placing the larger parcel not needed from the WRF in some sort of conservation or open space easement. Another minority expressed support for the idea that reclaimed water could directly benefit growers in the Morro Valley, and did not appear concerned about adverse effects related to location.

- **Conversion of Prime Agricultural Land.** The protection of agricultural resources is a key component of LCP and Coastal Act policy. The City's LCP contains policies concerning coastal agriculture that are protective of existing agricultural lands and restrictive in their potential allowable uses or development. A WRF (or public facility) is not an allowable, or conditionally allowable use on agricultural lands pursuant to the City's existing LCP. A further consideration is that the site contains soils that are considered prime if irrigated, which has historically been the case, even though the site is currently fallow. It should be noted that the LCP is currently being updated, and policies related to the potential development of a WRF could be revisited. However, this change would require coordination with and concurrence from the California Coastal Commission.

City LCP policies 6.01 to 6.08 provide the existing regulatory framework for the use of agricultural lands in the Coastal Zone. Note that these support the use of reclaimed water for agricultural purposes, when deemed cost effective.

Environmental and Physical Site Issues

Coastal Proximity and Access. The site is about 1.7 miles from the ocean, and separated by intervening topography. It is not subject to coastal hazards such as tsunami and possible sea-level rise. A project at this location would not impede coastal access, or otherwise affect future development along the coastline.

Visual Impacts. There are no visual impacts relative to the coast, since the site cannot be seen from the ocean or estuary, nor would development on the site block views of these features. The property is also adjacent or near several homes within the area, and is visible to a few of these. Please refer to the section on "Key Constraints" for further discussion of this issue.

The site is about 500 feet from Highway 41 and screened by intervening vegetation, including eucalyptus trees. This is an important consideration to the Coastal Commission, which noted the importance of avoiding visual impacts from public roadways in the coastal zone, such as Highway 41.

Biological Resources/ESHA. A preliminary biological resources assessment was conducted at the site in March 2016. The study did not identify onsite constraints that could not be addressed through project design. The site contains some areas that qualify as designated Environmentally Sensitive Habitat Area (ESHA) per the City's LCP and California Coastal Commission (CCC) definition, notably along Morro Creek, which forms the northern site boundary. The ESHA area comprises less than an acre, leaving about 15.5 acres of the site free of this constraint. The remainder of the level site is fallow agricultural land, most returning to non-native grasslands. Other than Morro Creek, there are no significant onsite drainage features that could support habitat. Morro Creek is considered a coastal stream per CCC definition. Morro Creek is out of the likely development footprint of the WRF, although



a new bridge that would be needed to access the site will need to span this creek. If the bridge footprint or abutments are within jurisdictional areas, permits would be needed from key resource regulatory agencies, including the U.S. Army Corps of Engineers, Regional Water Quality Control Board, and the State of California Department of Fish and Wildlife (Kevin Merk Associates, March 2016).

Overall, the site is highly disturbed from past agricultural activities and human presence.

Cultural Resources. A preliminary cultural resources assessment was conducted at the site in March 2016. The study did not identify onsite constraints that could not be addressed through project design. No cultural resources have been previously identified on the site where development could occur (Far Western, March 2016). In general, the portions of the Morro Valley nearest to Morro Creek have a fairly high potential for encountering cultural resources, and the fact that the area has a long history of human habitation. The potential for encountering unknown resources on this site is considered moderate (Far Western, March 2016).

The cultural resource evaluation did not identify any new sites on the property. The nearest identified site is a dense shell midden and lithic scatter (CA-SLO-1304) on the other side of the creek between the site and Highway 41, north of the access road and bridge that provide access to the site.

Agriculture. The site is generally flat, and although currently fallow, has been in irrigated agricultural production in the past.

The majority of the site (16.4 acres) is underlain by Marimel silty clay loam, which consists of silty clay loam stratified loam and/or clay loam. This soil is considered prime farmland if irrigated, and it has been irrigated in the past. The soil has a land classification of 1 (if irrigated), and 3c (if nonirrigated). The potential development of a new WRF would not preclude continued agricultural uses on the property, which consists of grazing. Grazing land (uphill of the existing treatment plant site) has historically been provided from treated wastewater from the existing plant.

The potential development of a new WRF would likely preclude future agricultural use of the 17.1-acre property.

The site is currently under Williamson Act contract. Please refer to the section on “Key Constraints” for further discussion of this issue.

Minimize Greenhouse Gas Emissions. Energy (electricity) use during operation of the new facility, and lift stations and pumps used convey effluent from the facility, would generate GHG emissions. Although the pumps would not directly result in GHG emissions, use of pumps would indirectly release GHG emissions through the purchase/use of electricity. The site is located about 1.7 miles from the existing ocean outfall, and it is expected that the new WRF would need to tie into the existing infrastructure network at this location, with lift stations needed to pump wastewater uphill to the new site, which is at an elevation of about 105 to 130 feet.

From a comparative perspective, this is a slightly lower in elevation and closer to the existing infrastructure network than the Rancho Colina site, and slightly higher than the Righetti site, so energy use and resulting GHG emissions might be expected to be in between the two.



100-Year Flood Plain. About 1.6 acres of the site adjacent to and including Morro Creek are within the 100-year floodplain. However, about 15.5 acres of the site are outside the 100-year flood plan, and thus appropriate for potential WRF development. In the April 2016 interviews, many neighbors anecdotally noted that in the early 1980s, the entire 17.1-acre lower property flooded when Morro Creek overflowed in a storm event that exceeded the 100-year flood.

Geotechnical Issues. Preliminary geotechnical investigations conducted in April 2016 indicated that the site is suitable for development of a WRF, based on the foundation ground characteristics found at the site per a conversation with staff from Yeh & Associates, Inc., who performed the field work. The draft report has not been completed as of the date of this report. .

The site is considered to have low landslide potential and moderate liquefaction potential (San Luis Obispo County PermitView website, 2016).

The area is subject to seismic hazards, although no known faults traverse the site. For this reason, the potential for ground rupture due to seismic activity is considered to be low.

Regulatory and Permitting Issues

Except as noted below, the site is not encumbered with any unusual regulatory challenges, Habitat Conservation Plan restrictions, conservation easements, or Alquist-Priolo Fault Zones. Morro Creek and its margins would qualify as Waters of the United States or Waters of the State, but it would be possible to avoid these areas in the design of the WRF. However, a new bridge across the creek to provide site access would potentially fall within the jurisdiction of key regulatory resource agencies, including the U.S. Army Corps of Engineers, Regional Water Quality Control Board, and the State of California Department of Fish and Wildlife, from whom permits would be required if jurisdictional areas are impacted.

Based on investigations conducted for this site in 2016 with respect to biological resources, cultural resources, and geologic hazards, preliminary indications appear to be that the site does not face unusual or unique challenges with respect to these issues that may result in substantial restrictions on the design and resulting permitting timeframe for the project.

The site is under Williamson Act (Land Conservation Act) contract, which would likely require cancellation prior to WRF development on the site. Please refer to “Key Constraints” for further discussion of this issue.

The site is not adjacent to Caltrans right-of-way (Highway 41), and development of the new WRF would not affect nor encroach upon Caltrans property other than driveway access and utility service to or from the site. It may be necessary build pipelines within or across the Caltrans right-of-way either to bring wastewater to the site, or to distribute reclaimed water to potential users. Development on the site will likely require encroaching on Caltrans property as part of the pipeline system either to bring wastewater to the site, or to distribute reclaimed water to potential users.



4. Conclusions

Tables 6 and 7 summarize the key opportunities and constraints described in the site analysis above. The table is color-coded to assist the reader in interpreting the results. On **Table 6**, green areas indicate clear opportunities associated with that site, while blue indicates potential opportunities. On **Table 7**, orange indicates clear or challenging constraints, while yellow indicates potential or less significant constraints.

Table 6. Comparative Opportunities at Potential WRF Sites					
Key Opportunity	Site				
	<i>Rancho Colina</i>	<i>Righetti</i>	<i>Tri-W</i>	<i>Chevron</i>	<i>Madonna</i>
	Applicability to the Site				
Property Ownership					
Property Availability	Yes; no MOU in place	Yes; MOU in place through July 2016; can be extended to August 2017	Potentially available; property owner is cooperative	Potentially, since CSD is currently pursuing a similar facility there	Yes; for sale, but may require eminent domain
Cost and Logistics-Related Issues					
Relatively Lower Cost	Yes	Yes; lowest cost	No; higher cost but less cost uncertainty since not visible and no neighbors	No; higher cost but less cost uncertainty since not visible and no neighbors	Yes
Proximity to Reclamation Opportunities	Yes; near growers, but about 3,000 feet farther than Righetti for recharge	Yes; optimal for recharge location at Narrows	No; far from Morro Valley opportunities but between Morro and Chorro Valleys for future opportunities	No; far from Morro Valley opportunities	Yes; near growers, but about 3,000 feet farther than Righetti for recharge
Proximity to Existing Wastewater Infrastructure	Yes; about 1.3 miles from current collection point (SR1/SR41)	Yes; about 0.7 miles from current collection point (SR1/SR41)	No; about 2.4 miles to center of collection system	No; about 3 miles to center of collection system	Yes; about 1.4 miles from current collection point (SR1/SR41)
Level Site that Provides Design Flexibility	No; topographically challenging	Yes, to some extent; level area is limited	Yes, to some extent	Yes	Yes; entire site is level
Low Elevation Site	Yes; low elevation site (120-160 feet above sea level)	Yes; lowest elevation site (80-90 feet above sea level)	Yes; low elevation site (100-120 feet above sea level)	Yes; low elevation site (80-120 feet above sea level)	Yes; low elevation site (105-130 feet above sea level)
Ability to Achieve Multiple City Goals	No; property owner has placed limitations	Potentially; some neighbors opposed	Potentially; no neighbors	Potentially; no neighbors	Potentially; some neighbors could be opposed
More Customers and Revenue	Yes; Rancho Colina community could provide new customer base	No	No	No	No
New Water Rights For City	Potentially; owner has suggested providing two wells to the City	No	No	No	No
Environmental Issues					
Visually Screened from Public Roadways	No; visually prominent from Highway 41	Yes, to some extent; limited visibility from Highway 41	Yes; 2,000 feet from Highway 1	Yes; to some extent; 2,000 feet from Highway 1, but adjacent to Toro Creek Road	Yes; set back 500 feet from Highway 41 and screened by trees



Table 6. Comparative Opportunities at Potential WRF Sites					
Key Opportunity	Site				
	Rancho Colina	Righetti	Tri-W	Chevron	Madonna
Removal of Outdated Wastewater Infrastructure	Yes; removal of existing WWTP package plant would appeal to RWQCB	No	No	No	No
Potential for Land Conservation	No	Potentially; City exploring potential to conserve non-WRF remainder of the site in perpetual open space	Potentially, but only if the City acquired the entire site	Potentially, but only if the City acquired the entire site	Potentially; the adjacent 127-acre parcel could be explored for this purpose

Green shading indicates a clear opportunity; blue shading indicates a potential opportunity

Table 7. Comparative Constraints at Potential WRF Sites					
Key Constraint	Site				
	Rancho Colina	Righetti	Tri-W	Chevron	Madonna
Applicability to the Site					
Site and Cost Limitations					
Limited Acreage Available	Yes; property owner limits site to 8 acres	No; site is 250+ acres; about 10-15 are needed	No; site is 396 acres; about 10-15 are needed	No; site is 127 acres; about 10-15 are needed	No; site is 17.1 acres, and about 15.5 are usable
Limited Public Uses Allowed	Yes; owner will not allow non-WRF facilities	Potentially; may be constrained by neighborhood concerns	No	No	Potentially; may be constrained by neighborhood concerns
Site Access Limitations	No; direct access from Highway 41 is possible	No; direct access from Highway 41 is possible	No; direct access to Highway 1 via frontage road	No; direct access via Toro Creek Road	Yes; access to Highway 41 limited by easement or would need to work with adjacent property owner. Would also need new bridge over Morro Creek
Relatively Higher Cost	No; relatively lower cost option	No; this is the lowest cost option	Yes; relatively higher cost option	Yes; this is the highest cost option	No; relatively lower cost option
Environmental Issues					
Visually Prominent Location from Public Roadways	Yes; highly visible from Highway 41	Yes, to some extent; limited visibility from Highway 41	No	Not from Highway 1, but adjacent to Toro Creek Road	No; site is set back 500 feet from Highway 41 and screened by trees
Onsite Drainage Features	No	Yes; two onsite drainages would need to be worked into the design, and could limit design flexibility	Yes; two onsite drainages would need to be worked into the design, and could limit design flexibility; one site could avoid this feature	No; although Toro Creek is near the potential sites, and contains ESHA that could be affected	Yes; Morro Creek is at northern site boundary, and would need to be crossed. However, creek does not present constraints to the WRF



Table 7. Comparative Constraints at Potential WRF Sites					
Key Constraint	Site				
	<i>Rancho Colina</i>	<i>Righetti</i>	<i>Tri-W</i>	<i>Chevron</i>	<i>Madonna</i>
					location on the site itself
Neighbor-Related Issues					
Property Owner Would Live Onsite	Yes; will likely be ongoing consideration	No	No	No	No
Neighborhood Proximity	Potentially; near Rancho Colina neighborhood; some trailer sites within 200 feet; nearest homes are within 500 feet; but residents have not expressed concerns	Potentially; 600-2,200 feet from Nutmeg neighbors; a few homes have direct line of sight; neighbors have expressed strong opposition based on visual, odor, and noise concerns, as well as impacts to property values. Issues can be addressed, but neighbors will likely continue opposition	Not near any residents or neighborhood	Not near any residents or neighborhood	Potentially; relatively few homes nearby in rural area, but one is within 120 feet of the site, and another is within 325 feet. Most interviewed neighbors are opposed to a WRF based on similar issues as Righetti neighbors. A minority are not concerned.
Regulatory/Permitting					
Williamson Act Limitations	No	No	No	No	Yes; site is in Williamson Act, which may require eminent domain to acquire site and cancel contract to allow WRF
Conversion of Irrigated Prime Agricultural Land	No; soils are low quality	Potentially; a small area at the lower end of site is prime soil if irrigated, but it has not historically been irrigated and is limited in size	Potentially; a small area is prime soil if irrigated, but it has not historically been irrigated	Yes; most of the site contains prime soils	Yes; the site is mostly considered prime soil if irrigated, which it has been in the past, although currently fallow. May require LCP amendment to allow WRF.
<i>Orange shading indicates a clear constraint; yellow shading indicates a potential constraint</i>					

Each site is potentially suitable for a WRF. **Tables 6 and 7** show that each site has relative opportunities and constraints, some of which are shared at more than one site.

Cost Considerations. In general, each site in the Morro Valley has significant opportunities because of its location, which puts them all in relatively good proximity to reclamation opportunities. Each Morro Valley site is considered a substantially lower cost option than any site outside the Morro Valley, because of the following factors:

- *Proximity to the City’s existing wastewater collection network;*



- *Proximity to reclamation opportunities, particularly the City's wells; and*
- *Less pipeline extension would be required to connect to a new WRF in the Morro valley*

While the sites outside the Morro Valley (Chevron and Tri-W) are also potentially suitable for a WRF, they are more costly options. The pursuit of higher cost alternatives is potentially inconsistent with established City goals. Between the two, Tri-W is somewhat lower cost than Chevron.

Non-Cost Considerations. None of the identified constraints associated with the Morro Valley sites are considered fatal flaws, but many will present substantial challenges that could affect the cost and timing of the project. This is true at each of the three Morro Valley sites.

For example, neighborhood concerns with regard to visual impacts, noise, and odors relative to the Righetti site can and would be addressed in the Facility Master Plan. In addition, the potential for putting the remainder of that site in an open space or agricultural conservation easement would likely have a positive impact on property values in that neighborhood. Nevertheless, some neighbors will likely remain concerned about the project's potential effect on their property values. It is unclear how this ongoing concern could affect the project timing and implementation at this location.

The Madonna site presents an ideal site from a WRF design and development perspective, in that it is nearly level, screened from Highway 41, and has relatively few neighbors. At the same time, a majority of those neighbors are not supportive of a WRF at this site, which could result in the same type of challenges as at the Righetti site, only among fewer residents who reside in the County, not the City. The Madonna site also has important constraints related to the Williamson Act that present timing and logistical challenges. Site access must be worked out with neighboring property owners.

The Rancho Colina site has key limitations and constraints both from a siting perspective and the types of uses that could be built there. It is also visually prominent from Highway 41 and potentially costly from an earthwork perspective. Although a WRF could be built there, it is not as attractive as either the Righetti or Madonna sites from a functional or visual standpoint.

Overall Conclusions. In order to meet the City's 5-year goal (and Regional Water Quality Control Board's direction to complete the plant construction by December 2021), it is recommended that the City select a site for development of the Facility Master Plan and Environmental Impact Report as soon as possible. The construction cost differences among the sites are less of a concern if one site presents less risk of schedule delays or pauses and can move forward more quickly.

There is no ideal Morro Valley site, and all options present difficult tradeoffs, but among the available options, Righetti and Madonna are on balance the best choices within the Morro Valley. Righetti is the lowest cost option that is closest to the City's water and wastewater infrastructure, but relatively near many concerned neighbors. Madonna is on a more level site that can be more easily screened visually, but it also has challenges related to the Williamson Act, site access, and neighbor concerns. How the sites rank relative to one another is a question of how the City Council chooses to balance the identified constraints and opportunities.

If the lowest cost alternative that carries a higher risk factor relative to timing and long-term cost uncertainties is considered preferable, Righetti is the choice that best meets these criteria.

The Madonna site would be a slightly higher cost site than Righetti, and carry slightly different but



overall similar level of risks related to timing and cost uncertainty. But it also could better address Coastal Commission concerns related to visual and coastal stream avoidance, and is a more level and flexible site for WRF design. On balance, it is therefore considered overall similar to Righetti for sites within the Morro Valley.

With respect to the sites outside the Morro Valley, both are more costly from a construction and operations/maintenance perspective than any site in the Morro Valley. However, there are no neighbors near either site, so there would be a greater design flexibility at either site, and likely less potential opposition that could adversely affect the timing of project implementation. There are also unknown cost implications related to addressing potentially ongoing neighborhood issues throughout the life of the project.

Between the two sites outside the Morro Valley, Tri-W would be a lower cost option than Chevron, and has the added relative advantage of being near the Chorro Valley, which presents secondary though limited opportunities for water reclamation to augment those in the Morro Valley. Tri-W is the better of the two options outside the Morro Valley.

Based on the above evaluation, the following summarizes this report's overall conclusions:

Righetti is the site with lowest capital and lifecycle cost if the project proceeds with few delays that could otherwise lead to cost escalation.

However, if cost and timing certainty are considered more important than choosing the overall lowest cost alternative in the context of risk that could lead to delays and cost escalation, the portion of the Tri-W site identified in this report is considered the best overall location for a new WRF among the five sites studied in this report. This includes either of two roughly 15-acre pieces of land within the Tri-W parcel currently within the County, not the City.

This location has no immediate neighbors, is generally not visible from public roadways, and is large enough to potentially accomplish other City goals (including a corporation yard and possibly a solar power facility). Pipelines to and from the site could largely be built within City streets and parks, rather than in Caltrans right-of-way. These advantages are likely to reduce the differences in costs between the Tri-W and any of the Morro Valley sites.

It should be noted that a site selection is necessary in order to prepare a Facility Master Plan and Environmental Impact Report (EIR) to study that plan. The EIR must also consider various project alternatives, which could include alternate designs and site locations. Once an Environmental Impact Report (EIR) is completed, the City Council can determine the most appropriate design and location for building the facility, based on the information presented through the CEQA process.



5. References and Report Preparers

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Appendix A

Cost Estimate Assumptions

The WRF Site Report includes both relative construction cost opinions and operation & maintenance cost ranges for developing a new Water Reclamation Facility the different sites, including a conceptual 20-year present value analysis. This Appendix discusses the approach for developing the conceptual cost opinions presented in the Report.

Major project components were previously identified in the New Water Reclamation Facility Project Final Options Report (JFR, January 10, 2014) to evaluate relative construction costs for the alternative project sites. These cost components and assumptions were reviewed and updated for this study. An additional cost component (an access bridge over Morro Creek) was added for the Madonna site, a site that was not previously evaluated in the Options Report.

This evaluation does not identify the total costs for each alternative, but attempts to establish a comparative framework for analysis of each site under consideration. The following table summarizes the project components and estimated unit cost ranges developed for the evaluation. Descriptions of the criteria used to develop these costs are included in the paragraphs below.

Project Component	Unit	Estimated Unit Cost Range	
		Low	High
Sewer force main	mile	\$1,350,000	\$2,420,000
Raw Wastewater Lift Station	each	\$1,830,000	\$2,690,000
Earthwork allowance	each	\$1,866,000	\$3,110,000
Secondary treatment system	each	\$6,460,000	\$16,140,000
Supporting treatment plant facilities (Paving, buildings, roads, etc.)	each	\$5,600,000	\$10,440,000
Bridge (Madonna site only)	each	\$1,800,000	\$2,700,000
Disinfection system	each	\$1,610,000	\$3,230,000
Tertiary filtration	each	\$2,150,000	\$3,230,000
Solids handling facilities	each	\$5,380,000	\$10,760,000
Advanced treatment (RO & oxidation)	each	\$14,450,000	
Recycled water storage	each	\$810,000	\$1,010,000
Recycled water pump station	each	\$350,000	\$700,000
Recycled water pipeline	mile	\$1,080,000	\$1,720,000
Treated effluent disposal pump station	each	\$350,000	\$700,000
Treated effluent disposal pipeline	mile	\$1,080,000	\$1,720,000
Notes:			
1. Estimated unit cost range includes capital construction costs as defined in the paragraphs below.			

Cost Index – The Engineering New Record (ENR) Construction Cost Index (CCI) is the industry standard measure of changes in the construction sector. It is commonly used to bring historical costs (bids and estimates) to current estimates. The ENR CCI 20-city average for April 2016 of 10280 was used for this report. For reference, the ENR CCI 20-city average used for the Options Report was 9552 for September 2013.



Unit cost ranges – Construction costs are estimated based on the order-of-magnitude unit cost ranges established herein. Unit cost estimates include materials, labor, equipment, contractor overhead and profit, and mobilization costs, and represent the median price expected from a responsible bid. These costs represent conceptual level estimates for probable construction costs with ranges reflecting the anticipated accuracy of the estimate based on limited information such as basic design criteria, limited process flow diagram, and list of major project components.

Sewer force main – The sewer force main must be sized to transport the pumped flow, assumed to be the peak hour flow of six million gallons per day (MGD). Based on a design velocity of 5 fps, it is estimated that the sewer force main will be 18-inches in diameter. For the purposes of this report, it is assumed the pipeline will be AWWA C900 polyvinyl chloride (PVC) pressure pipe, installed at depths ranging from 3 to 5 feet of cover. A per mile unit cost estimate was established and estimated lengths were rounded to the nearest mile. The unit cost estimate assumes trenching in paved roadways, traffic control, and asphalt paving. The unit costs from the Options Report were normalized using the ENR CCI.

Lift stations – Lift stations must be designed to meet the peak hour flow rate of 6 MGD (approximately 4,200 gpm). The pump size will be chosen based on the pumping head requirements for each site. Pumping head requirements were estimated by projecting a pipeline route for the raw wastewater force main between the existing wastewater treatment plant and the new WRF site, and summing the resultant elevation head loss, friction head loss and minor losses. Required elevation head was estimated using the maximum elevation along the potential force main route. Friction head loss and minor losses assume an 18-inch diameter force main. The approximate lift station pump horse power was estimated using the peak hour flow rate, estimated pumping head (total dynamic head) and a pump efficiency of 70%. It is assumed three pumps will be required to effectively meet the range of flows and provide redundancy. Construction cost estimates were derived from cost curve data presented in Figure 29-3 of Pumping Station Design by Robert Sanks. Considered to be industry standard, these cost curves were derived from historical construction costs. Cost estimates for this study were normalized using the ENR CCI. The estimated cost within this range was chosen for each site based on the pumping head requirement.

Earthwork allowance – The earthwork allowance is based on the estimated costs for earthwork at the Righetti site (Site 16) and the Chevron/Toro Creek site (Site 5/15) in the Draft Alternative Sites Evaluation Phase 2 - Fine Screening Analysis (Dudek, November 2011). The report estimated the project at Righetti would require a significant amount of soils exported (90,000 CY) to create a lower site elevation and allow for better visual screening from Highway 41. Earthwork at the Chevron/Toro Creek site was estimated to be approximately balanced between cut and fill. An earthwork factor was assigned to each site based on estimated relative earthwork amounts compared to the Righetti and Chevron sites. Costs were normalized using the ENR CCI.

Secondary treatment system – The construction costs for the secondary treatment system assumes the range of cost for an extended aeration activated sludge system as established in the draft Technical Memorandum Analysis of Wastewater Alternatives. Estimated construction costs include primary and secondary treatment systems only. These costs were normalized using the ENR CCI.

Supporting treatment plant facilities (paving, buildings, roads, etc.) – Additional facilities outside the treatment systems will be required to for a full and functioning wastewater treatment plant. These



supporting treatment plant facilities include buildings to house mechanical and electrical equipment and instrumentation and controls facilities, labs, offices, etc., roadways and paving, equalization basins, and other common facilities. A construction cost estimate range was determined based on the support facilities listed in the Draft Alternative Sites Evaluation Phase 1 - Rough Screenings Analysis (Dudek, November 2011) for the two “alternative” sites (Site 5/15, Chevron, and Site 16, Righetti) included in the analysis. Costs were normalized to April 2016 using the ENR CCI.

Bridge – This cost component only applies to the Madonna site, which requires a new bridge over Morro Creek for site access. The existing bridge is located in an access easement shared with a neighboring property and is subject to flooding during wet weather. It is assumed a new, dedicated bridge will be required for the WRF. The construction cost range for the bridge was derived using State of California Department of Transportation (CalTrans) Comparative Bridge Costs (January 2012), assuming a span of 150 feet and width of 32 feet. These costs were normalized using the ENR CCI. Cost factors for additional project elements, including overhead, mobilization, approach slabs, slope stabilization, environmental mitigation, and site work, were estimated using recent bid results for San Luis Obispo County bridges.

Tertiary Filtration – It is assumed that the WRF will produce tertiary disinfected recycled water, appropriate for unrestricted reuse applications, as defined by California Code of Regulations (CCR) Title 22. The construction cost range for tertiary filtration system assumes the range of cost for tertiary cloth disk or sand depth filters as established in the draft Technical Memorandum Analysis of Wastewater Alternatives. These costs were normalized using the ENR CCI.

Solids handling facilities – The construction cost range for the solids handling facilities are based on an assumed treatment train for thickening, digestion, and dewatering as established in the draft Technical Memorandum Analysis of Wastewater Alternatives. Estimated construction costs exclude sitework, recurring, or disposal/reuse costs. These costs were normalized using the ENR CCI.

Advanced treatment (Microfiltration/Reverse Osmosis & advanced oxidation) system – The construction cost estimate for the advanced treatment system is based on a unit cost estimate of \$7.00 per gallon per day of effluent treated from the Draft Water Recycling Feasibility Study (Dudek, March 2012). A mass balance was performed to determine the size for the advanced treatment system assuming an influent maximum month flow rate of 2.18 MGD and influent TDS concentration of 1106 mg/L (95th percentile TDS measured between August 2011 and December 2011). A treatment goal effluent TDS concentration of 300 mg/L was set based on the sensitivity of avocado trees to chloride concentrations (reported as approximately 117 mg/L). The Draft Water Recycling Feasibility Study estimated the proportion of chloride to TDS is about 36 percent. It is assumed that chloride is removed proportionally to TDS in the RO process. Percent recoveries and TDS removal efficiencies area were assumed as in the Draft Water Recycling Feasibility Study. This results in an influent flow to the advanced treatment system of 1332 gpm (1.92 MGD) and a waste brine stream of 368 gpm at 3,318 mg/L TDS, or 14,664 pounds per day. The cost for brine disposal is not included in this cost estimate.

Recycled water facilities – It is assumed that the Water Recycling Facility will produce tertiary disinfected recycled water from the full influent flow, appropriate for unrestricted reuse applications, as defined by CCR Title 22. A more extensive market study may be required to assess the potential for full use of all the water produced at the plant. A Draft Recycled Water Feasibility Study was produced in March 2012



(Dudek) which analyzed the feasibility of a recycled water project for the combined Morro Bay and Cayucos Sanitation District plant. Costs established in the study were based on the recycling facility being installed at the existing WWTP location. The market assessment determined that the greatest opportunity for a large-scale reuse program is for agricultural irrigation along Highway 41, with an estimated average annual demand of 500 AFY (approximately 310 gpm on average). The project could potentially reduce pumping of the Morro Valley Groundwater Basin. The study indicates the following main challenges of such a project:

- Jurisdictional restrictions – most of the agricultural areas are outside the City’s service area, as well as sphere of influence necessitating annexation of unincorporated County of San Luis Obispo through LAFCO
- Sensitivity to salts, and in particular chloride concentrations would need to be addressed to ensure avocado tree yield and tree health is not jeopardized
- Fail safe disposal would still necessitate ocean outfall during low demand periods
- Pricing recycled water to be competitive with readily available groundwater would require substantial subsidies to be borne by the City and District.

Recycled water storage – This report assumes a steel day tank will be used as a buffer for the recycled water pump station. A volume of 750,000 gallons (12 hours of storage on average) is estimated for the purposes of this report, at a unit cost range of \$1.10 to \$1.35 per gallon.

Recycled water pump station – It is assumed that the recycled water pump station will be sized to deliver a flow equivalent to the maximum month flow of 2.18 MGD (approximately 1,500 gpm). Construction cost estimates were derived from cost curve data presented in Figure 29-7 of Pumping Station Design by Robert Sanks. Considered to be industry standard, these cost curves were derived from historical construction costs. Cost estimates for this study were normalized using the ENR CCI.

Recycled water pipeline - It is assumed that the recycled water pipeline will be sized to transport the maximum month flow of 2.18 million gallons per day (MGD). Based on a design velocity of 5 fps, it is estimated that the sewer force main will be 12-inches in diameter. For the purposes of this report, it is assumed the pipeline will be AWWA C900 polyvinyl chloride (PVC) pressure pipe, installed at depths ranging from 3 to 5 feet of cover. A per mile unit cost estimate was established and estimated lengths were rounded to the nearest mile. The unit cost estimate assumes trenching in paved roadways, traffic control, and asphalt paving. For the purposes of this study, the recycled water pipeline length was estimated from the site under consideration to the assumed main recycled water pipeline: Highway 41 for the Morro Valley sites, or to the intersection of Highway 1 and Highway 41 for Tri-W and Chevron. The unit costs that were developed for the Options Report using these assumptions were updated using ENR CCI.

Treated effluent disposal facilities – A “fail-safe” effluent disposal location is required to handle wet weather flows during parts of the year when irrigation is not feasible. Due to the uncertainty of percolation capacity at each site, this study assumed a pump station and pipeline will be required to transport treated effluent to the existing ocean outfall.

Treated effluent pump station – It is assumed that the treated effluent pump station will be sized to routinely deliver a flow equivalent to the maximum month flow of 2.18 MGD (approximately 1,500 gpm)



and will have additional pumps to convey the full peak hour flow for short periods of wet weather. Construction cost estimates were derived from cost curve data presented in Figure 29-7 of Pumping Station Design by Robert Sanks. Considered to be industry standard, these cost curves were derived from historical construction costs. Cost estimates for this study were normalized using the ENR CCI.

Treated effluent disposal pipeline – It is assumed that the treated effluent disposal pipeline will be sized to routinely transport the maximum month flow of 2.18 million gallons per day (MGD) and will have additional pumps to convey the full peak hour flow for short periods of wet weather. Based on a design velocity of 5 fps, it is estimated that the sewer force main will be 12-inches in diameter. For the purposes of this report, it is assumed the pipeline will be AWWA C900 polyvinyl chloride (PVC) pressure pipe, installed at depths ranging from 3 to 5 feet of cover. A per mile unit cost estimate was established and estimated lengths were rounded to the nearest mile. It assumes trenching in paved roadways, traffic control, and asphalt paving.

Construction Contingency – A construction cost contingency is often added to a construction cost estimate to account for unforeseen construction costs when budgeting for a project. For conceptual level planning a construction contingency of 20 to 30% is typical. A construction contingency of 30% is used in this report. The City may wish to exclude presentation of this line item from the overall project budget – however, it is included in this siting study to acknowledge the extent of unknown conditions that could arise during the subsequent master planning, final design, and construction phases of the project.

Administration, Design, and Construction Management – Project administration, engineering design, and construction management costs represent the “soft costs” directly related to implementation of a project from planning to construction. An allowance of 30% is used in this report.

The construction costs described herein are meant to support a relative construction cost comparison of the potential project sites under consideration. They do not include costs for the following additional items which will be required for the full wastewater project:

- Interim upgrades to the existing WWTP (estimated at \$3,910,000 in Draft Fine Screenings Report)
- Decommissioning and demolition of the existing WWTP (estimated at approximately \$3,000,000 to \$5,000,000 in WRF Facility Master Plan Technical Memorandum 3: Morro Bay – Cayucos WWTP Decommissioning, Black & Veatch)
- Brine disposal, which will be required for advanced treatment utilized for salts removal
- Recycled water distribution system beyond major transmission main from WRF site
- Recycled water customer retrofit and connections (Costs can vary significantly depending on flowrate and complexity of the system. Average connection and retrofit cost was estimated at \$15,000 per connection in Draft Recycled Water Feasibility Study, Dudek, March 2012)
- Property acquisition
- Environmental mitigation and permitting costs
- Legal costs

Cost Summaries Presented in WRF Site Report - The costs presented in the report were grouped into the following major cost categories for presentation and comparison among the sites:



Major Cost Category	Project Cost Component
Raw Wastewater Pump Station and Pipeline	Sewer force main Raw wastewater lift station
WRF Phase 1 (Tertiary Treatment Plant with Disinfection and Solids Handling Facilities)	Earthwork allowance Secondary treatment system Supporting treatment plant facilities (Paving, buildings, roads, etc.) Bridge (for Madonna site only) Disinfection system Tertiary filtration Solids handling facilities
Advanced Treatment	Advanced treatment (RO & oxidation)
Recycled Water Pump Station and Pipeline	Recycled water storage Recycled water pump station Recycled water pipeline
Brine/"Wet Weather" Disposal Pump Station and Pipeline	Treated effluent disposal pump station Treated effluent disposal pipeline

In the tables, the contingency and administrative costs (described above) were included beneath the construction cost subtotals. The tables displayed the midpoint of the cost ranges for each of the major categories. The cost ranges varied by approximately 25% above and below the midpoint. The total construction cost opinions were rounded to two significant figures at the bottom of each table.

20-Year Present Value Analysis – For the conceptual present value analysis described in the tables, the total construction cost was added to 20 years of projected, annual onsite treatment operation & maintenance (O&M) cost in addition to the annual power costs to convey raw wastewater to the site. This calculation is intended to be a conceptual lifecycle cost that will allow comparison of the various sites, although the lifecycle of the plant cycle itself can be over 50 years. Most of the major mechanical equipment (other than pipelines and concrete basins) requires replacement on intervals up to 20 years – therefore, 20 years was used as a common basis for the “lifecycle” evaluation. Based on previous work in the Facility Master Plan and the Fine Screening Evaluation, it is estimated that the onsite O&M costs (chemical, power, labor and maintenance at the WRF) will range from approximately \$1,400,000 to \$1,900,000 per year and will be similar among the different sites . The midpoint of the range of annual onsite treatment O&M costs was used in the present value analysis. The main difference between the sites would be the ongoing energy costs associated with pumping, which is largely a function of distance to the City’s main collection system. It was assumed the cost escalation rate and the discount rate would be roughly equivalent for this preliminary, conceptual planning-level cost analysis. A more detailed assessment should be performed after a site is selected and the master planning process begins – this analysis is intended only to allow a relative comparison of the cost impacts of different sites.



Appendix B

Outreach to Cayucos Sanitary District

Letter from City of Morro Bay to CSD (April 7, 2016)

Response from CSD (April 22, 2016)



CITY OF MORRO BAY

CITY HALL

595 Harbor Street
Morro Bay, CA 93442

April 7, 2016

President and Board Members
Cayucos Sanitary District
200 Ash Avenue
Cayucos, CA 93430

Honorable President and Board Members,

As you know, over the past several months the City of Morro Bay has been focused on selecting a Water Reclamation Facility (WRF) site in the Morro Valley, relatively near the City's most promising water reuse opportunities. Recent technical studies and property acquisition issues have shifted the City's focus within the Morro Valley from the Rancho Colina site to the adjacent Righetti property.

At our March 8, 2016, City Council meeting, neighbors closest to the Righetti property expressed concerns over that site location and requested the City Council reach out to the Cayucos Sanitary District (CSD) to reconcile and reconsider the pros and cons of building a joint facility. On behalf of the Morro Bay City Council, I was asked to commence that outreach. Since reconciliation and teamwork will be essential as we determine the future of the existing wastewater treatment plant land, facilities and supporting infrastructure (WWTP), it seems appropriate and wise to begin that process now, even if a joint future facility is not of interest. To that end, we believe it would be helpful to engage the services of professional "mediator" to assist both governing bodies to resolve any existing roadblocks that prevent us from providing the best possible representation of, and service to, our communities.

I believe CSD made its position clear in April 2015 when it adopted a resolution to withdraw from a future joint partnership with the City of Morro Bay to construct a new WRF. However, the resolution appeared to leave a door open if conditions between the two agencies changed, since it included the phrase "at this time." The City of Morro Bay has consistently made it clear—both before and since the CSD's adoption of that resolution—its path forward would still preferably include CSD as a potential partner in the pursuit of a joint facility. Our continued efforts regarding a WRF consistently considers and the Facility Master Plan will account for the possibility of including a regional facility as a project alternative, in order to accommodate the potential the two agencies once again work together to pursue a joint facility. That being said, the time will come when one of those paths must be chosen so the City can timely meet its obligations to construct a replacement facility.

April 7, 2016

Because that time is not yet upon us and to uphold the request of community members, this letter asks the CSD Board to consider a mediated discussion with the Morro Bay City Council with the goal of returning to an effective working relationship, even if only with regard to our existing shared WWTP, but perhaps also an open discussion of a joint project. We are aware it may be decentralized, separate, smaller facilities, sited closest to our respective water reuse opportunities, actually represent the smartest approach for both communities. A joint examination of that question would certainly be worthwhile.

The City Council intends to take the City's next step forward on a WRF project on May 10, when it will consider selecting a site for the new facility. Ideally, that decision would have the benefit of feedback from the CSD Board regarding whether or not it desires to rekindle a working relationship with the City Council to pursue a single joint facility. Many in our City believe that approach could result in cost savings for residents and businesses and property owners in both communities.

The City Council has followed CSD's Sustainable Water Project with great interest. We respect the CSD's desire to independently pursue its own facility, and support your efforts in that regard. The City Council does not wish to interfere in those efforts, and believes you and your consultants have done a fine job. Nevertheless, the City Council also respects the desires of those in our community who believe our two agencies can develop better and more cost-effective solutions constructively working together. We too believe that is a useful effort and owe it to our community to find out if that is indeed a possibility.

Regardless of whether the CSD is once again open to pursuing a new facility with the City, we will still need to work together on the common cause of decommissioning the jointly-owned and operated WWTP. We recognize there is some level of mistrust between the two agencies, which presents a challenge to moving forward on a common framework for that necessary and important effort. We want you to know the City Council is open to any reasonable approach for creating a mutually beneficial path to completing that vital work. We know we both remain committed to our communities realizing the water quality and reclamation benefits of our new separate facilities or a joint one, as well as repurposing the existing WWTP site.

We look forward to your response, and wish you the best.

Sincerely,



Mayor Jamie Irons

c: Honorable Mayor Pro Tem and Council Members

APR 22 2016

Administration

CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333, Cayucos, CA 93430-0333
805-995-3290

GOVERNING BOARD

R. B. Enns, President
D. Chivens, Vice-President
S. Lyon, Director
C. Maffioli, Director
D. Lloyd, Director

April 22, 2016

City of Morro Bay
Attn: Mayor Jamie Irons
595 Harbor Street
Morro Bay, California 93442

RE: MORRO BAY/CAYUCOS SANITARY DISTRICT

Dear Mayor Irons,

The Cayucos Sanitary District (CSD) Board of Directors is in receipt of your letter dated April 7, 2016 regarding our respective water reclamation facilities projects and the existing wastewater treatment plant (WWTP). As you are aware, on April 30, 2015 the CSD unanimously approved Resolution 2015-1 to independently pursue alternatives for wastewater treatment and water reclamation. These alternatives were examined within the scope of our Cayucos Sustainable Water Project (CSWP) and the CSD is now entering into the development and construction of a water resource recovery facility.

Therefore, with regard to the development of a new water reclamation facility, the CSD respectfully declines to pursue a joint project with the City of Morro Bay (CMB). While we agree that some residents within the CMB have expressed an interest in keeping the CSD as a partner, the CMB Council and the CSD have a fundamental divergence as to what constitutes a partnership. Specifically, both CMB's proposed Memorandum of Understanding dated March 12, 2015 and Resolution 25-15, copies enclosed, continually insist that, "The CSD have no approval authority," "The ultimate operation and ownership of facilities shall be the responsibility of CMB," "The CSD shall be a wholesale customer," and that "The cost (not ownership) of the Morro Bay Water Reclamation Facility be shared 70% Morro Bay, 30% Cayucos." This partial list of CMB requirements outlines the participation in the new CMB facility and does not reflect a true partnership as that term is commonly understood. Furthermore, as stated in your letter, any new CMB facility would focus on the most promising water reuse opportunities for the CMB. Therefore, and most importantly, the Cayucos community

would have no entitlement to beneficial reuse of our own reclaimed water as a sustainable long term resource.

The CSD does not believe that the services of a mediator would provide any tangible benefit to either community. Instead, the CSD feels that a simple showing of mutual respect for the foundational policy decisions, boundaries, and goals of our respective agencies would go a long way toward restoring a healthy working relationship in the governance of our jointly owned WWTP.

The CSD would like to take this opportunity to reaffirm our commitment to working together with the CMB in closely coordinating the decommissioning of the WWTP and the future use of the outfall. The CSD recognizes that these are important issues for both of our communities and we are dedicated to following through with mutually beneficial solutions.

It is critical that neither community lose sight of the need to replace the existing WWTP with all due speed. We lost over five years of time methodically planning, and wasted over \$2,000,000 in our initial mutual efforts to that end. The Regional Water Quality Control Board (RWQCB) has been very accommodating in extending the time frame given to us to comply with the Clean Water Act. Most recently, former RWQCB Executive Director Ken Harris stated in his February 19, 2015 letter to our respective Managers, "Therefore, the communities face [Mandatory Maximum Penalties] if the new plant is not operational by 2021." We are aware of some of the problems you face in choosing an appropriate site for your WRF, and the resultant delays. Inasmuch as the CSD has made significant progress on our CSWP, we do not feel that it would be in the best interests of the Cayucos community to deviate from our current path. We wish you the best of luck in the development of your own water reclamation facility.

In closing, thank you for your letter. The CSD views it as a positive step toward working together more effectively in the governance and coordinated decommissioning of the WWTP and in repurposing the WWTP site to maximize the value and future potential of this precious jointly owned asset, and we look forward to building on that.

On behalf of the Cayucos Sanitary District Board of Directors,



Robert B. Enns
Board President

Cc: Rick Koon, District Manager
Timothy Carmel, District Counsel
Encl. CMB MOU March 12, 2015
CMB Resolution 25-15

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF MORRO BAY AND
THE CAYUCOS SANITARY DISTRICT
FOR THE PRELIMINARY DEVELOPMENT OF A NEW WATER RECLAMATION
FACILITY ON THE PROPOSED RANCHO COLINA SITE**

This **MEMORANDUM OF UNDERSTANDING** (this MOU) is hereby made and entered into this ___ day of March, 2015 (the “Effective Date”) by and between the City of Morro Bay, a municipal corporation, (CMB) and the Cayucos Sanitary District (CSD) [formed and operating under the authority set forth in _____] (sometimes referred to individually as the Party and collectively as the Parties).

WHEREAS, CMB has completed and approved a New (Regional) Water Reclamation Facility (WRF) Preliminary Planning and Siting Study for the replacement of the existing wastewater treatment plant located in the City of Morro Bay with a New WRF initially proposed to be located at the site known as Rancho Colina (sometimes referred to as the Project); and

WHEREAS, the State of California Water Board desires entities to cooperate regionally where feasible for the beneficial treatment of wastewater to effect economies of scale and reduce discharge of waste materials into the waters of the State; and

WHEREAS, on February 25, 2014, the CMB City Council resolved to have a WRF operational prior to the expiration of the discharge permit for the existing Waste Water Treatment Plant (WWTP), being five years more or less;

WHEREAS, the Parties currently share the capacity of the WWTP with CMB using 72% and CSD using 28% (the Current Capacities); and

WHEREAS, the Morro Bay community has provided input on the New WRF project through goal setting designating project goals, including, but not limited to:

- Produce tertiary, disinfected wastewater in accordance with Title 22 requirements for unrestricted urban irrigation in a cost effective manner for all ratepayers.
- Design to be able to produce reclaimed wastewater for potential users, which could include public and private landscape areas, agriculture, or groundwater recharge. A master reclamation plan should include a construction schedule and for bringing on customers in a cost effective manner.
- Allow for onsite composting
- Design for energy recovery
- Design to treat contaminants of emerging concern in the future
- Design to allow for other possible municipal functions
- Ensure compatibility with neighboring land uses; and

WHEREAS, CMB and CSD have been operating under a Joint Powers Agreement (JPA) for the operation of the existing WWTP located in the City of Morro Bay on Atascadero Road

since June 16, 1953, as amended by letters on May 9, 1969, and June 26, 1973; and cancelled and replaced with the current agreement on October 25, 1982; and

WHEREAS, the existing JPA agreement does not consider, outline, or guide, CMB and CSD in their relationship, obligations, or responsibilities to develop a plan for the proposed construction of a New WRF at the proposed Rancho Colina site to the benefit of both communities; and

WHEREAS, CMB and CSD have come together to collaborate and to make and develop a plan for the proposed construction of a New WRF at the Rancho Colina site to the benefit of both communities; and

WHEREAS, CMB and CSD believe wastewater generated in both communities will be more advantageously treated at the New WRF proposed to be located at the Rancho Colina site that ultimately will be owned and operated by CMB; and,

WHEREAS, prior to making a final decision to proceed with the New WRF, including making a final determination as to the location of the New WRF, CMB, the lead agency for purposes of California Environmental Quality Act (CEQA) must first complete and approve or certify all legally required environmental analysis under CEQA; and,

WHEREAS, CMB and CSD anticipate at least some of the funding for this project will be provided through federal grants or other federal financing programs and one or more federal permits may be required for this project, which shall constitute federal undertakings requiring environmental review in compliance with the National Environmental Policy Act prior to release of federal funding and/or issuance of federal permits.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree as follows:

- 1) **Description of the Project.** The Project is proposed to include the New WRF and related infrastructure to convey (i) municipal sewage to the new WRF from the terminus of CMB's and CSD's existing facilities, including a new raw wastewater pumping station and (ii) treated wastewater to points of discharge into the waters of the State or for beneficial reuse within legally authorized areas. Conveyance infrastructure and facilities may be located within existing or future rights-of-way.
- 2) **Components of the New WRF Project subject to this MOU.** Immediately following execution of this MOU the project team shall commence with the following tasks:
 - Preparation of an RFP and selection of consultant(s) to act as Project Manager
 - Selection of consultants to perform fatal flaws analysis for the following areas:
Biological Resources, Cultural Resources, Geotechnical and Groundwater
 - Application for a State Revolving Fund Planning Loan
 - Preparation of an RFP for the Facility Master Plan (FMP)
 - Preparation of an RFP for Environmental Review (ER) (CEQA/NEPA)

- Selection of FMP and ER consultants
 - Preparation of the FMP
 - Preparation and circulation of the Initial Study for the project based on the results of the FMP
- 3) **Development of Initial Stage (Reclamation Ready).** The Project shall be developed in stages and the initial stage (Reclamation Ready) shall be developed on a timeline necessary to meet the goal of CMB. The design capacity of the New WRF and necessary conveyance infrastructure and facilities shall accommodate the peak wet weather build-out wastewater flows from both communities with CMB owning 100% of the capacity and CSD having rights to a capacity equal of its share of the Current Capacity.
- 4) **Roles and Responsibilities**
- a) CSD and CMB shall reimburse each other for all expenses incurred for the development of the New WRF facilities incurred since January 8, 2013, proportional to their respective anticipated capacity (72% CMB share/28% CSD share basis) in the new WRF.
 - b) The CSD agrees to support and not oppose grant or loan applications, permit amendments or applications, including land use entitlements or annexation requests, in conjunction with the Project.
 - c) The CMB Public Works Director/City Engineer with the assistance of CMB planning, engineering and operations staff will oversee the FMP, ER and preliminary property acquisition process. The CMB Public Works Director/City Engineer shall consult with CSD General Manager for review and to provide opportunity for CSD's input into the process. CMB and CSD staff will hold monthly meetings to review the progress of the Project.
 - d) CMB City Council and CSD Board of Directors shall provide policy direction for the Project and shall meet at least quarterly to review the status of the Project, , as well as needed to ensure CSD's concerns have been heard and considered prior to CMB making any final decisions as to all matters related to the development and construction of the New WRF. Council/Board of Directors meetings related to this MOU shall be separate and distinct meetings from the existing joint (aka JPA) meetings Nothing in this section prevents the new meeting from occurring on the same day and directly following the adjournment of the existing joint meetings.
 - e) The ultimate operation and ownership of facilities shall be the responsibility of CMB. CSD shall be a wholesale wastewater customer. The details and terms of that relationship is beyond the scope of this MOU and shall be negotiated, in good faith, by the Parties to this MOU with the goal of achieving an agreement executed on behalf of both Parties prior to the execution of a construction or Design/Build contract by CMB for the new WRF and ancillary infrastructure and facilities.
 - f) CSD shall share the cost with CMB for the items listed in paragraph 2 for the Project. That cost sharing shall be based on the Current Capacities. At a minimum, the Facilities Master Plan report shall address project phasing, treatment methodology and anticipated project costs.
 - g) Consultant Selection process shall follow all policies of CMB. CSD shall have the express right to participate and provide input in selection process of consultant firm(s) required to fulfill the items in paragraph 2 and possible final design phases of the Project.

- h) CMB and CSD agree to disseminate information to the public regarding this MOU and the Project jointly, whenever feasible, and will support and assist each other in developing and implementing their respective public information programs.
 - i) For purposes of environmental review under the CEQA, CMB shall be the lead agency and CSD shall be a responsible agency. Furthermore, for purposes of any environmental review required for federal funding or permits, CMB shall be the primary contact with any federal agencies conducting any environmental review under the National Environmental Policy Act or any other federal laws or regulations.
- 5) **Termination of this MOU.** This MOU shall expire at the earliest of (i) when the Parties enter into the agreement as discussed in subparagraph 4e, or (ii) June 30, 2016. Notwithstanding the above, this MOU may be extended by written agreement of CMB and CSD. If the time needed for the study of the Project extends beyond the expected timeline set forth herein, then the Parties agree to reasonably negotiate an amendment to this MOU.
- 6) **Modifications.** Modifications within the scope of this MOU shall be made by mutual consent of the Parties, by the issuance of a written modification, signed and dated by both Parties, prior to any changes being performed.

IN WITNESS WHEREOF, the Parties hereto have executed this Memorandum of Understanding to be effective as of the Effective Date.

CITY OF MORRO BAY

ATTEST:

JAMIE L. IRONS, Mayor

DANA SWANSON, Deputy City Clerk

CAYUCOS SANITARY DISTRICT

ATTEST:

ROBERT ENNS, President of the Board
of Directors

RICK KOON, District General Manager

APPROVED AS TO FORM:

JOSEPH W. PANNONE, CMB City Attorney

TIMOTHY CARMEL, CSD General Counsel

c: Agencies and Interested Parties

RESOLUTION NO. 25-15

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
DIRECTING STAFF REGARDING THE DEVELOPMENT OF A NEW WATER
RECLAMATION FACILITY AT THE PREFERRED RANCHO COLINA SITE

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, the City of Morro Bay and the Cayucos Sanitary District (CSD) jointly own (60-percent/40-percent respectively) an existing 62 year old Wastewater Treatment Plant that requires replacement; and

WHEREAS, it has been determined to be in the best interest of Morro Bay to construct a new Water Reclamation Facility that complies with the California Coastal Commissions actions on January 10, 2013; and

WHEREAS, it is in the best financial interest of the community to minimize the major maintenance and repair costs at the existing wastewater treatment plant; and

WHEREAS, On February 25, 2014 the City Council resolved to have a new Water Reclamation Facility operational prior to the expiration of the discharge permit for the existing wastewater treatment plant, being five years more or less, and

WHEREAS, On December 9, 2014 the City Council reviewed the final report from John F. Rickenbach Consulting regarding recommended Water Reclamation Facility (WRF) sites and reclamation and selected the Rancho Colina site as its preferred alternative subject to the completion of the necessary environmental analysis of the preferred alternative, and

WHEREAS, On December 11, 2014 and again at the January 8, 2015 Joint meetings, both Morro Bay and CSD expressed a site preference for the Rancho Colina site subject to the completion of the necessary environmental analysis of this preferred site, and

WHEREAS, On February 11, 2015 the Regional Water Quality Control Board issued a letter to both Morro Bay and the CSD stating that the *anticipated* permit for the existing site will expire in 2021, and

WHEREAS, On March 12, 2015 at the Joint meeting, both Morro Bay and CSD directed their Staffs to issue a joint Request for Proposal for a Facilities Master Plan for a WRF at the preferred site, and

WHEREAS, On April 30, 2015 at the Joint meeting between the Morro Bay City Council and the Cayucos Sanitary District Board of Directors, the CSD Board presented the Morro Bay City Council with CSD Resolution 2015-1, stating in part: "*Cayucos hereby declares its intention to suspend consideration of participation in the Morro Bay WRF Project and independently pursue alternatives for wastewater treatment and reclamation of water that will maximize its resources and provide the greatest benefit to the Cayucos community.*", and

WHEREAS, On April 30, 2015 at the Joint meeting between the Morro Bay City Council and the Cayucos Sanitary District Board of Directors, the City Council moved and approved the following: *"The Cayucos Sanitary District and Morro Bay City Council agree to work cooperatively to construct a regional Wastewater Treatment Plant at the "preferred site" (Rancho Colina) by 2021. The parties agree to work together in good faith to share costs (beginning in Jan 2015) on a 70% (Morro Bay), 30% Cayucos basis, to establish common goals, release RFPs for Project Management and Environmental Review by the end of May 2015, and select the most appropriate facility master planning proposal by the end of June 2015."*, and

WHEREAS, On April 30, 2015 at the Joint meeting between the Morro Bay City Council and the Cayucos Sanitary District Board of Directors, the CSD Board did not make a reciprocal motion to that of the Morro Bay City Council, and

WHEREAS, On May 7, 2015 at the Water Reclamation Facility Citizens Advisory Committee (WRFCAC) meeting, the WRFCAC recommended a number of items that the City Council consider in moving forward with the WRF project, the items are reflected in items A-M below.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Morro Bay, California, provides the following Direction to City staff:

- A. Plan for a WRF with regional capacity to be owned and operated by the City of Morro Bay.
- B. Master plan for a scalable facility, between 1.0 and 1.5 MDG, that will allow potential regional partners to join the project in the months ahead. Determine final sizing to be established in cooperation with the selected FMP consultant. Emphasize that scalability and phasing of the WRF is important not only for possible external customers (i.e. CSD) but also for possible increased flows due to revitalization of some Morro Bay areas such as downtown, MBPP and looking toward possible development of undeveloped/unincorporated areas within the context of the current effort to update both the General Plan and the Local Coastal Plan.
- C. Determine and establish rates for the CSD, should that agency wish to become a customer in the future. Tie the rates and buy in costs to project milestones, i.e. Prior to Completion of the FMP, Prior to completion of the Environmental Document, etc. The rate should include a fixed portion for capital costs and a variable portion for O&M costs.
- D. In the rate and buy in cost determination, costs shall include all Morro Bay WRF development expenses incurred since the January 2013 CCC denial of the Coastal Development Permit to reconstruct a facility on the beach.
- E. Release RFPs for Environmental Review and Project Management by the end of May 2015.
- F. Move forward with having the ad hoc consultant review subcommittee already established by the WRFCAC make recommendations to the WRFCAC regarding selection of the FMP, Project Management and environmental consultants that would be reviewed and forwarded to City Council for contract award.
- G. Commit to a thorough review and consideration of all appropriate treatment technologies in the FMP with the final decision to be resolved during the design-build procurement process to allow flexibility in the design.
- H. Commit to completing an MOU by July 1, 2015 outlining the procedures for the potential purchase of the Rancho Colina site.
- I. Commit to processing an annexation request for the Rancho Colina site with LAFCO as soon as possible with the understanding LAFCO will not be able to act upon this

application until the environmental review of the project is completed and approved/certified.

- J. Commit to the decommissioning of the existing WWTP as soon as practicable
- K. Commit to maximizing costs savings by minimizing spending on the existing WWTP to the level needed to meet permit compliance.
- L. Proactively work with all Regulatory Agencies
- M. Prepare a Local Coastal Program amendment in coordination with the California Coastal Commission, which requires the cessation of all WWTP activities at the current site once the new Morro Bay WRF is approved by the Regional Water Quality Control Board and fully operational, while still allowing the use of the outfall for disposal purposes

PASSED, APPROVED, AND ADOPTED, by the City of Morro Bay City Council, at a regular meeting held on this 12th day of May, 2015 by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: C-3

MEETING DATE: May 10, 2016

Staff Report

TO: Honorable Mayor and City Council Members **DATE:** April 27, 2016

FROM: Sam Taylor, Deputy City Manager

SUBJECT: Adopt Resolution No. 36-16 Rescinding Resolution No. 18-14 and Updating the City of Morro Bay's Partnership Policy and Provide Direction regarding a Co-Sponsorship Policy

RECOMMENDATION

As recommended by the Recreation & Parks Commission ("RPC"), staff requests the City Council review and adopt Resolution No. 36-16 approving the City of Morro Bay Partnership Policy and provide staff direction related to co-sponsorship criteria previously created by the Council.

ALTERNATIVES

None recommended

FISCAL IMPACT

The City could generate additional revenue by requiring groups that currently pay no fees for use of City facilities or currently hold permitted events on public property to pay fees based on the adopted City Master Fee Schedule. However, requiring payment of such fees could result in those groups moving to other locations that aren't City facilities or public property. Partnerships with such groups could result in City cost reductions or economic development benefits, such as reduced labor costs, enhanced services or tourism promotion.

BACKGROUND

In recent months, staff has identified both City Council-directed decisions and administrative decisions by the Recreation Services Division regarding groups paying no fees, or paying reduced fees (called "direct costs"), for use of City facilities or for holding events on public property outside of a specific rentable facility.

Those groups, often for many years, have paid nothing, or a reduced amount, for use of City facilities and have likely come to expect this practice to continue.

The concern in most of those instances is there is no specific City policy in place, nor has the City Council made any specific public decision to allow those groups to use facilities at no, or low, cost.

Prepared By: ST Dept Review: _____
City Manager Review: DWB
City Attorney Review: JWP

In one specific decision, the Council granted a direct-costs fee structure to the Winter Bird Festival. That decision was based on a 2009 motion by the City Council creating “co-sponsored” events that pay direct costs if they meet three requirements intended to support tourism during shoulder season (the time of year when fewer visitors come to Morro Bay, generally November to April).

Co-sponsoring of events may occur if:

1. The event is held off-season (11/1 – 4/30);
2. The event is a multi-day event, or a one-day event with financial return to the City;
3. The requesting party is a non-profit organization.

It appears, initially, an annual application to qualify for co-sponsorship was required. However, in some cases, that has not been occurring.

The only two events approved by Council for co-sponsorship are the Winter Bird Festival (a four-day, shoulder-season event) and Dahlia Daze, which no longer occurs.

To be clear, staff is not arguing any group or event is less worthy of being supported than any other. The issue is staff believes it is crucial the decisions it makes be based on adopted policy and decisions of the City Council. Staff is not comfortable administratively picking winners or losers when it comes to the rental of City facilities or use of City property.

Earlier in 2016, the RPC and the City Council both discussed ways to ensure a clear policy directive as to when the City would partner with groups in ways that benefit the community, and when the group would be eligible for free or reduced-cost facility fees in return.

To that end, staff has revised a previously adopted Partnership Policy to provide clearer direction on why we partner, how we determine when a partnership is worthwhile, and how each party might benefit from said partnership.

RPC members unanimously recommended approval of the revised Partnership Policy and recommended City Council provide further direction to staff regarding the adopted co-sponsorship policy for shoulder season events.

DISCUSSION

The attached Partnership Policy is designed to provide general parameters regarding when and why the City partners with other entities. A previous iteration of that policy had substantial unnecessary language and sections that caused the intent of the policy to be lost. Staff’s hope is the new policy is clearer regarding when partnerships may occur.

However, it has become clear being extremely explicit about when we’ll partner is not necessarily feasible. Doing so may short-change the City (and community) in terms of potential partnerships. Instead, the general language for types of partnerships has been left in, with a recognition certain

partnerships related to the support of seniors, youth, low-income residents, and persons with disabilities will be looked at favorably.

The policy gives staff the flexibility to welcome many new partnerships, as well as the flexibility to negotiate agreements that provide some type of benefit to the group proposing the partnership. Using that policy, staff would work to determine whether a partnership is beneficial and then would work with the group to create some type of agreement (the type of agreement could vary based on the type of partnership, from lease agreements to management agreements to Adopt-A-Park maintenance agreements, etc.) that spells out the parameters of the partnership and the benefits to both the City and the other entity.

What is missing from the policy, however, is recognition of the existing Co-sponsorship Policy approved by the City Council. Staff felt it was difficult to wrap language related to event co-sponsorship into this document, as it seems to be outside the scope of said partnerships.

However, if the Council disagrees with that, then staff can easily amend the language to recognize event co-sponsorship as being a type of partnership in which the City is interested. Event sponsorship benefits may be more difficult to quantify than, say, the obvious benefits of a volunteer group conducting Adopt-A-Park maintenance. A first time event, for instance, may have little data to show how many people will attend and what type of economic or quality-of-life benefit it may bring to the community, versus the revenue lost if fees for facility use are reduced.

Staff recommends an additional conversation on that issue prior to any modification of the Partnership Policy. Perhaps the existing Co-sponsorship Policy will remain in effect.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 36-16 approving the new Partnership Policy and provide staff direction related to Co-sponsorship criteria previously created by the Council.

ATTACHMENTS

Resolution No. 36-16 – Proposed Partnership Policy

Resolution No. 18-14 – 2014 Partnership Policy

RESOLUTION NO. 36-16

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
RESCINDING RESOLUTION NO. 18-14 AND
ADOPTING A NEW PARTNERSHIP POLICY**

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

WHEREAS, the City Council supports robust partnerships with outside entities in order to enhance the quality of life of both residents and visitors; and

WHEREAS, it is appropriate to adopt a policy that provides clear guidance and standards for partnerships; and

WHEREAS, the City Council not only supports partnerships, it especially supports those that enhance the quality of life for seniors, low-income residents, children, and the disabled; and

WHEREAS, in 2014 the City Council adopted an initial version of the Partnership Policy; and

WHEREAS, from time to time it is appropriate to review existing policies and procedures and update them as necessary to reflect current trends and practices; and

WHEREAS, it is appropriate to adopt a new Partnership Policy that better reflects the goal of partnerships and seeks to enhance the quality of life for seniors, low-income residents, children, and the disabled;

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

Section 1. Resolution No. 18-14 is hereby rescinded.

Section 2. The Partnership Policy, attached hereto as Exhibit A and incorporated herein by this reference is hereby adopted.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on this 10th day of May, 2016 on the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

**City of Morro Bay
Recreation Services Division
Partnership Policy
And
Partnership Proposal Guidelines**

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I. Morro Bay Recreation Services Division Partnership Policy

A. Purpose

This policy shall be referred to the Partnership Policy and is designed to guide the process for the City of Morro Bay (City) Recreation Services Division to carry out the City's desire to partner with private, non-profit, or other governmental entities for the development, design, construction and operation of partnered recreational facilities or programs that may occur on City property, as well as with organizations that may provide service on the City's behalf. In particular, programs that can provide additional support for local seniors, youth, low-income residents, and persons with disabilities are highly desired. The City also welcomes partnerships that provide for the improvement or beautification of public spaces.

The Partnership Policy provides guidelines for the City to create partnerships of interest to the City and framework for how partnership agreements are to be proposed and created.

B. Partnership Definition

For purposes of the Partnership Policy, a Proposed Partnership is defined as:

"An identified idea or concept involving the Morro Bay Recreation Services Division, or another City department or division, and one or more for-profit, non-profit or governmental entities, which outlines a method to combine resources for developing facilities, programs or amenities for the City and its residents, businesses and visitors or to provide services the City otherwise might provide on its own, but is not or cannot, presently."

The City will especially welcome potential partnerships that improve existing community facilities or provide services/programming for seniors, low-income individuals, local youth, or persons with disabilities.

Partnerships can take the form of (1) cash gifts and donor programs, (2) improved access to alternative funding, (3) property investments, (4) charitable trust funds, (5) labor, (6) materials, (7) equipment, (8) sponsorships, (9) technical/management skills and other valuable abilities and (10) programs or services provided on the City's behalf. The effective use of volunteers also can figure significantly in developing partnerships. Some partnerships involve active decision making, while in others, partners may take a more passive role.

C. Possible Types of Active Partnerships

Morro Bay Recreation Services Division is interested in promoting collaborative partnerships with multiple community organizations. Types of agreements for Proposed "Active" Partnerships may include leases, contracts, sponsorship agreements, marketing agreements, management agreements, joint-use agreements, inter-governmental agreements, or a combination of those.

Proposed partnerships will be considered for facility, service, operations, and program development, including associated needs, such as, but not limited to, parking, paving, fencing, drainage systems, signage, outdoor restrooms, lighting and utility infrastructure. An innovative and mutually beneficial partnership that does not fit into any of these categories may also be considered.

D. Sponsorships

Morro Bay Recreation Services Division is interested in actively procuring sponsorships for facilities and programs as one type of beneficial partnership.

E. Limited-Decision Making Partnerships: Donor, Volunteer, and Granting Programs

While the Partnership Policy focuses on the parameters for more active types of partnerships, the City is interested in, and willing to discuss, a proposal for Limited-Decision Making Partnerships, and may create specific plans for such in the future.

F. Benefits of Partnerships with Morro Bay Recreation Services Division

The City expects any Proposed Partnership will have benefits for all involved parties. Some general expected benefits are:

Benefits for the City and the Community:

- Merging of resources to create a higher level of service and facility availability for community members.
- Making alternative funding sources available for public community amenities.
- Tapping into the dynamic and entrepreneurial traits of private industry.
- Delivering services and facilities more efficiently by allowing for collaborative business solutions to public organizational challenges.
- Meeting the needs of specific groups of users through the availability of land for development and community use.

Benefits for the Partners:

- Land or facility availability at a subsidized level for specific facility or program needs.
- Sharing of the risk with an established stable governmental entity.
- Becoming part of a larger network of support for management and promotion of facilities and programs.
- Availability of professional City recreation and planning experts to maximize the facilities and programs that may result.
- Availability of City staff facilitation to help streamline the planning and operational efforts.

II. The Partnering Process (Checklist)

The steps for the creation of a partnership with the Morro Bay Recreation Services Division are as follows:

- A. When applicable, the Morro Bay Recreation Services Division will create a public notification process that will help inform any and all interested partners of the availability of certain partnerships with the City.
- B. The proposing partner takes the first step to propose partnering with the City. To help in reviewing both the partnership proposed, and the project to be developed in partnership, the City asks for a Preliminary Proposal according to a specific format as outlined in Part Two - Proposed Partnership Outline Format.
- C. If initial review of a Preliminary Proposal yields interest and appears to be mutually beneficial based on the City Mission and Goals, and the Selection Criteria, then a City staff or appointed representative will be assigned to work with potential partners.
- D. The City representative is available to answer questions related to the creation of an initial proposal, and after initial interest has been indicated, will work with the proposing partner to create a checklist of what actions need to take place next. Each project will have distinct planning, design, review and support issues. The City representative will facilitate the process of determining how the partnership will address these issues. That representative can also facilitate approvals and input from any involved City departments, providing guidance for the partners as to necessary steps.
- E. An additional focus will be to determine whether the proposed project is appropriate for additional collaborative partnering, and whether the City should advertise a **Request for Proposal (RFP)** from competing/collaborating organizations, based on the following criteria.

Request for Proposal (RFP) Trigger: In order to reduce concerns of unfair private competition, if a proposed project involves partnering with a private “for-profit” entity and anticipated contribution from the City is greater than \$5,000, and the City has not already undergone a public process for solicitation of that particular type of partnership, then the City will request Partnership Proposals from other interested private entities for identical or complementary facilities, programs or services. A selection of appropriate partners will be part of the process.

- F. For some projects, a Formal Proposal from the partners for their desired development project will need to be presented for the City’s official development review processes and approvals. The project may require approval by the Legal, Planning, Fire and Safety, Finance or other City Departments, the Recreation and Parks Commission, the Planning Commission, the City Council, or the City Manager’s Office, depending on project complexity and applicable City Code provisions, ordinances, resolutions, or other regulations. If those reviews are necessary, then provision to reimburse the City for its

costs incurred in having a representative facilitate the partnered project's passage through Development Review should be included in the partnership proposal.

- G. Depending on project complexity and anticipated benefits, responsibilities for all action points are negotiable, within the framework established by law, to assure the most efficient and mutually beneficial outcome. Some projects may require all technical and professional expertise and staff resources come from outside the City's staff, while some projects may proceed most efficiently if the City contributes staff resources to the partnership.
- H. The partnership must cover the costs the partnership incurs, regardless of how the partnered project is staffed; and the project proposal and budget must reflect those costs. The proposal for the partnered project should also discuss how staffing and expertise will be provided, and what documents/products will be produced, if any. If City staff resources are to be used by the partnership, then those costs should be allocated to the partnered project and charged to it.
- I. Specific **Partnership Agreements** appropriate to the project will be drafted jointly. There is no specifically prescribed format for **Partnership Agreements**, which may take any of several forms depending on what will accomplish the desired relationships among partners. The agreements may be in the form of:
 - Lease Agreements
 - Management and/or Operating Agreements
 - Maintenance Agreements (such as Adopt-A-Park)
 - Intergovernmental Agreements (IGAs)
 - Or a combination of those and other appropriate agreements

Proposed partnership agreements might include, but not be limited to, such things as oversight of the development of the partnership, concept plans and project master plans, environmental assessments, architectural designs, development and design review, project management, and construction documents, inspections contracting and monitoring. Provision to fund the costs and for reimbursing the City for its costs incurred in creating the partnership, facilitating the project's passage through the Development Review Process, and completing the required documents should be considered.

- J. If the proposal and all required documentation are approved, then the Partnership begins. The City is committed to upholding its responsibilities to Partners from the initiation through the satisfactory continuation and completion of a partnership. Ongoing evaluation will be an integral component of all Partnerships. The agreements should outline who is responsible for evaluation, the types of measures used, and detail what will occur should the evaluations reveal Partners are not meeting their Partnership obligations.

III. The Partnership Evaluation Process

A. Mission Statements and Goals

All partnerships with Morro Bay Recreation Services Division should be in accord with the City's and the Division's Mission and Goals to indicate how a proposed partnership with the City would be preliminarily evaluated.

B. Other Considerations

1. Costs for the Proposal Approval Process

For most proposed partnerships, there will be considerable staff time spent on the review and approval process once a project passes the initial review stage. That time includes, but is not limited to discussions with Proposing Partners, exploration of synergistic partnering opportunities, possible RFP processes, facilitation of the approval process, and assistance in writing and negotiating agreements and contracting. There may also be costs for construction and planning documents, design work, and related needs and development review processes mandated by City ordinances.

Successful partnerships will take those costs into account and may plan for City recovery of some or all of those costs within the proposal framework. Some of those costs could be considered construction expenses, reimbursed through a negotiated agreement, once operations begin, or covered through some other creative means.

2. Land Use and/or Site Improvements

Some proposed partnerships may include facility or land use. Necessary site improvements cannot be automatically assumed. Costs and responsibility for those improvements should be considered in any Proposal. Some of the general and usual needs for public facilities that may not be included as City contributions and may need to be negotiated for a project include:

- Any facilities or non-existent infrastructure construction
- Roads or street improvements
- Maintenance to specified standards
- Staffing
- Parking
- Lighting
- Outdoor restrooms
- Water fountains
- Complementary uses of the site
- Utility improvements
- Custodial
- Trash removal

3. Need

The nature of provision of public services determines certain activities will have a higher need than others. Some activities serve a relatively small number of users and have a high facility

cost. Others serve a large number of users and are widely available from the private sector because they are profitable. The determination of need for facilities and programs is an ongoing discussion in public provision of programs and amenities. The project will be evaluated based on how the project fulfills a public need.

4. Funding

Only when a Partnership Proposal demonstrates high unmet needs and high benefits for City citizens will the City consider contributing resources to a project. The City recommends Proposing Partners consider sources of potential funding. The more successful partnerships will have funding secured in advance. In most cases, Proposing Partners should consider funding and cash flow for initial capital development, staffing, and ongoing operation and maintenance.

The details of approved and pending funding sources should be clearly identified in a proposal.

For many partners, especially small private user groups, non-profit groups, and governmental agencies, cash resources may be a limiting factor in the proposal. It may be necessary for partners to utilize alternative funding sources for resources to complete a proposed project. Obtaining alternative funding often demands creativity, ingenuity, and persistence, but many forms of funding are available.

Alternative funding can come from many sources, e.g. sponsorships, grants, donor programs, and Internet searches can help with foundation and grant resources. Developing a solid leadership team for a partnering organization will help find funding sources. In-kind contributions can, in some cases, add additional funding.

All plans for using alternative funding should be clearly identified. The City's Co-sponsorship Policy and partnered projects will be expected to adhere to this Policy. That adherence includes the necessity of having an Approved Sponsorship Plan in place prior to procurement of sponsorships for a Partnered Project.

C. Selection Criteria

In assessing a partnership opportunity to provide facilities and services, the City will consider (as appropriate) the following criteria. The Partnership Proposal Guidelines in Part Two provide a structure to use in creating a proposal. City staff and representatives will make an evaluation by attempting to answer each of the following Guiding Questions:

- How does the project align with the City and the affected Department/Division's Mission Statement and Goals?
- How does the proposed facility fit into the current City and the affected Department/Division's Master Plan?
- How does the facility/program meet the needs of City residents?
- How will the project generate more revenue and/or less cost per participant than the City can provide with its own staff or facilities?
- What alternatives currently exist, or have been considered, to serve the users identified in this project?
- How much of the existing need is now being met within the City borders and within nearby

cities?

- What is the number and demographic profile of participants who will be served?
- How can the Proposing Partner assure the City of long-term stability of the proposed partnership, both for operations and for maintenance standards?
- How will the partnered project meet Americans with Disabilities Act (ADA) and Equal Employment Opportunity Commission (EEOC) requirements?
- How will the organization offer programs at reasonable and competitive costs for participants?
- What are the overall benefits for both the City and the Proposing Partner?

Part Two
**Morro Bay Recreation Services Division
 Partnership Proposal Guidelines**

Please provide as much information as possible in the following outline form.

I. Description of Proposing Organization:

- Name of Organization
- Years in Existence
- Contact Name, Mailing Address,
Physical Address, Phone, Email
- Purpose of Organization
- Services Provided
- Member/User/Customer Profiles
- Accomplishments
- Legal Status

II. Decision-making Authority

Who is authorized to negotiate on behalf of the organization? Who or what group (i.e. Council/Commission/Board) is the final decision maker and can authorize the funding commitment? What is the time frame for decision making?

Summary of Proposal (100 words or less)

What is being proposed in terms of capital development and program needs?

III. Benefits to the Partnering Organization

Why is the organization interested in partnering with the City of Morro Bay Recreation Services Division or another City Department/Division? Please list and discuss the benefits (monetary and non-monetary) to the proposing organization.

IV. Benefits to the Morro Bay Recreation Services Department

Please list and discuss the benefits (monetary and non-monetary) to the Morro Bay Recreation Services Division and residents of the City.

V. Details (as currently known)

The following page lists a series of *Guiding Questions* to help address details and outline the benefits of a possible partnership. Please try to answer as many as possible with currently known information. Include what the organization proposes to provide and what is being requested from the Morro Bay Recreation Services Division. Please include (as known) initial plans for the concept, operations, projected costs and revenues, staffing, and/or any scheduling or maintenance needs.

Guiding Questions

Meeting the Needs of our Community:

- How does the proposed project align with Recreation Services Division goals?
- How does the proposed program or facility use meet a need for City residents?
- Who will be the users? What is the projected number and profile of participants who will be served?
- What alternatives currently exist to serve the users identified in this project?
- How much of the existing need is now being met? What is the availability of similar programs elsewhere in the community?
- Does the proposed program provide opportunities for entry-level, intermediate and/or expert skill levels?
- How does the proposed project incorporate environmentally sustainable practices?

The Financial Aspect:

- Can the project generate more revenue or less cost per participant than the City can provide with its own staff or facilities? If not, then why should the City partner on the project?
- Will the proposing organization offer programs at reasonable and competitive costs for all participants? What are the anticipated prices for participants?
- What resources are expected to come from the Recreation Services Division?
- Will there be a monetary benefit for the City, and if so, how and how much?

Logistics:

- How much space is needed? What type of space?
- What is critical related to location?
- What is the proposed time line?
- What are the projected hours of operations?
- What are the initial staffing projections?
- Are there any mutually beneficial, cooperative marketing benefits?
- What types of insurance will be needed, and who will be responsible for acquiring and paying premiums on the policies?
- What is the organization's experience with providing this type of facility/program?
- How will the organization meet ADA and EEOC requirements?

Agreements and Evaluation:

- How, by whom, and at what intervals should the project be evaluated?
- How can the City be assured of the long-term stability of the proposing organization?
- What types and length of agreements should be used for the proposed project?
- What types of “exit strategies” should we include?

RESOLUTION NO. 18-14

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF MORRO BAY, CALIFORNIA
APPROVING THE MORRO BAY PARTNERSHIP POLICY**

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

WHEREAS, the City of Morro Bay desires to partner with private, non-profit, or other governmental entities for the development, design, construction and operation of possibly partnered recreational facilities and/or programs that may occur on City property; and

WHEREAS, partnerships can accomplish tasks with limited resources, respond to compelling issues, encourage cooperative interaction and conflict resolution, involve outside interests, and serve as an education and outreach tool; and

WHEREAS, said policy will facilitate a mutually beneficial collaboration for all proposing partners including the City, and particularly for the citizens of Morro Bay; and

WHEREAS, the Morro Bay Recreation and Parks Department is interested in promoting partnerships which involve cooperation among many partners, bringing resources together to accomplish goals in a synergistic manner; and

WHEREAS, said partnering procedures established by the City would provide essential background information regarding the needs and contributions of potential partners; and

WHEREAS, at their regular meeting on September 19, 2013 the Recreation and Parks Commission voted unanimously to support the Partnership Policy and recommended City Council's approval.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morro Bay, California, hereby approves and adopts the Partnership Policy and the implementing procedures.

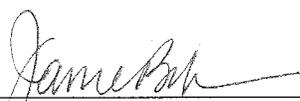
PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 11th day of March 2014, on the following vote:

AYES: Irons, C. Johnson, N. Johnson, Leage, Smukler
NOES: None
ABSENT: None



JAMIE L. IRONS, Mayor

ATTEST:



JAMIE BOUCHER, City Clerk

**City of Morro Bay
Recreation and Parks Department**

**Partnership Policy
And
Proposal Format**

**City of Morro Bay Recreation and Parks
Department Partnership Policy and
Proposal Format**

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I. Morro Bay Recreation and Parks Department Partnership Policy

A. Purpose

This policy is designed to guide the process for Morro Bay Recreation and Parks Department in their desire to partner with private, non-profit, or other governmental entities for the development, design, construction and operation of possibly partnered recreational facilities and/or programs that may occur on City property.

Morro Bay Recreation and Parks Department would like to identify private, non-profit, and governmental entities that are interested in proposing to partner with the City to develop recreational facilities and/or programs. A major component in exploring any potential partnership will be to identify additional collaborating partners that may help provide a synergistic working relationship in terms of resources, community contributions, knowledge, and political sensitivity. These partnerships should be mutually beneficial for all proposing partners including the City, and particularly beneficial for the citizens of the community.

This policy document is designed to:

- Provide essential background information,
- Provide parameters for gathering information regarding the needs and contributions of potential partners, and
- Identify how the partnerships will benefit the Morro Bay Recreation and Parks Department and the community.

Part Two: The “Proposed Partnership Outline Format”, provides a format that is intended to help guide Proposing Partners in creating a proposal for review by Morro Bay Recreation and Parks Department staff.

B. Background and Assumptions

Partnerships are being used across the nation by governmental agencies in order to utilize additional resources for their community’s benefit. Examples of partnerships abound, and encompass a broad spectrum of agreements and implementation. The most commonly described partnership is between a public and a private entity, but partnerships also occur between public entities and non-profit organizations and/or other governmental agencies.

In order for partnerships to be successful, research has shown that the following elements should be in place prior to partnership procurement:

- There must be support for the concept and process of partnering from the very highest organizational level – i.e.: the City Council, Recreation and Parks Commission, and/or department head.
- The most successful agencies have high-ranking officials that believe that they owe it to their citizens to explore partnering opportunities whenever presented, those communities both solicit partners and consider partnering requests brought to them.
- It is very important to have a Partnership Policy in place before partner procurement begins. This allows the agency to be proactive rather than reactive when presented with a partnership opportunity. It also sets a “level playing field” for all potential partners, so that they can know and understand in advance the parameters and selection criteria for a proposed partnership.
- A partnership policy and process should set development priorities and incorporate multiple points for go/no-go decisions.
- The partnership creation process should be a public process, with both Partners and the Partnering Agency well aware in advance of the upcoming steps.

C. Partnership Definition

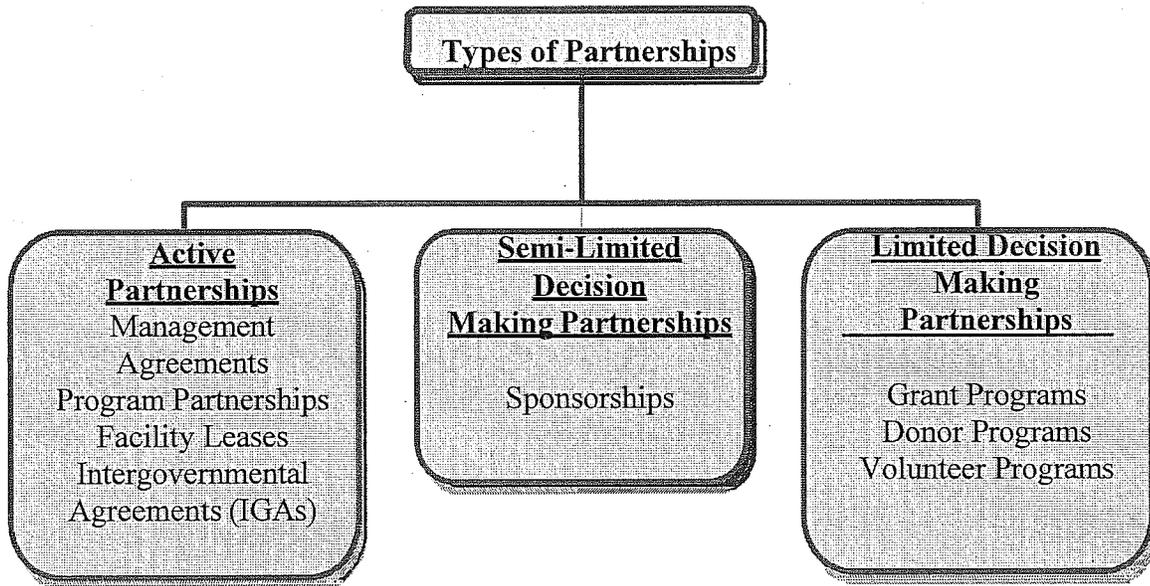
For purposes of this document and policy, a Proposed Partnership is defined as:

"An identified idea or concept involving Morro Bay Recreation and Parks Department and for-profit, non-profit, and/or governmental entities, outlining the application of combined resources to develop facilities, programs, and/or amenities for the City and its citizens."

A partnership is a cooperative venture between two or more parties with a common goal, who combine complementary resources to establish a mutual direction or complete a mutually beneficial project. Partnerships can be facility-based or program-specific. The main goal for Morro Bay Recreation and Parks Department partnerships is enhancing public offerings to meet the mission and goals of the City. Morro Bay Recreation and Parks Department is interested in promoting partnerships which involve cooperation among many partners, bringing resources together to accomplish goals in a synergistic manner. Proposals that incorporate such collaborative efforts will receive priority status.

Partnerships can accomplish tasks with limited resources, respond to compelling issues, encourage cooperative interaction and conflict resolution, involve outside interests, and serve as an education and outreach tool. Partnerships broaden ownership in various projects and increase public support for community recreation goals. Partners often have flexibility to obtain and invest resources/dollars on products or activities where municipal government may be limited.

Partnerships can take the form of (1) cash gifts and donor programs, (2) improved access to alternative funding, (3) property investments, (4) charitable trust funds, (5) labor, (6) materials, (7) equipment, (8) sponsorships, (9) technical skills and/or management skills, and other forms of value. The effective use of volunteers also can figure significantly into developing partnerships. Some partnerships involve active decision making, while in others, certain partners take a more passive role. The following schematic shows the types of possible partnerships discussed in this policy:



D. Possible Types of Active Partnerships

Morro Bay Recreation and Parks Department is interested in promoting collaborative partnerships among multiple community organizations. Types of agreements for Proposed “Active” Partnerships may include leases, contracts, sponsorship agreements, marketing agreements, management agreements, joint-use agreements, inter-governmental agreements, or a combination of these. An innovative and mutually beneficial partnership that does not fit into any of the following categories may also be considered.

Proposed partnerships will be considered for facility, service, operations, and/or program development including associated needs, such as parking, paving, fencing, drainage systems, signage, outdoor restrooms, lighting, utility infrastructure, etc.

E. Sponsorships

Morro Bay Recreation and Parks Department is interested in actively procuring sponsorships for facilities and programs as one type of beneficial partnership. Please see *the Morro Bay Recreation and Parks Department Sponsorship Policy* for more information.

F. Limited-Decision Making Partnerships: Donor, Volunteer, and Granting Programs

While this policy document focuses on the parameters for more active types of partnerships, the City is interested in, and willing to discuss, a proposal for any of these types of partnerships, and may create specific plans for such in the future.

G. Benefits of Partnerships with Morro Bay Recreation and Parks Department

The City expects that any Proposed Partnership will have benefits for all involved parties. Some general expected benefits are:

Benefits for the City and the Community:

- Merging of resources to create a higher level of service and facility availability for community members.
- Making alternative funding sources available for public community amenities.
- Tapping into the dynamic and entrepreneurial traits of private industry.
- Delivering services and facilities more efficiently by allowing for collaborative business solutions to public organizational challenges.
- Meeting the needs of specific groups of users through the availability of land for development and community use.

Benefits for the Partners:

- Land and/or facility availability at a subsidized level for specific facility and/or program needs.
- Sharing of the risk with an established stable governmental entity.
- Becoming part of a larger network of support for management and promotion of facilities and programs.
- Availability of professional City recreation and planning experts to maximize the facilities and programs that may result
- Availability of City staff facilitation to help streamline the planning and operational efforts.

II. The Partnering Process (Checklist)

The steps for the creation of a partnership with the Morro Bay Recreation and Parks Department are as follows:

- A. Morro Bay Recreation and Parks Department will create a public notification process that will help inform any and all interested partners of the availability of partnerships with the City. This will be done through notification in area newspapers, City's website, Department's distribution list, listing marketing efforts, or through any other notification method that is applicable and feasible.
- B. The proposing partner takes the first step to propose partnering with the City. To help in reviewing both the partnerships proposed, and the project to be developed in partnership, the City asks for a Preliminary Proposal according to a specific format as outlined in Part Two □ Proposed Partnership Outline Format.
- C. If initial review of a Preliminary Proposal yields interest and appears to be mutually beneficial based on the City Mission and Goals, and the Selection Criteria, a City staff or appointed representative will be assigned to work with potential partners.
- D. The City representative is available to answer questions related to the creation of an initial proposal, and after initial interest has been indicated, will work with the proposing partner to create a checklist of what actions need to take place next. Each project will have distinctive planning, design, review and support issues. The City representative will facilitate the process of determining how the partnership will address these issues. This representative can also facilitate approvals and input from any involved City departments, providing guidance for the partners as to necessary steps.
- E. An additional focus at this point will be determining whether this project is appropriate for additional collaborative partnering, and whether this project should prompt the City to seek a **Request for Proposal (RFP)** from competing/ collaborating organizations.

Request for Proposal (RFP) Trigger: In order to reduce concerns of unfair private competition, if a proposed project involves partnering with a private "for-profit" entity and a dollar amount greater than \$5,000, and the City has not already undergone a public process for solicitation of that particular type of partnership, the City will request Partnership Proposals from other interested private entities for identical and/or complementary facilities, programs or services. A selection of appropriate partners will be part of the process.

- F. For some projects, a Formal Proposal from the partners for their desired development project will need to be presented for the City's official development review processes and approvals. The project may require approval by the Legal, Planning, Fire and Safety, Finance and/or other City Departments, Recreation and Parks Commission, Planning Commission, The City Council, and/or the City Manager's Office, depending on project

complexity and applicable City Charter provisions, ordinances or regulations. If these reviews are necessary, provision to reimburse the City for its costs incurred in having a representative facilitate the partnered project's passage through Development Review should be included in the partnership proposal.

- G. Depending on project complexity and anticipated benefits, responsibilities for all action points are negotiable, within the framework established by law, to assure the most efficient and mutually beneficial outcome. Some projects may require that all technical and professional expertise and staff resources come from outside the City's staff, while some projects may proceed most efficiently if the City contributes staff resources to the partnership.
- H. The partnership must cover the costs the partnership incurs, regardless of how the partnered project is staffed, and reflect those costs in its project proposal and budget. The proposal for the partnered project should also discuss how staffing and expertise will be provided, and what documents will be produced. If City staff resources are to be used by the partnership, those costs should be allocated to the partnered project and charged to it.
- I. Specific **Partnership Agreements** appropriate to the project will be drafted jointly. There is no specifically prescribed format for **Partnership Agreements**, which may take any of several forms depending on what will accomplish the desired relationships among partners. The agreements may be in the form of:
 - Lease Agreements
 - Management and/or Operating Agreements
 - Maintenance Agreements
 - Intergovernmental Agreements (IGAs)
 - Or a combination of these and/or other appropriate agreements

Proposed partnership agreement might include oversight of the development of the partnership, concept plans and project master plans, environmental assessments, architectural designs, development and design review, project management, and construction documents, inspections contracting, monitoring, etc. Provision to fund the costs and for reimbursing the City for its costs incurred in creating the partnership, facilitating the project's passage through the Development Review Process, and completing the required documents should be considered.

- J. If all is approved, the Partnership begins. The City is committed to upholding its responsibilities to Partners from the initiation through the continuation of a partnership. Evaluation will be an integral component of all Partnerships. The agreements should outline who is responsible for evaluation; the types of measures used, and detail what will occur should the evaluations reveal Partners are not meeting their Partnership obligations.

III. The Partnership Evaluation Process

A. Mission Statements and Goals

All partnerships with Morro Bay Recreation and Parks Department should be in accord with the City's and the Recreation and Parks Department's Mission and Goals to indicate how a proposed partnership for that Department would be preliminarily evaluated:

**Morro Bay Recreation &
Parks Department
MISSION STATEMENT**

We are committed to providing quality recreational services, facilities, and parks necessary to live a healthy and enriched life. We provide these services to our customers in a responsive courteous manner. Our programs strive to build wellness in people, families, and the community.

“Creating Community through People, Parks and Programs”

GOALS

- Help to build strong communities and neighborhoods
- Promote environmental stewardship through recycling and education
- Provide beautiful, safe, and functional parks and facilities that improve the lives of all citizens
- Preserve cultural and historic features within the City's parks and recreation systems
- Provide a work environment for the Recreation & Parks Department staff that encourages initiative, professional development, high morale, productivity, teamwork, innovation, and excellence in management

B. Other Considerations

1. Costs for the Proposal Approval Process

For most proposed partnerships, there will be considerable staff time spent on the review and approval process once a project passes the initial review stage. This time includes discussions with Proposing Partners, exploration of synergistic partnering opportunities, possible RFP processes, facilitation of the approval process, and assistance in writing and negotiating agreements, contracting, etc. There may also be costs for construction and planning documents, design work, and related needs and development review processes mandated by City ordinances.

Successful Partnerships will take these costs into account and may plan for City Recovery of some or all of these costs within the proposal framework. Some of these costs could be considered as construction expenses, reimbursed through a negotiated agreement once operations begin, or covered through some other creative means.

2. Land Use and/or Site Improvements

Some proposed partnerships may include facility and/or land use. Necessary site improvements cannot be automatically assumed. Costs and responsibility for these improvements should be considered in any Proposal. Some of the general and usual needs for public facilities that may not be included as City contributions and may need to be negotiated for a project include:

- Any facilities or non-existent infrastructure construction
- Roads or street improvements
- Maintenance to specified standards
- Staffing
- Parking
- Lighting
- Outdoor restrooms
- Water fountains
- Complementary uses of the site
- Utility improvements
- Custodial
- Trash removal

3. Need

The nature of provision of public services determines that certain activities will have a higher need than others. Some activities serve a relatively small number of users and have a high facility cost. Others serve a large number of users and are widely available from the private sector because they are profitable. The determination of need for facilities and programs is an ongoing discussion in public provision of programs and amenities. The project will be evaluated based on how the project fulfills a public need.

4. Funding

Only when a Partnership Proposal demonstrates high unmet needs and high benefits for City citizens, will the City consider contributing resources to a project. The City recommends that Proposing Partners consider sources of potential funding. The more successful partnerships will have funding secured in advance. In most cases, Proposing Partners should consider funding and cash flow for initial capital development, staffing, and ongoing operation and maintenance.

The details of approved and pending funding sources should be clearly identified in a proposal.

For many partners, especially small private user groups, non-profit groups, and governmental agencies, cash resources may be a limiting factor in the proposal. It may be a necessity for partners to utilize alternative funding sources for resources to complete a proposed project. Obtaining alternative funding often demands creativity, ingenuity, and persistence, but many forms of funding are available.

Alternative funding can come from many sources, e.g. Sponsorships, Grants, Donor Programs, and internet searches can help with foundation and grant resources. Developing a solid leadership team for a partnering organization will help find funding sources. In-kind contributions can, in some cases, add additional funding.

All plans for using alternative funding should be clearly identified. The City's Sponsorship Policy, and partnered projects will be expected to adhere to this Policy. This includes the necessity of having an Approved Sponsorship Plan in place prior to procurement of sponsorships for a Partnered Project.

C. Selection Criteria

In assessing a partnership opportunity to provide facilities and services, the City will consider (as appropriate) the following criteria. The Proposed Partnership Outline Format in Part Two provides a structure to use in creating a proposal. City staff and representatives will make an evaluation by attempting to answer each of the following Guiding Questions:

- How does the project align with the City and affected Department's Mission Statement and Goals?
- How does the proposed facility fit into the current City and the affected Department's Master Plan?
- How does the facility/program meet the needs of City residents?
- How will the project generate more revenue and/or less cost per participant than the City can provide with its own staff or facilities?
- What are the alternatives that currently exist, or have been considered, to serve the users identified in this project?
- How much of the existing need is now being met within the City borders and within adjacent cities?
- What is the number and demographic profile of participants who will be served?
- How can the proposing partner assure the City of the long-term stability of the proposed partnership, both for operations and for maintenance standards?
- How will the partnered project meet Americans with Disabilities Act and EEOC requirements?
- How will the organization offer programs at reasonable and competitive costs for participants
- What are the overall benefits for both the City and the Proposing Partners?

Part Two
Morro Bay Recreation and Parks
Proposed Partnership Outline Format

Please provide as much information as possible in the following outline form.

I. Description of Proposing Organization:

- Name of Organization
- Years in Existence
- Contact Name, Mailing Address, Physical Address, Phone, Fax, E-mail
- Purpose of Organization
- Services Provided
- Member/User/Customer Profiles
- Accomplishments
- Legal Status

II. Decision Making Authority

Who is authorized to negotiate on behalf of the organization? Who or what group (i.e. Council/Commission/Board) is the final decision maker and can authorize the funding commitment? What is the timeframe for decision making?

Summary of Proposal (100 words or less)

What is being proposed in terms of capital development, and program needs?

III. Benefits to the Partnering Organization

Why is your organization interested in partnering with the Morro Bay Recreation and Parks Department? Please individually list and discuss the benefits (monetary and non-monetary) for your organization

IV. Benefits to the Morro Bay Recreation and Parks Department

Please individually list and discuss the benefits (monetary and non-monetary) for the Morro Bay Recreation and Parks Department and residents of the City.

V. Details (as currently known)

The following page lists a series of *Guiding Questions* to help you address details that can help outline the benefits of a possible partnership. Please try to answer as many as possible with currently known information. Please include what your organization proposes to provide and what is requested of Morro Bay Recreation and Parks Department. Please include (as known) initial plans for your concept, operations, projected costs and revenues, staffing, and/or any scheduling or maintenance needs, etc.

Guiding Questions

Meeting the Needs of our Community:

- In your experience, how does the project align with Recreation & Parks Department goals?
- How does the proposed program or facility meet a need for City residents?
- Who will be the users? What is the projected number and profile of participants who will be served?
- What alternatives currently exist to serve the users identified in this project?
- How much of the existing need is now being met? What is the availability of similar programs elsewhere in the community?
- Do the programs provide opportunities for entry-level, intermediate, and/or expert skill levels?
- How does this project incorporate environmentally sustainable practices?

The Financial Aspect:

- Can the project generate more revenue and/or less cost per participant than the City can provide with its own staff or facilities? If not, why should the City partner on this project?
- Will your organization offer programs at reasonable and competitive costs for all participants? What are the anticipated prices for participants?
- What resources are expected to come from the Recreation & Parks Department?
- Will there be a monetary benefit for the City, and if so, how and how much?

Logistics:

- How much space do you need? What type of space?
- What is critical related to location?
- What is your proposed timeline?
- What are your projected hours of operations?
- What are your initial staffing projections?
- Are there any mutually-beneficial cooperative marketing benefits?
- What types of insurance will be needed and who will be responsible for acquiring and paying premiums on the policies?
- What is your organization's experience in providing this type of facility/program?
- How will your organization meet Americans with Disabilities Act and EEOC requirements?

Agreements and Evaluation:

- How, by whom, and at what intervals should the project be evaluated?
- How can you assure the City of long-term stability of your organization?
- What types and length of agreements should be used for this project?
- What types of "exit strategies" should we include?