



CITY OF MORRO BAY CITY COUNCIL AGENDA

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

Regular Meeting - Tuesday, January 9, 2018 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
RECOGNITION
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS
PRESENTATIONS

- Bird Festival Proclamation
- Presentation of Proclamation in Recognition of San Luis Obispo Museum of Art

PUBLIC COMMENT PERIOD

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 FOR THE NOVEMBER 14, 2017 CITY COUNCIL CLOSED SESSION MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-2 APPROVAL OF MINUTES FOR THE NOVEMBER 14, 2017 CITY COUNCIL MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-3 APPROVAL OF MINUTES FOR THE DECEMBER 12, 2017 CITY COUNCIL MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-4 APPROVAL OF MINUTES FOR THE DECEMBER 13, 2017 CITY COUNCIL CLOSED SESSION MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-5 APPROVAL OF BIRD FESTIVAL PROCLAMATION; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-6 APPROVAL OF PROCLMATION IN RECOGNITION OF THE SAN LUIS OBISPO MUSEUM OF ART; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-7 APPOINTMENT OF MAYOR PRO TEMPORE FOR 2018; (CITY CLERK)
- RECOMMENDATION: Council affirm the appointment of Council Member McPherson as Mayor Pro Tempore for calendar year 2018.**
- A-8 APPROVAL OF AND AUTHORIZATION FOR THE CITY MANGER TO SIGN A LICENSE AGREEMENT WITH SO CAL GAS FOR INSTALLATION OF A UTILITY POLE AND DATA COLLECTION DEVICE ON A CITY-OWNED LOT AT 2692 NUTMEG AVENUE, SUBJECT TO APPROVAL OF THE CITY ATTORNEY; (PUBLIC WORKS)
- RECOMMENDATION: Council approve and authorize the City Manager to sign a license agreement to allow So Cal Gas to use a portion of City-owned lot (APN: 068-251-001) for installation of a utility pole and data collection device.**
- A-9 APPROVAL OF PARTNERSHIP AGREEMENT WITH ESTERO BAY COMMUNITY RADIO; (CITY MANAGER)
- RECOMMENDATION: City Council authorize the City Manager to enter into a 3-year partnership agreement with Estero Bay Community Radio (EBC Radio) waiving a portion of facility use fees for its annual fundraising event and extending the current lease agreement for office space at 695 Harbor Street through June 30, 2020.**
- B. PUBLIC HEARINGS - NONE
- C. BUSINESS ITEMS

- C-1 REVIEW OF AND DIRECTION FOR WATER RECLAMATION FACILITY (WRF) PROGRAM MANAGEMENT STRUCTURE AND PROVIDE OTHER COMMENTS AND DIRECTION AS DEEMED APPROPRIATE; (CITY MANAGER/PUBLIC WORKS)

RECOMMENDATION: Council:

- 1) Review, consider and provide comments on the presentation of the current program management structure; and
- 2) Consider the City Manager's recommendation to revise the program management structure by assigning Public Works Director as WRF Program Manager, supplemented by technical support through the current Program Management firm.

- C-2 REVIEW AND RECEIVE AND FILE THE INFORMATION AND RECOMMENDATIONS REGARDING FINANCIAL REPORTING AND AUTHORIZE THE CITY MANAGER TO SIGN A 3-YEAR AGREEMENT, SUBJECT TO APPROVAL OF THE CITY ATTORNEY, WITH OPENGOV TO PROVIDE ON-LINE TRANSPARENCY FOR CITY FINANCIAL MATTERS; (FINANCE)

RECOMMENDATION: Council:

- 1) Receive staff's input and recommendations to provide monthly Cross-Fund reports with fund balances and transactions and bi-weekly Accounts Payable Check Run Listings on the City's website, provide quarterly financial reports at regularly scheduled Council meetings; and
- 2) Authorize the City Manager enter into a three-year contract with OpenGov to provide an on-line financial transparency portal for a three-year total contract amount of \$31,045.80, in a form approved by the City Attorney.

- C-3 AUTHORIZATION FOR TRAVEL TO WASHINGTON, D.C. FOR ATTENDANCE AT THE C-MANC ANNUAL WASHINGTON, D.C. "WASHINGTON WEEK" MEETINGS AND FOR SUPPORT OF FUNDING FOR THE WATER RECLAMATION FACILITY, AND APPROVAL OF RESOLUTION NO. 01-18 IN SUPPORT OF CONGRESSIONAL BILL H.R. 1176, THE "KEEP AMERICA'S WATERFRONTS WORKING ACT"; (HARBOR/CITY MANAGER)

RECOMMENDATION: City Council:

- 1) authorize a three-person delegation (the Mayor, City Manager and Harbor Director) to attend the California Marine Affairs and Navigation Conference (C-MANC) 2018 "Washington Week" meetings in Washington, D.C. Those meetings are slated for March 5-8, 2018; and,
- 2) authorize the Public Works Director to travel to Washington D.C. and meet, alongside the City Manager and Mayor when appropriate, with Morro Bay's legislative delegation and relevant federal agencies representatives in support of the Water Reclamation Facility (WRF) funding and permitting. The travel would coincide with the annual (C-MANC) 2018 meetings in Washington, D.C.; and,
- 3) adopt Resolution No. 01-18 in support of Congressional Bill H.R. 1176, the "Keep America's Waterfronts Working Act" for grant funding support of working waterfronts nationwide.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, January 23, 2018 at 6:00 p.m.** 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 REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

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MINUTES - MORRO BAY CITY COUNCIL
REGULAR MEETING – NOVEMBER 14, 2017
VETERAN'S MEMORIAL HALL – 6:00 P.M.

AGENDA NO: A-2
MEETING DATE: January 9, 2018

PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Joe Pannone	City Attorney
	Dana Swanson	City Clerk
	Ikani Taumoepeau	Deputy City Manager
	Jennifer Callaway	Finance Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Director
	Jody Cox	Police Commander
	Steve Knuckles	Fire Chief
	Eric Endersby	Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:00 p.m., with all members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION - Swearing in of Scott Collins, City Manager

<https://youtu.be/sl4g-jfEYoQ?t=2m56s>

The Council took a brief recess at 6:07 p.m. The meeting reconvened at 6:16 p.m. with all members present.

CLOSED SESSION REPORT – City Attorney Pannone reported that with regard to the Closed Session items, no reportable action was taken by the City Council.

MAYOR AND COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/sl4g-jfEYoQ?t=7m22s>

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/sl4g-jfEYoQ?t=17m5s>

PRESENTATIONS - None

PUBLIC COMMENT

<https://youtu.be/sl4g-jfEYoQ?t=20m19s>

Larry Newland, President of Morro Bay Maritime Museum Association, announced the group received its building permit for the Morro Bay Maritime Museum & Park, located at 1210 Embarcadero, and will begin staging materials and supplies tomorrow.

Charlie Yates, Morro Bay Maritime Museum Association, announced Kelsey Vineyards has created the Alma Reserve Zinfandel to help raise funds for the Maritime Museum. 100 cases will be sold at various locations including Morro Bay Wine Cellars, Giovanni's and the Inn at Morro Bay.

Anne Wyatt, Program Coordinator for HomeShare SLO, thanked the City for supporting this non-profit program and provided a brief report on the number of clients and housing matches made in Morro Bay and Los Osos. For information, call (805) 215-5474 or visit www.homeshareslo.org.

Ami Perry, Morro Bay, announced a memorial service will be held for Beverly Abbey on Friday, November 17 at the Coalesce Bookstore from 2:00 – 4:00 p.m. Beverly was well known for her work on the Harbor Festival and local political campaigns.

Richard Sadowski, Morro Bay, expressed concern regarding the proposed Water Reclamation Facility project and the impact increased costs will have on residents.

Carolyn Brinkman, Morro Bay, requested the Council consider Ms. Hawley's previous request for a proposed ordinance establishing financial reporting requirements and that monthly reports be attached to the second monthly meeting agenda.

Barry Branin, Morro Bay, was disappointed the specifications provided in the Water Reclamation Facility request for qualifications were too onerous for small contractors.

Terry Simons, Morro Bay, spoke regarding Item C-2, expressing concern the contract did not specify how and when the project would be presented to the California Coastal Commission for approval west of the freeway.

Nancy Castle, Morro Bay, announced the annual Thanksgiving Dinner to be held on Thanksgiving Day at the Morro Bay Community Center from 1:00 – 3:00 p.m. For deliveries, please call the Morro Bay Senior Center at 772-4421.

Jennifer Little, announced Thanksgiving Dinner, arrival of the tall ships and several holiday events planned as part of the 12 Days of Winterfest beginning December 1st.

David Nelson, Morro Bay, expressed frustration with the cost of the proposed sewer plant.

Judi Brown, Morro Bay, congratulated the Morro Bay Police Department for solving a recent theft crime and a great haunted house.

The public comment period was closed.

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

A. CONSENT AGENDA
<https://youtu.be/sl4g-jfEYoQ?t=56m14s>

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

A-1 APPROVAL OF MINUTES FOR THE OCTOBER 10, 2017 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE OCTOBER 11, 2017 CITY COUNCIL CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-3 APPROVAL OF MINUTES FOR THE OCTOBER 23, 2017 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-4 APPROVAL OF MINUTES FOR THE OCTOBER 24, 2017 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-5 ADOPTION OF RESOLUTION NO. 60-17 AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF) AND DESIGNATING TRANSACTION OFFICERS; (FINANCE)
- RECOMMENDATION: Council adopt Resolution No. 60-17.**
- A-6 ADOPTION OF RESOLUTION NO. 61-17 DESIGNATING AND AUTHORIZING INVESTMENT TRANSACTION OFFICERS; (FINANCE)
- RECOMMENDATION: Council adopt Resolution No. 61-17, designating and authorizing investment transaction officers.**
- A-7 APPROVAL OF HARBOR ACCUMULATION FUND BUDGET AMENDMENT FOR UP TO \$45,000 FOR ENGINEERING AND PERMIT ADMINISTRATION ASSISTANCE WITH THE CITY'S \$1.9M BOAT LAUNCH FACILITY GRANT FROM THE DIVISION OF BOATING AND WATERWAYS; (HARBOR)
- RECOMMENDATION: Council approve funding of up to \$45,000 from the Harbor Accumulation Fund for unexpected consultancy contracting needs for engineering and permit administration assistance with the \$1.9M grant project to rehabilitate the public launch ramp and associated amenities.**
- A-8 CONFIRM WATER RECLAMATION FACILITY (WRF) PROJECT GOALS AS MODIFIED AT THE OCTOBER 24, 2017 CITY COUNCIL MEETING; (PUBLIC WORKS)
- RECOMMENDATION: Council ratify and approve the WRF Project Goals as modified at the October 24, 2017, City Council Meeting.**

Public Comment on Consent Agenda:

Jeff Heller, Morro Bay, appreciated the goals spelled out in Item A-8 and asked the Council to direct staff to work to find additional cost savings that allow for building a plant for \$56 Million.

Betty Winholtz, Morro Bay, read an e-mail provided to the Council as agenda correspondence for Item A-8 into the record, requesting the Water Reclamation Facility project not be built to accommodate other possible municipal functions.

David Nelson, Morro Bay, spoke to Item A-8 and requested the Council not move forward with a plant the community cannot afford.

The public comment period for the Consent Agenda was closed.

Mayor Irons and Council Member McPherson pulled Item A-8. Council Member Heading pulled Items A-6 and A-7.

MOTION: Council Member Headding moved the Council approve all except Items A-6 through A-8 on the Consent Agenda. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

A-6 ADOPTION OF RESOLUTION NO. 61-17 DESIGNATING AND AUTHORIZING INVESTMENT TRANSACTION OFFICERS; (FINANCE)
<https://youtu.be/sl4g-jfEYoQ?t=1h7m22s>

Council Member Headding asked Finance Director Callaway to provide additional information regarding the City's Investment Policy.

MOTION: Council Member Headding moved for approval of Item A-6. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

A-7 APPROVAL OF HARBOR ACCUMULATION FUND BUDGET AMENDMENT FOR UP TO \$45,000 FOR ENGINEERING AND PERMIT ADMINISTRATION ASSISTANCE WITH THE CITY'S \$1.9M BOAT LAUNCH FACILITY GRANT FROM THE DIVISION OF BOATING AND WATERWAYS; (HARBOR)
<https://youtu.be/sl4g-jfEYoQ?t=1h10m8s>

At Council Member Headding's request, Harbor Director Endersby explained the contract discrepancy that led to the need for this budget amendment.

MOTION: Council Member Headding moved for approval of Item A-7. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

A-8 CONFIRM WATER RECLAMATION FACILITY (WRF) PROJECT GOALS AS MODIFIED AT THE OCTOBER 24, 2017 CITY COUNCIL MEETING; (PUBLIC WORKS)
<https://youtu.be/sl4g-jfEYoQ?t=1h16m22s>

Mayor Irons spoke to the process used to develop project goals, which were refined at the October 24 Council Meeting. Council Member McPherson added the revised goals, though not formally approved, were written into the Request for Qualifications (RFQ), so those responding understood the goals had been modified. Minor edits were proposed and agreed upon as listed below:

Goal 1: All aspects of the WRF project shall be completed ensuring economic value with a special emphasis on minimizing rate payer and City expense.

Goal 2: Communicate WRF project progress including general project status, milestones, and budget/cost information to our community members regularly.

Goal 3: Produce tertiary, disinfected wastewater in accordance with Title 22 requirements for unrestricted urban irrigation.

Goal 4: Design to produce reclaimed wastewater to augment the City's water supply, by either direct or indirect means, ~~as described in a master water reclamation plan and to~~ in the most efficient cost-effective method available and maximize funding opportunities.

Goal 5: Include features in the WRF project that maximize the City's opportunities to secure funding and maximize efficiencies, including energy generation and recovery.

Goal 6: Design to minimize the impacts from contaminants of emerging concern in the future.

Goal 7: Ensure compatibility with neighboring land uses.

MOTION: Council Member McPherson moved the Council approve Item A-8 with stated changes. The motion was seconded by Council Member Heading and carried unanimously, 5-0.

B. PUBLIC HEARINGS

B-1 CONTINUATION OF PUBLIC HEARING FOR CONCEPT CONDITIONAL USE PERMIT NO. UP0-448 FOR 945 EMBARCADERO. PROJECT INCLUDES REMODEL OF EXISTING RESTAURANT, HARBORWALK PUBLIC ACCESS IMPROVEMENTS, AND IMPROVEMENTS TO ADJACENT ANCHOR PARK; (COMMUNITY DEVELOPMENT)
<https://youtu.be/sl4g-jfEYoQ?t=1h26m18s>

Community Development Director Graham requested this item be continued to a date uncertain to allow the applicant to submit revised plans.

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

Cathy Novak spoke on behalf of the applicant, stated they are continuing to look at the requested changes and supportive of continuing the item to a date uncertain.

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

MOTION: Council Member Heading moved the Council continue the public hearing item for Concept Conditional Use Permit No. UP0-448 to a date uncertain. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

C. BUSINESS ITEMS

C-1 ADOPTION OF ORDINANCE NO. 612, WHICH ESTABLISHES A COMMERCIAL CANNABIS OPERATIONS REGULATORY PROGRAM TO PERMIT TWO MEDICAL CANNABIS DISPENSARIES, WHOLESALE MEDICAL CANNABIS DISTRIBUTION AND MEDICAL CANNABIS DELIVERIES, WHILE PROHIBITING ALL OTHER COMMERCIAL CANNABIS OPERATIONS; REGULATES AND PERMITS PERSONAL CANNABIS CULTIVATION; AND, AMENDS CURRENT SECONDHAND SMOKE REGULATIONS; (CITY ATTORNEY)
<https://youtu.be/sl4g-jfEYoQ?t=1h28m41s>

City Attorney Pannone presented a brief report.

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

Jesse Barron, Morro Bay, recommended the City allow recreational deliveries immediately on January 1 and also allow recreational dispensaries to take advantage of the potential tax revenue stream.

Rick Morse, Medmar Clinic, recommended delivery services be licensed through storefronts and that deliveries only be made to a person's home, residence, place of employment or hotel room.

Adam Pinterits, Ethnobotanica, requested the Council consider a provisional approval process, contingent upon State licensing and a complete application process, to allow cannabis businesses to dual track getting a state license as they prepare to apply for a City permit.

Kinley Flaherty, a Junior at Morro Bay High School and member of the Friday Night Live program, commented on the direct effect decisions regarding marijuana regulations will have on future generations, and asked the Council to be vigilant on the details of this ordinance.

David Nelson, Morro Bay, urged the Council to consider allowing recreational dispensaries and eliminate the fee for personal cultivation.

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

The Council and staff responded to issues raised during public comment, noting a ballot item will likely be brought forward in 2018 which, if approved, would enable the City to collect taxes on recreational cannabis.

MOTION: Council Member McPherson moved the Council adopt, by second reading by title only and with further reading waived, Ordinance No. 612: An Ordinance of the City Council of the City of Morro Bay, California, adding Chapter 5.50 (Commercial Cannabis Operations Regulatory Program) to Title 5 of the Morro Bay Municipal Code to Permit Certain Medical Commercial Cannabis Uses (Retail Sales, Deliveries and (Wholesale) Distributor), to Prohibit All Other Medical Commercial Cannabis Uses, and to Prohibit All Adult-Use (Recreational) Commercial Cannabis Uses; Repealing Chapter 9.06 of Title 9 of the Morro Bay Municipal Code and Replacing It with a New Chapter 9.06 (Personal Cannabis Cultivation) to Regulate Personal Cannabis Cultivation; and, Amending Chapter 9.24 (Secondhand Smoking Regulations) of Title 9 of the Morro Bay Municipal Code to Strengthen Regulation of Secondhand Smoke and Expressly Include Cannabis and Electronic Smoking Devices. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

C-2 CONSIDERATION OF PROPOSAL BY AND APPROVAL OF CONTRACT WITH WATER WORKS ENGINEERS FOR ENGINEERING DESIGN SERVICES FOR THE WATER RECLAMATION FACILITY (WRF) LIFT STATION AND OFFSITE PIPELINES; (PUBLIC WORKS)

<https://youtu.be/sl4g-jfEYoQ?t=1h48m33s>

Public Works Director Livick presented the staff report and responded to Council inquiries.

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

Carole Truesdale, Morro Bay, read a prepared statement into the record, asking the Council to not enter into a contract for the design of the proposed lift station.

Jeff Heller, Morro Bay, asked why the proposed contract amount exceeds the approved budget of \$1.2 Million and suggested the City is being exposed to risk by not following the design build concept.

Barry Branin, Morro Bay, commented on the Los Osos project and suggested the projections being made for Morro Bay's volume are off by at least 50%.

David Nelson, Morro Bay, spoke in opposition to the proposed project and urged the Council to consider less expensive alternatives.

Linda Donnelly, Morro Bay, presented the draft Water Reclamation Facility Master Plan given to WRFCAC for review, asked when public workshops will be held, and expressed concern about the WIFIA timeline.

Bob Keller, Morro Bay, stated the top priority is to keep rates affordable for all Morro Bay citizens. He urged staff to be hard-nosed in negotiations, research all funding agencies and grant opportunities, and consider asking volunteers to help search for grant opportunities.

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

The Council took a brief recess at 9:11 p.m. The meeting reconvened at 9:21 p.m. with all members present.

The Council invited Mike Fisher from Water Works Engineers to respond to questions raised regarding "Task 2: Site Alternatives Evaluation." Mr. Fisher stated that after review of the eight potential lift station sites, two appear to be most feasible at this time; however, they will look beyond that to be sure no alternative location was missed. The ability to use any existing infrastructure will also be vetted.

The Council restated its commitment to moving the project forward as quickly as possible to meet the goal of obtaining low cost WIFIA / SRF funding. It was noted that \$1.2 Million is included in this year's approved budget and at least \$82,000 will be completed in future years. There was some concern the Council has not received a financial update in several months and staff assured Council and the community an update would be provided at the December meeting.

MOTION: Council Member McPherson moved the Council authorize the City Manager to execute an agreement for the amount of \$1,353,574, with a ten-percent contingency for a total authorization of \$1,488,931 to Water Works Engineers. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

MOTION: Council Member Headding moved staff prepare a budget update for the next regular Council Meeting of December 12 to include full budget update on the traditional format for WRF spending to date. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
<https://youtu.be/sl4g-jfEYoQ?t=3h31m5s>

Mayor Irons addressed the request for financial reporting and confirmed staff will bring the item back in January.

E. ADJOURNMENT

The meeting adjourned at 9:51 p.m. The next Regular Meeting will be held on Tuesday, December 12, 2017 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

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PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Joe Pannone	City Attorney
	Dana Swanson	City Clerk
	Jennifer Callaway	Finance Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Director
	Greg Allen	Police Chief
	Matt Vierra	Fire Marshal
	Eric Endersby	Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:02 p.m., with all members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION

- Recognition of Employee Service Pins
<https://youtu.be/2HiuAtqtbVA?t=2m28s>

CLOSED SESSION REPORT – No closed session meeting was held.

MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/2HiuAtqtbVA?t=7m13s>

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/2HiuAtqtbVA?t=21m34s>

PRESENTATIONS

- Presentation of Award by Morro Bay in Bloom (Walter Heath)
<https://youtu.be/2HiuAtqtbVA?t=23m8s>

PUBLIC COMMENT

<https://youtu.be/2HiuAtqtbVA?t=27m36s>

Santa Claus greeted the community before leaving for the North Pole.

Bonnie Shirkey of The Boutique Etc. 805 provided the business spot. They are located at 409 Zanzibar and specialize in art, jewelry, furniture and candles. Holiday hours are Monday through Friday 1:00 to 6:00 p.m. and 10:00 a.m. to 6:00 p.m. on weekends.

Nancy Castle, Morro Bay, thanked everyone who participated in the annual Morro Bay Thanksgiving Dinner. A total of more than 600 meals were served.

Rigmor, Morro Bay, welcomed the new City Manager and thanked the Council for moving forward with the WRF at the South Bay Blvd. site. She urged the Council to avoid losing the WIFIA loan.

Ken Green, Morro Bay, addressed the financial reporting issue and thanked staff for the report provided in this meeting's agenda.

Kathryn Thomas, provided a list of pickleball activities that took place from July 2016 to June 2017. Morro Bay has been featured in USA National Pickleball Magazine, RV National Newsletter, and Western Regional Pickleball Newsletter. They average 30-60 players per day and invite the public to join them Saturday mornings at 9:00 a.m. for beginners' clinics.

Sandi Tannler, Morro Bay, spoke in support of a Gas Tax Repeal Petition, which will be circulated for the next four weeks at local gas stations and online. For more information visit www.reformcalifornia.org.

Erica Crawford, Morro Bay Chamber of Commerce, recognized those businesses who invested in decorations to beautify the community during the holidays. She also announced the Annual Awards Dinner will be held January 26 at the Community Center to recognize Morro Bay's Living Treasure and Citizen of the Year.

Jaime Parker, Otter Rock Café, announced a fundraiser will be held for victims of the Thomas Fire on December 23, beginning at 12 p.m. with live music at the Otter Rock Café. Thirty businesses are participating in the event with a goal of raising \$10,000.

Anne-Marie Schnetzler, Morro Bay, appreciated the financial information provided and asked the Council to choose a reasonably priced plant. She requested regular financial reports, meeting minutes be provided within two weeks after the meeting takes place, and to prioritize items of financial importance early in the meeting.

Cynthia Hawley presented a Brown Act cure and correct letter to the City Council on behalf of Morro Bay Action Team, for action that occurred at the November 14, 2017 City Council meeting when the Council approved a contract with Water Works Engineers.

Betty Winholtz, Morro Bay, spoke regarding Item C-3 regarding Recreation & Parks Commission. She opposed reducing the number of Commissioners and meeting frequency and asked the Council to give the Commission back its full responsibilities under a Recreation and Parks Director.

Paula Radke, Morro Bay, spoke regarding the amount of time being taken to have minutes approved and published on the City website and requested Council motions be repeated prior to the vote for everyone's benefit.

The public comment period was closed.

The Council responded to questions raised during public comment.

A. CONSENT AGENDA
<https://youtu.be/2HiuAtqtbVA?t=1h5m14s>

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

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- A-3 APPROVAL OF MINUTES FOR THE OCTOBER 24, 2017 CITY COUNCIL MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-4 CITY COUNCIL ANNUAL MEETING SCHEDULE FOR 2018; (ADMINISTRATION)
- RECOMMENDATION: Council approve the 2018 schedule for regular meetings to be held the second and fourth Tuesdays of each month, with the exception of July, November and December.**
- A-5 APPOINTMENT OF REPRESENTATIVES ON DISCRETIONARY BOARDS, COUNCIL LIAISON ASSIGNMENTS AND COUNCIL SUB-COMMITTEES; (MAYOR)
- RECOMMENDATION: Affirm the appointment of representatives to serve on the various County or Regional Discretionary Boards, Council Liaisons Assignments and Sub-Committees for calendar year 2018 as shown on the appointment list.**
- A-6 ADOPTION OF RESOLUTION NO. 62-17 RESCINDING RESOLUTION NO. 18-15 AND COMMITTING TO UPDATE THE CITY'S GENERAL PLAN AND LOCAL COASTAL PLAN BY SEPTEMBER 2018; (MAYOR)
- RECOMMENDATION: Council adopt Resolution No. 62-17 rescinding Resolution No. 18-15 and committing to update the City's General Plan and Local Coastal Plan by September 2018.**
- A-7 ACCEPT JEFFERY HELLER'S VOLUNTARY RESIGNATION FROM THE GENERAL PLAN ADVISORY COMMITTEE (GPAC) AND ADOPT RESOLUTION NO. 64-17 REDUCING THE NUMBER OF GPAC COMMITTEE MEMBERS TO SEVEN; (CITY CLERK)
- RECOMMENDATION: Council accept the resignation of General Plan Advisory Committee (GPAC) Member Jeffery Heller and consider adoption of Resolution No. 64-17 reducing the committee size from nine to seven.**
- A-8 AUTHORIZE THE CITY MANAGER TO EXECUTE AN AMENDMENT TO THE CITY'S CONTRACT WITH MENTAL MARKETING, INC FOR TOURISM MARKETING AND PUBLIC RELATIONS; (TOURISM MANAGER)
- RECOMMENDATION: Council authorize the City Manager to execute an amendment, approved to form by the City Attorney, to the current contract with Mental Marketing, Inc., to cover tourism marketing and public relations for year two of the contract, as provided for in the Council approved budget for FY 2017/18.**
- A-9 APPROVAL OF FINAL MAP FOR TRACT 2739 - BLACK HILLS VILLAS (485 & 495 SOUTH BAY BLVD); (PUBLIC WORKS)

RECOMMENDATION: Council adopt Resolution No. 63-17 approving the Final Map for Tract 2739 – Black Hills Villas.

- A-10 ADOPTION OF RESOLUTION NO. 66-17 AUTHORIZING A BUDGET ADJUSTMENT OF \$43,250 FOR AMERICAN WITH DISABILITIES ACT (ADA) TRANSITION PLAN IMPROVEMENTS; (PUBLIC WORKS)

RECOMMENDATION: Council authorize a budget adjustment of \$43,250 in Fund 915-8500, which is an on-going capital project for ADA implementation throughout the City.

- A-11 AUTHORIZATION TO ENTER INTO A CONTRACT WITH STAFFORD MCCARTY FOR REPRESENTATION RELATED TO THE SALE OR LEASE OF THE MARKET PLAZA PROPERTY; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Council review the staff report, and authorize the City Manager to enter into a contract with Stafford McCarty (Steve McCarty) for listing of the Market Plaza & Centennial Parkway project/properties.

- A-12 ADOPTION OF (I) RESOLUTION NO. 67-17 APPROVING THE NEW AMENDMENT #1 TO THE NEW LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND BOATYARD LLC FOR LEASE SITE 89/89W, LOCATED AT 845 EMBARCADERO, AND COMMONLY KNOWN AS THE BOATYARD, AND RESCINDING THE APPROVAL OF THE PREVIOUS AMENDMENT #1 AND (II) RESOLUTION NO. 68-17 APPROVING A NEW MASTER LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND BOATYARD LLC FOR LEASE SITE 90/90W, LOCATED AT 885 EMBARCADERO, AND COMMONLY KNOWN AS OTTER ROCK CAFÉ

RECOMMENDATION: Council adopt Resolution No. 67-17, approving the new Amendment #1, and rescinding the Amendment #1 previously approved by the City Council on August 22, 2017, to the new Lease Agreement for Lease Site 89/89W, as proposed. Staff further recommend the City Council adopt Resolution No. 68-17, approving a new Master Lease Agreement for Lease Site 90/90W, as-proposed.

The public comment period for the Consent Agenda was opened; seeing none, the public comment period was closed.

Mayor Irons pulled Item A-10. Council Member McPherson pulled Items A-11 and A-12. Council Member Makowetski pulled Items A-6 and A-9.

MOTION: Council Member McPherson moved the Council approve all items on the Consent Agenda, with the exception of Items A-6 and A-9 through A-12. The motion was seconded by Council Member Heading and carried unanimously, 5-0.

- A-6 ADOPTION OF RESOLUTION NO. 62-17 RESCINDING RESOLUTION NO. 18-15 AND COMMITTING TO UPDATE THE CITY'S GENERAL PLAN AND LOCAL COASTAL PLAN BY SEPTEMBER 2018; (MAYOR)
<https://youtu.be/2HiuAtqtbVA?t=1h6m29s>

Council Member Makowetski asked staff to discuss the schedule for completing the General Plan/Local Coastal Plan and confirm it can be completed by September 2018.

- A-9 APPROVAL OF FINAL MAP FOR TRACT 2739 - BLACK HILLS VILLAS (485 & 495 SOUTH BAY BLVD); (PUBLIC WORKS)
<https://youtu.be/2HiuAtqtbVA?t=1h9m13s>

Council Member Makowetski requested additional information regarding the project. Staff confirmed there are 16 lots with two dedicated for affordable housing.

- A-10 ADOPTION OF RESOLUTION NO. 66-17 AUTHORIZING A BUDGET ADJUSTMENT OF \$43,250 FOR AMERICAN WITH DISABILITIES ACT (ADA) TRANSITION PLAN IMPROVEMENTS; (PUBLIC WORKS)
<https://youtu.be/2HiuAtqtbVA?t=1h10m9s>

Mayor Irons prepared a revised Resolution for Council consideration that provides additional information and list of projects to be completed. Copies were provided to the Council and made available for public review.

- A-11 AUTHORIZATION TO ENTER INTO A CONTRACT WITH STAFFORD MCCARTY FOR REPRESENTATION RELATED TO THE SALE OR LEASE OF THE MARKET PLAZA PROPERTY; (COMMUNITY DEVELOPMENT)
<https://youtu.be/2HiuAtqtbVA?t=1h11m6s>

Council Member McPherson pulled this item to express her concern about the contract and whether to use a broker or issue a Request for Qualifications (RFQ), as originally proposed. Staff explained the RFQ was prepared but not released due to concerns staff could not be as responsible as necessary for a successful process, and that the broker approach is expected to reach a broader spectrum of businesses.

Steve McCarty of Stafford McCarty Commercial Real Estate was asked to respond to Council inquiries regarding the type of outreach, contract terms and benefit of a lease versus sale.

Council Member Headding proposed the contract be amended so the potential lease charge or contractual obligation not exceed the sale obligation. Mr. McCarty was agreeable to that fee arrangement.

MOTION: Council Member Makowetski moved the Council approve Item A-10, as amended, and Items A-6 and A-9. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

MOTION: Council Member Headding moved to approve Item A-11 with the changes noted in the fiscal impact cost for the lease language versus buy. The motion was seconded by Council Member Makowetski and carried 4-1 with Council Member McPherson opposed.

- A-12 ADOPTION OF (I) RESOLUTION NO. 67-17 APPROVING THE NEW AMENDMENT #1 TO THE NEW LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND BOATYARD LLC FOR LEASE SITE 89/89W, LOCATED AT 845 EMBARCADERO, AND COMMONLY KNOWN AS THE BOATYARD, AND RESCINDING THE APPROVAL OF THE PREVIOUS AMENDMENT #1 AND (II) RESOLUTION NO. 68-17 APPROVING A NEW MASTER LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND BOATYARD LLC FOR LEASE SITE 90/90W, LOCATED AT 885 EMBARCADERO, AND COMMONLY KNOWN AS OTTER ROCK CAFÉ
<https://youtu.be/2HiuAtqtbVA?t=1h30m44s>

Council Member McPherson pulled this item to allow the Council Subcommittee to speak to their satisfaction on the proposal before us. Mayor Irons and Council Member Heading spoke to the significant number of meetings spent discussing this issue, with the primary issue being the perceived liability regarding seawall failure and revetment and disclosure issues. The concessions that were made mitigate the cost of the seawall. They support this agreement as being good for the City and the future of these lease sites.

MOTION: Council Member Heading moved for approval of Item A-12. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

The Council took a brief recess at 7:36 p.m. The meeting reconvened at 7:50 p.m. with all members present.

B. PUBLIC HEARINGS - NONE

C. BUSINESS ITEMS

C-1 STATUS UPDATE AND EVALUATION OF CONDITIONAL CONSENT OF LANDOWNER PERFORMANCE PERTAINING TO REQUEST FOR PROPOSALS AWARD ON LEASE SITE 87-88/87W-88W LOCATED AT 833 EMBARCADERO (OFF THE HOOK) TO TLC FAMILY ENTERPRISES, AND COUNCIL DIRECTION, AS DEEMED APPROPRIATE; (HARBOR)
<https://youtu.be/cF7wG37NKKU?t=2s>

Harbor Director Endersby presented the report and, along with Finance Director Callaway, responded to Council inquiries.

Cherise Hansson and Travis Leage of TLC Family Enterprises were invited to answer questions posed by the Council.

Cherise Hansson, TLC Family Enterprises, introduced Ken Kehs of Rabbit Hole Business Solutions, who presented the HarborWalk Plaza Business Plan. Aaron Graves, a paid consultant for the project, reviewed the financial information provided in the staff report and how the target market fits in San Luis Obispo County.

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

Mark Elterman, Mental Marketing, presented the Harbor Walk Plaza Marketing Plan as provided in the staff report.

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

There was Council consensus the marketing and business plan met the Consent of Landowner requirements and the Council was pleased with the team of consultants brought into the project. Mayor Irons and Council Member Heading expressed concern about the level of risk, creditworthiness, and issue of capital and availability of capital to complete the project.

MOTION: Council Member McPherson moved the Council accept staff's recommendation and deem TLC's submissions responsive to the COL requirements, as discussed in the staff report, and continue with the process that's established and the milestones. The motion was seconded by Council Member Makowetski and carried 3-2 with Mayor Irons and Council Member Heading opposed.

The Council took a brief recess at 9:35 p.m. The meeting reconvened at 9:43 p.m. with all members present.

C-2 RECEIVE WATER RECLAMATION FACILITY FISCAL YEAR 2016-17 4TH QUARTER PROGRAM BUDGET UPDATE AND PROVIDE COMMENTS AND DIRECTION AS DEEMED APPROPRIATE; (PUBLIC WORKS)
<https://youtu.be/cF7wG37NKKU?t=1h46m17s>

City Manager Collins and Finance Director Callaway presented the staff report and, along with Public Works Director Livick, responded to Council inquiries. The staff presentation can be found [here](#).

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

Tina Metzger, Morro Bay, requested clarification on the date of inception for the WRF consultant contract and urged the Council to re-examine the project management structure to find available resources within the Public Works Department.

Barry Branin, Morro Bay, stated the cost of the proposed project exceeds what the community can afford and asked the Council to reexamine the proposal submitted that can be built within the current rate structure.

Bob Keller, Morro Bay, appreciated the report and asked staff to keep residents updated with budget information. He stated the importance of staying on schedule to obtain low cost funding and suggested community members may be able to assist with grant and other funding research.

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

Mayor Irons and staff responded to questions raised during public comment.

MOTION: Mayor Irons moved the Council proceed with the meeting beyond 11:00 p.m. The motion was seconded by Council Member McPherson and carried 3-2 with Council Members Davis and Makowetski opposed.

The Council expressed its appreciation for the work that went into this staff report and confidence moving forward.

No formal action was taken by the City Council.

C-3 REVIEW OF COUNCIL SUBCOMMITTEE PROPOSED CHANGES TO THE COUNCIL POLICIES & PROCEDURES AND ADVISORY BOARD BYLAWS AND ADOPTION OF RESOLUTION NO. 65-17 AMENDING THE ADVISORY BOARD BY-LAWS REGARDING APPOINTMENT AND QUALIFICATIONS OF MEMBERS AND MEETING FREQUENCY FOR THE RECREATION AND PARKS COMMISSION; (CITY CLERK)
<https://youtu.be/cF7wG37NKKU?t=3h11m34s>

Clerk Swanson briefly introduced the item and responded to Council inquiries. As Council subcommittee members, Mayor Irons and Council Member McPherson provided additional comments.

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

MOTION: Council Member McPherson moved for adoption of Resolution No. 65-17 amending the Advisory Board Bylaws for the Recreation and Parks Commission to reduce the number of Commissioners from seven to five and reduce the number of regular meetings from eight to six per year. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

Council Member Davis suggested a Table of Contents be added to the Council Policies and Procedures. There was Council concurrence to move forward with this change along with the other recommended policy updates.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

None

<https://youtu.be/cF7wG37NKKU?t=3h25m11s>

E. ADJOURNMENT

The meeting adjourned at 11:22 p.m. The next Regular Meeting will be held on Tuesday, January 9, 2018, at 6:00 p.m. at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by:

Dana Swanson
City Clerk

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL CLOSED SESSION MEETING –
DECEMBER 13, 2017
CITY HALL CONFERENCE ROOM – 4:30 P.M.

AGENDA NO: A-4
MEETING DATE: January 9, 2018

PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Joe Pannone	City Attorney

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 4:32 p.m., with all members present.

SUMMARY OF CLOSED SESSION ITEM – The Mayor read a summary of Closed Session item.

CLOSED SESSION PUBLIC COMMENT – Mayor Irons opened the meeting for public comment for items on the agenda; seeing none, the public comment period was closed.

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

CS-1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: City Manager

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

ADJOURNMENT

The meeting adjourned at 5:35 p.m.

Recorded by:

Dana Swanson
City Clerk

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**A PROCLAMATION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY
DECLARING JANUARY 2018 AS
"MORRO BAY WINTER BIRD FESTIVAL MONTH"**

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

WHEREAS, the Morro Bay Winter Bird Festival was created in 1996 as a cooperative effort of the Morro Coast Audubon Society, Central Coast Natural History Association, California State Parks, Morro Bay Chamber of Commerce, City of Morro Bay, and Friends of the Estuary; and

WHEREAS, the mission statement says, "The Winter Bird Festival is a yearly eco-tourism event whose purposes are 1) to promote an understanding and appreciation of birds and other wildlife and an awareness of environmental and conservation issues of the Central Coast and 2) to contribute to the well-being of Morro Bay and our sponsors and assisting community organizations"; and

WHEREAS, Morro Bay is a Globally Important Bird Area located on the Pacific Flyway, and always ranks in the top ten for the Audubon Christmas Bird Count, with over 200 bird species usually sighted during the Festival weekend; and

WHEREAS, the Winter Bird Festival is a non-profit organization, run primarily by local birders and volunteers; and

WHEREAS, the first Winter Bird Festival was held in January 1997, with 24 events and 230 participants, and the 2018 festival offers over 130 events to more than 600 participants from all areas of the United States.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morro Bay does hereby proclaim January 2018 as "Morro Bay Winter Bird Festival Month", and urges the citizens of Morro Bay to enjoy the many programs this event offers in our community.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 9th day of January 2018.

JAMIE L. IRONS, Mayor

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**A PROCLAMATION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY
IN RECOGNITION OF THE SAN LUIS OBISPO
MUSEUM OF ART**

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

WHEREAS, the San Luis Obispo Museum of Art has played a significant role in the cultural and economic development of San Luis Obispo County for more than sixty years; and

WHEREAS, the San Luis Obispo Museum of Art has launched a \$15 Million capital campaign to fund the construction of a new 26,000 square foot structure on its current site on the west end of San Luis Obispo's Mission Plaza - \$12 Million to build and \$3 Million as a cash reserve; and

WHEREAS, the San Luis Obispo Museum of Art will emerge from its outdated facility into a spectacular new building—offering three times more exhibition galleries, better equipped classrooms and studios, a gallery for the Museum's important permanent collection and climate and security systems, allowing the Museum of Art to attract world-class traveling exhibitions; and

WHEREAS, with these improvements, the Museum of Art's professional staff, dedicated Board of Directors, talented teaching artists and its core of volunteers—all will have the resources to reaffirm the Museum of Art's civic responsibility as a vibrant cultural hub and tourist attraction and redefine its increased economic impact in San Luis Obispo County; and

WHEREAS, the Museum of Art has welcomed hundreds of thousands of visitors through its doors free of charge, featured the artwork of thousands of well-established and emerging artists, held hundreds of adult art workshops and youth art classes at the museum as well as at various elementary schools, presented countless lectures and documentary films, shepherded scores of art enthusiasts to see exhibitions at museums in the bay area and Los Angeles, and collaborated with numerous countywide organizations by hosting their events in its art-filled spaces; and

WHEREAS, a museum like this becomes a signifier of pride and distinctiveness; it anchors stability, promotes employment and is a forum for exchanging ideas, fostering lasting relationships between the visual arts and civil society.

NOW, THEREFORE BE IT RESOLVED that the City Council of Morro Bay does hereby recognize that the San Luis Obispo Museum of Art's distinctive new home will ensure that a revitalized museum of art can continue to have a significant and lasting impact on San Luis Obispo County's excellent cultural and economic well-being, now and for future generations.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 9th day of January 2018.

JAMIE L. IRONS, Mayor
City of Morro Bay, California

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AGENDA NO: A-7
MEETING DATE: January 9, 2018

Staff Report

TO: City Council **DATE:** December 21, 2017
FROM: Dana Swanson, City Clerk
SUBJECT: Appointment of Mayor Pro Tempore for 2018

RECOMMENDATION

Affirm the appointment of Council Member McPherson as Mayor Pro Tempore for calendar year 2018.

DISCUSSION

The City Council Policies and Procedures Section 3.2 states:

The appointment of the Mayor Pro Tempore shall be for a one-year term and shall be made at the first meeting in January. For appointment as Mayor Pro Tempore, a Council Member must be on the Council at least one year. Of those who have been on the Council for at least one year, the Council Member who has not yet held the position shall be appointed Mayor Pro Tempore. If there are two Council Members who have not yet held the position, the Council Member receiving the highest number of votes in the most recent election shall be appointed Mayor Pro Tempore.

Last year Council Member Headding was appointed as Mayor Pro Tempore and in the year prior, Council Member Makowetski was appointed as Mayor Pro Tempore. Council Members McPherson and Davis are both eligible; however, Council Member McPherson received the highest number of votes in the 2016 election and would, therefore, receive the appointment. As a result, Council should formally appoint Council Member McPherson as Mayor Pro Tempore for 2018.

Prepared By: DS Dept Review: _____
City Manager Review: SC City Attorney Review: JWP

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AGENDA NO: A-8

MEETING DATE: January 9, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE:** January 2, 2018

FROM: Scot Graham, Community Development Director

SUBJECT: Approval of and authorization for the City Manager to Sign a License Agreement with So Cal Gas for installation of a utility pole and data collection device on a City-owned lot at 2692 Nutmeg Avenue, subject to approval of the City Attorney

RECOMMENDATION

Staff recommends the City Council approve and, authorize the City Manager to sign a license agreement to allow So Cal Gas to use a portion of a City-owned lot (APN: 068-251-001) for installation of a utility pole and data collection device.

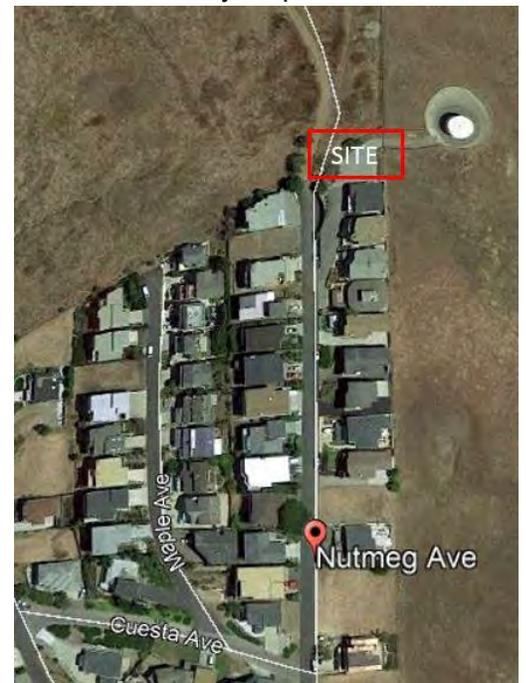
ALTERNATIVES

Do not allow use of City property as requested by So Cal Gas for installation of a utility pole and equipment necessary for the Advance Metering Project.

FISCAL IMPACT

The City would receive a one-time payment for rental of an area just large enough to accommodate the utility pole for a period of 20 years subject to terms of the license agreement. The City negotiated two other similar agreements in 2013 and 2014 with So Cal Gas for data collection units on public property near the Kings Avenue and Blanca Street water tanks. In both cases, the fee for use of City property totaled \$780.00 (\$39.00 per year for 20 years). That is the standard rate established as part of the Public Utilities Commission authorization and funding for the Advance Meter Project. As with previous agreements, this one would also contain a provision enabling the City to collocate automated water meter reading infrastructure on the pole in the future at no rental cost to the City.

Vicinity Map



BACKGROUND / DISCUSSION

The California Public Utilities Commission authorized the Advance Meter Project to enable wireless tracking of natural gas usage. Implementation requires strategically located data collection units, which typically consist of a small equipment cabinet, a solar panel and two whip antennas mounted on a standard utility pole as shown in the visual simulation attached as Exhibit B.

So Cal Gas applied for a Coastal Development Permit (CP0-538) to install a data collection unit on a lot

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Prepared By: <u>WM</u>	Dept Review: _____
City Manager Review: <u>SC</u>	City Attorney Review: <u>JWP</u>

owned by the City between the end of Nutmeg Avenue and the Nutmeg water tank. (See vicinity map on the previous page of this report) The gas company worked with City staff and affected residents to identify a location for the pole and equipment which has minimal impact on views. The permit was approved on November 27, 2017 with a condition requiring the gas company to execute an agreement with the City for use of the property prior to installation. A draft of the agreement is attached as Exhibit D.

CONCLUSION

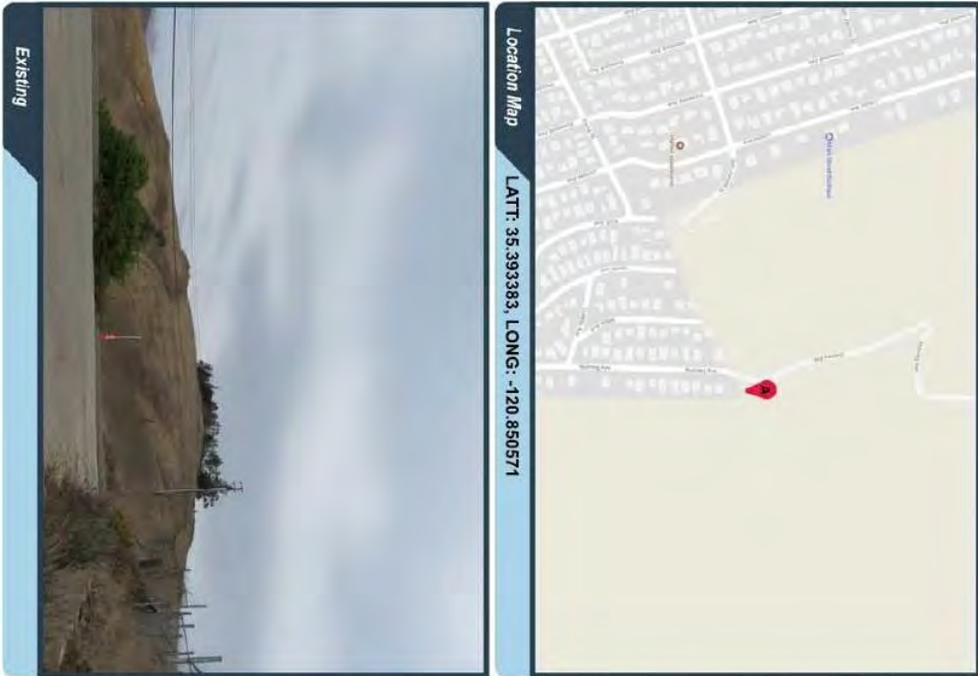
The license agreement negotiated by the City Manager would require City Attorney approval with input and concurrence from the Public Works Director. Upon approval of the agreement, So Cal Gas can install the utility pole and pole-mounted equipment, subject to compliance with the coastal development permit and terms of the license agreement.

ATTACHMENTS

- Exhibit A - Site Plan
- Exhibit B - Visual Simulation
- Exhibit C – Coastal Development Permit CP0-538
- Exhibit D – Draft License Agreement

EXHIBIT B – VISUAL SIMULATION

RKX090-C



Applicant

SocalGas
A Sempra Energy utility

Contact

Synergy
Engineering Services, Inc.
7543 Woodley Ave Van Nuys, CA 91406
Office: (818) 840-0508 Fax: (818) 840-0708

01181.0001/4



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

November 27, 2017

Veronica Fistes
555 West 5th Street, 8th Floor
Los Angeles, CA 90013

SUBJECT: Case No.: CP0-538

SITE: APN: 068-251-001
Address: 2692 Nutmeg Ave.

Project Description:

Request for a Coastal Development Permit to install a 26-foot tall pole with an attached data collection device on property owned by the City of Morro Bay near the water tank at the north end of Nutmeg Avenue. This project is located outside the Coastal Commission appeals jurisdiction on property zoned R-1/S.2.

Dear Ms. Fistes,

The Community Development Department has approved your request for a Coastal Development Permit for the project described above with the attached conditions. This action does not constitute a building/demolition permit. Any further processing of this project must be initiated by the applicant, subject to the applicable rules and regulations of the Morro Bay Municipal Code. ***Please be advised that you must return the enclosed Acceptance of Conditions form, signed, to this department prior to the installation of the proposed data collection unit.***

The Morro Bay Municipal Code provides for an appeal of this action to the Planning Commission within ten (10) days of adoption and anyone wishing to appeal may do so in writing by delivering such letter to the office of the City Clerk. There is a fee for processing appeals which are not coastal permits.

Please also find enclosed the Notice of Exemption for your project. The City of Morro Bay no longer files notices of exemptions. You may file the Notice of Exemption with the County Clerk's office located in the County Government Building in San Luis Obispo. The filing fee is \$50.00.

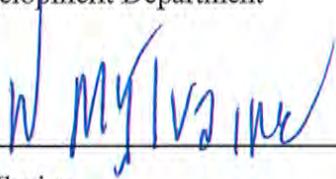
Section 15062 (d) of The California Environmental Quality Act (CEQA) provides:

"The filing of a Notice of Exemption and the posting on the list of notices start a 35-day statute of limitations period on legal challenges to the agency's decision that the project is exempt from CEQA. If a Notice of Exemption is not filed, a 180-day statute of limitations will apply."

Sincerely,

Scot Graham, Director
Community Development Department

By: _____



Whitney McIlvaine



CITY OF MORRO BAY
COMMUNITY DEVELOPMENT DEPARTMENT
955 Shasta Avenue
Morro Bay, CA 93442
(805)772-6261

COASTAL DEVELOPMENT PERMIT

This approval is based upon the attached findings and is valid only if the attached conditions are met and only after the applicable appeal period. Failure to comply with the conditions of this permit shall, at the discretion of the Community Development Director pursuant to Municipal Code Section 17.60.150, render this entitlement null and void.

CASE NO: CP0-538

THIS PERMIT IS HEREBY APPROVED AND ISSUED FOR:

SITE ADDRESS: 2692 Nutmeg Ave. Morro Bay, CA 93442

APPLICANT: Veronica Fistes, So Cal Gas

APN/LEGAL: 068-251-001

DATE APPROVED: November 27, 2017

APPROVED BY: Community Development Director

CEQA DETERMINATION: Categorically Exempt under CEQA Section 15303(d) Class 3

DESCRIPTION OF APPROVAL:

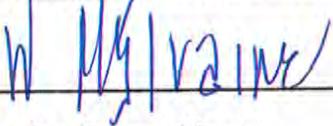
Request for a Coastal Development Permit to install a 26-foot tall pole with an attached data collection device on property owned by the City of Morro Bay near the water tank at the north end of Nutmeg Avenue. This project is located outside the Coastal Commission appeals jurisdiction on property zoned R-1/S.2.

PERMIT EFFECTIVE DATE:

X YOUR PROPERTY IS LOCATED IN THE CITY OF MORRO BAY JURISDICTION, THERE IS AN APPEAL PERIOD OF TEN (10) *Calendar days*, WITHIN WHICH TIME YOUR PERMIT IS APPEALABLE TO THE CITY COUNCIL/PLANNING COMMISSION.

YOUR PROPERTY IS LOCATED IN THE COASTAL COMMISSION APPEALS JURISDICTION: THE FOLLOWING COASTAL COMMISSION APPEAL PERIOD APPLIES TO YOUR PROJECT: This City's decision is appealable to the California Coastal Commission pursuant to the California Public Resource Code, Section 30603. The applicant or any aggrieved person may appeal this decision to the Coastal Commission within TEN (10) *working days* following Commission receipt of this notice and after expiration of the City of Morro Bay appeal period. Appeals must be in writing and should be addressed to: California Coastal Commission, 725 Front Street, Suite 300, Santa Cruz, CA 95060, Phone: 415-427-4863. If you have any questions, please call the City of Morro Bay Community Development Department, 772-6261.

IF NOT APPEALED, YOUR PERMIT WILL BE EFFECTIVE: As noted above.

ATTEST: _____  _____ DATE: 11/27/17

Whitney McIlvaine, Contract Planner

THIS IS A DISCRETIONARY APPROVAL AND DOES NOT CONSTITUTE A BUILDING PERMIT

FINDINGS AND CONDITIONS OF PROJECT APPROVAL

Findings:

1. As conditioned, the project is consistent with applicable provisions of the certified local coastal program, including view protection and additions to public utilities that do not constitute major public works.
2. The project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Section 15303(d) which exempts new construction of small structures, including gas and other utility extensions. Furthermore, the project is not subject to any of the exceptions listed under CEQA Section 15300.2.

Conditions:

1. Any damage, as a result of construction operations for this project, to City facilities, i.e. curb/berm, street, sewer line, water line, or any public improvements shall be repaired at no cost to the City of Morro Bay.
2. No work shall occur within (or use of) the City's Right of Way without an encroachment permit. Encroachment permits are available at the City of Morro Bay Public Works Office located at 955 Shasta Ave. (A previously submitted encroachment permit must be updated to reflect the revised pole location.)
3. Prior to construction, the applicant shall submit a complete set of construction drawings to the Community Development Department of the City of Morro Bay for review and approval by the City Engineer and the Community Development Director.
4. The maximum height of the pole shall be no more than 26 feet. Antennas only may extend up to 2 feet above the pole height. Upon completion of installation, the applicant shall submit a height certification prepared by a licensed land surveyor or civil engineer certifying the actual height of the installed pole.
5. Prior to any construction necessary to install the utility pole and the data collection unit, the applicant shall execute a license agreement with the City of Morro Bay for use of the city-owned property.

**LICENSE AGREEMENT
BY AND BETWEEN
THE CITY OF MORRO BAY, CALIFORNIA
AND
SOUTHERN CALIFORNIA GAS COMPANY
(2692 Nutmeg Avenue, APN: 068-251-001)**

This License Agreement (“Agreement”) is entered into this ____ day of _____ 20____, by and between the City of Morro Bay, a California municipal corporation, hereinafter referred to as the (“City”) and Southern California Gas Company, a California corporation hereinafter referred to as the (“Gas Company”). Hereinafter the term “**Parties**” shall refer collectively to all the foregoing named Parties. The effective date of this Agreement shall be the date indicated hereinabove (the “Effective Date”).

R E C I T A L S

WHEREAS, Gas Company is an investor-owned public utility that provides gas utility services to residents of City.

WHEREAS, on January 12, 1965, City granted to Gas Company a franchise to use and lay pipes and appurtenances necessary and convenient for the operation of a gas utility under, along, across or upon public streets, ways, alleys and places (collectively, “Rights-of-Way”) in the City for transmitting and distributing gas (the “Franchise”).

WHEREAS, Gas Company has been authorized by the California Public Utilities Commission to implement its Advanced Meter Program, which consists of, among other things, the installation of advanced meter equipment, network communications devices, including but not limited to data collector units (“DCU’s”), antennas, gas repeaters and/or radio frequency local area network (“RFLAN”) range extenders, and other Advanced Meter Facilities, in connection with and necessary for Gas Company’s operation, transmission and distribution of gas in the City (“Advanced Meter Facilities” or “Facilities”).

WHEREAS, In order to reduce the number of new Advanced Meter Facility installations within the City Rights-of-Way, City is willing to allow the Gas Company to install its Advanced Meter Facilities, which are further described herein, within property owned by City at one site identified on “Exhibit A” and incorporated herein by this reference (“Installation Site” or “licensed property”).

WHEREAS, on March 28, 2017, Southern California Gas Company submitted plans for a Coastal Development Permit (File Number CP0-538) to install Advanced Meter Facilities on the Installation Site at 2692 Nutmeg Avenue, and the Community Development Director of the City of Morro Bay (“Community Development Director”) conditionally approved said permit on November 27, 2017.

WHEREAS, City and Gas Company have agreed to enter into this Agreement regarding Gas Company’s use of Advanced Meter Facilities at the Installation Site upon the terms, conditions and other considerations set forth herein.

A G R E E M E N T

NOW THEREFORE, in consideration thereof and for other valuable consideration as set forth herein below the parties hereto do mutually agree as follows:

1. **Effective Date.** This Agreement shall become effective as of the date of its execution by or on behalf of all the Parties hereto ("**Effective Date**").
2. **Term.** The commencement date shall be first day of the month following the Effective Date of this Agreement and run co-terminus with the Franchise Agreement, or the expiration of twenty (20) years, whichever first occurs.
3. **Authorization.** Subject to the terms and conditions contained herein, City hereby authorizes Gas Company to install Advanced Meter Facilities on one (1) twenty-six (26) foot high pole upon the Installation Site to be located within the boundaries as described and illustrated in those certain improvement drawings (the "Improvement Drawings") as reviewed by and to be approved by the City Engineer of the City of Morro Bay ("City Engineer") and the Community Development Director, and on file as a public record with the Community Development Department. Furthermore, City hereby authorizes Gas Company to operate, use, maintain, repair, replace, improve, alter, inspect, test and remove such Facilities on the terms and conditions set forth herein. City shall not unreasonably withhold, condition or delay its approval.
4. **Scope of Agreement.** City authorizes the Gas Company, on a non-exclusive basis, to install the Advanced Meter Facilities in the general location on the Installation Site identified on Exhibit "A" attached hereto, and to undertake all activities related to the installation, maintenance, operation, use, repair, replacement, improvement, alteration, inspection, testing and removal of the Facilities, as identified in said Improvement Drawings and any Additional Improvement Drawings.

Nothing contained in this Agreement shall be deemed or construed to create the relationship of principal and agent or of partnership or of joint-venture or of any association whatsoever between City and Gas Company, it being expressly understood and agreed that neither the computation of fees nor any other provisions contained in this Agreement nor any act or acts of the parties hereto shall be deemed to create any relationship between City and Gas Company other than the relationship of City and Gas Company.

Gas Company hereby acknowledges, agrees and covenants that this Agreement does not authorize or bestow any rights to Gas Company to provide cable television service or commercial telecommunications services or any other services and does not authorize the use of the licensed property for any purpose other than implementation of its Advanced Meter Program.

5. Compensation –License Fee.

a. The Gas Company shall pay to the City a one-time license fee of \$780 (\$39 x 20 years) per location (as compensation for the Gas Company's use of the licensed property). The Fee shall be due within 30 days of receipt of any and all permits required to allow the Gas Company to install the Advanced Meter Facilities at the Installation Site.

b. If the Gas Company fails to pay the Fee in a timely manner, the term of the Agreement, a delinquent payment charge on any unpaid amount shall accrue from the due date until paid at the lower of the rate of one and one-half percent (1½ %) per month or the maximum rate allowable by Law until paid.

6. Authority to Allow Attachments. The City hereby represents and warrants to the Gas Company that it is the owner of the property upon which the Installation Site is located and has all rights necessary to allow for the installation of the Advanced Meter Facilities at the Installation Site.

7. Workmanship and Responsibility of Gas Company. All of Gas Company's construction and installation work shall be performed at Gas Company's sole cost and expense and in a good and workmanlike manner and in accordance with the rules and regulation of the CPUC and the Improvement Plans reviewed by the City Engineer and Building Inspector / Plans Examiner, and in compliance with all applicable ordinances, regulations or law (to the extent not inconsistent with or preempted by the jurisdiction of the CPUC).

Gas Company shall remove the Advanced Meter Facilities at its sole expense within one hundred eighty (180) days after the termination of the Agreement, unless an agreement is otherwise reached in writing between the City and Gas Company to abandon the Gas Company's Facilities in place. Gas Company shall bear full responsibility for repairs to any damage to the licensed property caused by Gas Company's or its employees', contractors', subcontractors' or agents' installation, construction, maintenance, repair, operation and removal of the Facilities.

8. Gas Company to Bear All Costs. The Gas Company, or any successor or authorized assign, shall bear all costs incurred in connection with Gas Company's or its employees', contractors', subcontractors' or agents' planning, design, installation, construction, maintenance, repair, operation and removal of the Gas Company's Advanced Meter Facilities. City shall not be responsible or bear any cost for repair of any damage or movement of the Facilities due to repair, maintenance and/or failure/collapse of any existing gas, water and sewer lines or any other improvements or works approximate to the Facilities, except for the active negligence or willful misconduct of the City, its officers, agents, employees, contractors or subcontractors.

9. **Interference.** The Gas Company installation and use of the Advanced Meter Facilities under this Agreement shall not damage or interfere in any way with City's water tank facility located in the vicinity of the licensed property. The City at all times during this Agreement, reserves the right to take any action it deems necessary, in its sole discretion, to repair, maintain, alter, or improve the City water tank facility, which may temporarily interfere with the Facilities as may be necessary in order to carry out any of such activities. The City agrees to give 30 day advance notice of such interference to the Gas Company and to reasonably cooperate with the Gas Company to carry out such activities with a minimum amount of interference with the Gas Company's operations.
10. **Gas Company to Secure Approval and Permits.** Not less than thirty (30) days prior to commencement of construction and installation of Gas Company's Advanced Meter Facilities, Gas Company shall, at its sole cost and expense, prepare and submit the Improvement Drawings to the Community Development Department for review and approval as described in Section 3 above. All work within the licensed property shall be performed in compliance with said Improvement Drawings and in compliance with discretionary and non-discretionary administrative permits obtained or to be obtained by Gas Company.
11. **City Co-location of Automated Water Meter Reading Infrastructure.**

During the Term of this Agreement, the City may request to install equipment related to a City-owned automated water meter reading system ("City Infrastructure") on the Gas Company's Advanced Meter Facilities located at the Installation Site. The City will provide to the Gas Company equipment specifications, engineering calculations, interference analysis and any other information necessary for the Gas Company to determine the feasibility of the co-location on the Facilities. After receipt of the requisite information, the Gas Company shall allow the City to co-locate its City Infrastructure on the Facilities at no rental cost to the City; provided, the City installation and use of the City Infrastructure shall not damage or interfere in any way with the Gas Company's Advanced Meter Facilities. The Gas Company at all times during this Agreement, reserves the right to take any action it deems necessary, in its sole discretion, to repair, maintain, alter, or improve the Facilities, which may temporarily interfere with the City Infrastructure as may be necessary in order to carry out any of such activities. The Gas Company agrees to give a 30-day advance notice of such interference to the City and to reasonably cooperate with the City to carry out such activities with a minimum amount of interference with the City's operations.

- a. The City, or any successor or authorized assign, shall bear all costs incurred in connection with City's or its employees', contractors', subcontractors' or agents' planning, design, installation, construction, maintenance, repair, operation and removal of the City Infrastructure. The Gas Company shall not be responsible or bear any cost for repair of any damage or movement of the City Infrastructure, except for the active negligence or willful misconduct of the Gas Company, its officers, agents, employees, contractors or

subcontractors.

- b. All of the City's construction and installation work shall be performed at the City's sole cost and expense and in a good and workmanlike manner, and in compliance with all applicable ordinances, regulations or law. The City shall remove all of the City Infrastructure at its sole expense within one hundred eighty (180) days after the termination of the Agreement, unless an agreement is otherwise reached between the City and Gas Company to abandon the Gas Company's Advanced Meter Facilities and the City Infrastructure in place. The City shall bear full responsibility for repairs to any damage to the Facilities caused by the City or its employees', contractors', subcontractors' or agents' installation, construction, maintenance, repair, operation and removal of the City Infrastructure.

12. **Indemnification of City.** Gas Company shall indemnify, protect, defend and hold harmless City, and any and all of its employees, officers, officials and agents from and against any liability, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses, damages or costs, including attorneys' fees and costs, court costs, defense costs, which arise out of or are related to Gas Company's use of the Installation Site or the existence of the Advanced Meter Facilities on the Installation Site or arise out of, are related to or are a consequence of the performance of this Agreement by the Gas Company or by any individual or entity for which the Gas Company is legally liable, including but not limited to officers, agents, employees or sub-consultants of the Gas Company. Without affecting the rights of City under any provision of this agreement, the Gas Company shall not be required to indemnify and hold harmless City for liability attributable to the active negligence or willful misconduct of City. In instances where City is shown to have been actively negligent and where City's negligence accounts for only a percentage of the liability involved, the obligation of Gas Company will be for that entire portion or percentage of liability not attributable to the active negligence of City.
13. **Governing Law; Jurisdiction.** This Agreement shall be governed and construed by and in accordance with the Laws of the State of California. Nothing in this section shall be interpreted to preclude either party's right to seek redress from the CPUC.
14. **Amendment of Agreement.** This Agreement may not be amended except pursuant to a written instrument signed by both parties.
15. **Notices.** All notices, demands, requests, consents or other communications that this Agreement contemplates or authorizes, or requires or permits either party to give to the other, shall be in writing and shall be personally delivered or mailed or sent by reputable overnight courier, such as FedEx, to the respective party as follows:

TO CITY:

City of Morro Bay
955 Shasta Avenue
Morro Bay, CA 93442
Attn: Scot Graham, Community Development Director
Tel: (805) 772-6291

TO GAS COMPANY:

Southern California Gas Company
555 West Fifth Street
Los Angeles, CA 90013
Attn: Kristine Myamoto, Project Manager III
Tel: (714) 488-9330

Either party may change its address by notice to the other party as provided herein. Communications shall be deemed to have been given and received on the first to occur of (i) actual receipt at the offices of the party to whom the communication is to be sent, as designated above, or (ii) three working days following the deposit in the United States Mail of registered or certified mail, postage prepaid, return receipt requested, or with reputable overnight courier, such as FedEx, addressed to the offices of the party to whom the communication is to be sent, as designated above.

16. **Other Regulations.** All Gas Company's use of the licensed property under this Agreement shall be in accordance with the laws of the United States of America, the State of California and in accordance with all applicable rules and regulations and ordinances of the City now in force, or hereinafter prescribed or promulgated by resolution or ordinance or by State or Federal law (to the extent that the same are not inconsistent with or preempted by the jurisdiction of the CPUC).
17. **Powers to Enter into Agreement.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Gas Company and the City.
18. **Assignment or Transfer of Authorization.** This Agreement may be assigned or transferred to any qualified person or entity subject to the prior written approval of the City, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, City's prior written consent shall not be required for any of the following: (a) the transfer of any shares or stock in or change in control of Gas Company's parent company, or (b) any merger, consolidation or reorganization of, by or with Gas Company or transfer of all or substantially all of the stock or shares in Gas Company or assets of Gas Company.

Entire Agreement; Successors and Assigns. This Agreement contains the entire understanding between the parties with respect to the subject matter herein. There are no representations, agreements, or understandings, whether oral or written, between or among the parties relating to the subject matter of this Agreement which are not fully expressed herein. Each party has relied on advice from its own attorneys, and the warranties, representations, and covenants of this Agreement itself. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto for themselves, their heirs, executors, administrators, successors, and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Agreement to be executed by setting hereunto their signatures on the day and year respectively written herein below.

THE CITY OF MORRO BAY

DATE: _____

By: _____
Scott Collins, City Manager

APPROVED AS TO FORM:

By: _____
Joe Panone, City Attorney

SOUTHERN CALIFORNIA GAS COMPANY

DATE: _____

By: _____
Kristine Myamoto, Project Manager III



AGENDA NO: A-9

MEETING DATE: January 9, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: January 3, 2018

FROM: Scott Collins, City Manager

SUBJECT: Approval of Partnership Agreement with Estero Bay Community Radio

RECOMMENDATION

Staff recommends the City Council authorize the City Manager to enter into a 3-year partnership agreement with Estero Bay Community Radio (EBC Radio) waiving a portion of facility use fees for its annual fundraising event and extending the current lease agreement for office space at 695 Harbor Street through June 30, 2020.

FISCAL IMPACT

EBC Radio is requesting the City waive facility rental fees for their annual fundraising concert held each April in the Veterans Hall. The rental fees for a non-profit organization, including staff time is \$1,011 for 2018. As provided in the City's Partnership Policy adopted by Resolution No. 36-16, staff proposes subsidizing the event by waiving facility costs of \$686, while still recovering direct staff costs of \$325. That amount would vary in 2019 and 2020 based on the adopted Master Fee Schedule.

BACKGROUND

EBC Radio has played a significant role in local communication and dissemination of City information since its inception in 2012. It is licensed with the Federal Communications Commission (FCC) as a Public Safety Agency, delivering emergency announcements and information for Morro Bay residents.

EBC Radio is a Low Power FM (LPFM) radio station, which broadcasts at 100 watts or less with a broadcast radius of two to four miles. The radio station is locally produced and staffed by 53 volunteers who provide a variety of programming and speak on various topics of community interest and concern.

As is typical of most community radio stations, the EBC Radio budget is small due to the limited audience of potential contributors and business donors. The City of Morro Bay has supported EBC Radio in various aspects since 2012, demonstrated in the timeline below:

- **2012:**
 - April 10: City Council authorized the support of the EBC Radio application to the FCC for a Low Power FM Radio Station (LPFM) and authorized the installation of the FM station's transmitter at the City's Corporation Yard, which is a month to month agreement.
 - June 12: City Council authorized the City to file for the FCC LPFM license on behalf

Prepared By: __IT/DS__

City Attorney Review: __JWP__

City Manager Review: __SC__

of EBC Radio, with the understanding that once an LPFM license was granted, the City would enter into a Management Agreement with EBC Radio to run the day to day operations of the LPFM. In order to qualify for an LPFM license, an entity must be in existence for four years. Therefore, EBC Radio requested the City file for the FCC license until the radio station could take ownership of that license after four years.

- August 22: City Council approved the Management Agreement between the City of Morro Bay and EBC Radio to operate the LPFM radio station.
- **2014:**
 - February 13: The City approved a license agreement with EBC Radio to set up a transmitter at the City's Corporation Yard located at 170 Atascadero Road. The term of the license is a month to month agreement. The City waived license fees due to the benefits received from having a high quality public radio station in the community.
 - April 1: EBC Radio entered the Chamber of Commerce incubator program with a three-year lease for office space at 695 Harbor Street at \$75 per month. When the Chamber lease expired in December 31, 2015, the City took over management of that facility. According to their incubator lease, EBC Radio paid a reduced rental rate due to their in-kind offer of \$250 per month for advertising community and Chamber events.
- **2016**
 - January 15: The City approved an Asset Purchase Agreement for \$1.00, which reassigned the FCC license from the City of Morro Bay to EBC Radio. This contract dissolved the Management Agreement from 2012.
- **2017:**
 - August 8: Rather than enter into a three-year lease agreement, EBC Radio requested a one-year lease extension as they planned to work with the City to formalize a partnership agreement during this time.

DISCUSSION

EBC Radio desires to have the facility rental fees for Veterans Hall waived for their annual fundraising concert. The event is normally held the Friday night/weekend of the City-Wide Yard Sale in April. The annual concert is the main fundraising event for the radio station, which raises approximately 75% of their operating budget at that event. They would also like to continue their lease of \$75 per month at the current office space at 695 Harbor Street.

Hal Abrams, CEO and Operations Manager of EBC Radio, states, waiving the rental facility fees would help reduce expenses and increase the total fundraised amount for the station. In consideration of the benefits to the community and the City of Morro Bay accruing from the provision of high quality public radio programming, waiving facility fees would help counterbalance benefits received by the community.

At full cost, the City's rental fees for the event in April 2018 would be approximately \$1,011, as indicated in the table below.

Vets Hall Rental Fees			
Description	Unit Fee	Units	Charge
Permit Processing Fee	\$ 10	1	\$ 10
Facility Attendant	\$ 15	12	\$ 180
Security Guard	\$ 30	4.5	\$ 135
Facility Hourly Rate	\$ 40	12	\$ 480
Kitchen Use	\$ 106	1	\$ 106
Stage at Vets Hall	\$ 100	1	\$ 100
Total			\$ 1,011

STAFF

FACILITY
RENTAL

Staff proposes to waive facility rental fees, but would not waive any fees related to staff time, contracted hours, insurance, event/stage set-up and breakdown. The estimated City fees in 2018 that EBC Radio would pay is approximately \$325, as indicated in the table below. That amount may change from year to year as the fee schedule and event hours change.

Updated - Vets Hall Rental Fees			
Description	Unit Fee	Units	Charge
Permit Processing Fee	\$ 10	1	\$ 10
Facility Attendant	\$ 15	12	\$ 180
Security Guard	\$ 30	4.5	\$ 135
Total			\$ 325

STAFF

Lastly, the EBC Radio requests the City omit any requirement for automotive insurance. EBC Radio feels it would be challenging to have 53+ volunteers present copies of automotive insurance to the City. In addition, their current lease agreement at 695 Harbor Street does not require proof of automotive insurance. The proposed agreement does not include that auto insurance requirement. EBC Radio currently has commercial general liability insurance at \$1,000,000 per occurrence with the City named as an additional insured.

CONCLUSION

Staff recommends the City Council make a finding of public benefit for the program and approve the partnership policy with EBC Radio and authorize the City Manager to execute the agreement. Staff is making this recommendation to partner with EBC Radio and waive facility rental fees for its annual fundraising concert at the Veterans Hall and also to continue the current lease rental rate of \$75 per month for the office space at 695 Harbor Street.

ATTACHMENTS

1. Proposed EBC Radio Partnership Agreement
2. August 2017 EBC Radio Lease Agreement
3. Resolution No. 36-16 establishing the City's Partnership Policy

Partnership Agreement
between
Estero Bay Community Radio and the City of Morro Bay

The Agreement is made and entered into by Estero Bay Community Radio, a 501(c)3 non-profit California corporation (“EBC Radio”) and the City of Morro Bay, a municipal corporation (“City”).

1. TERM

This Agreement shall commence on December 13, 2017, (the “Effective Date”) and shall remain and continue in effect through June 30, 2020, unless sooner terminated pursuant to the provisions of this Agreement.

2. SERVICES

- a. EBC Radio shall air bi-weekly City Council meetings and will continue to offer air-time to City staff for community updates.
- b. EBC Radio shall serve the community’s non-profit organizations by relaying announcements about their activities and events, which Public Service Announcements air every hour, twenty-four hours a day, 7 days a week.
- c. EBC Radio agrees to file any City-required permits through the normal application process with the City.
- d. EBC Radio shall continue to pay \$75 per month as the license fee to compensate for the license granted pursuant to Section 3., below. The payment shall be made on the first day of each calendar month. Each late payment shall incur interest at the maximum rate allowed by law.
- e. EBC Radio shall store and use equipment it owns or leases to operate only the radio station identified as FM 97.3 and 107.9 “The Rock” at the premises described below.
- f. EBC Radio shall be solely responsible for maintaining its equipment and the Premises.

3. LICENSE GRANTED

Subject to all the terms of this Agreement and only for purpose of obtaining the services and performance described herein, City grants to EBC Radio a license to occupy the space at 695 Harbor currently occupied by EBC Radio.

4. PERFORMANCE

EBC Radio shall at all times faithfully, competently and to the best of their ability, experience, and talent, perform all tasks described herein. EBC Radio covenants it shall follow the highest professional standards in performing the work and services required hereunder and that all materials will be both of good quality as well as fit for the purpose intended. EBC Radio shall, and shall cause its officers, employees, agents and subcontractors to, comply with all applicable federal, state and local (including City’s) laws, rules and regulations.

5. CITY MANAGEMENT

The City Manager shall represent City in all matters pertaining to the administration of this Agreement, including review and approval of all requests submitted by the EBC Radio that do not extend the term of this Agreement or decrease the license fee.

6. USE OF CITY OTHER FACILITIES

To the extent EBC Radio makes application to use other City facilities for purposes of EBC Radio fundraising, City agrees to waive costs for facility rental fees, facility kitchen use, and facility utility and maintenance fees.

Costs that require any staff time, contracted hours, insurance, event/stage set-up and breakdown will not be included in the waiver provided herein.

7. DEFAULT OF EBC RADIO

- a. EBC Radio's failure to comply with any of the provisions of this Agreement shall constitute a default. City can terminate this Agreement by written notice to EBC Radio, as provided in subsection b., below, in the event EBC Radio is in default. If such failure by EBC Radio to perform any of the terms or conditions of this Agreement hereunder arises out of causes beyond EBC Radio's control, then it shall not be considered a default.
- b. If the City Manager or his/her designee determines EBC Radio is in default in the performance of any of the terms or conditions of this Agreement, then he/she may cause to be served upon EBC Radio a written notice of the default. EBC Radio shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event EBC Radio fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

8. DEFAULT OF CITY

- a. City's failure to comply with any of the provisions of this Agreement shall constitute a default. EBC Radio can terminate this Agreement by written notice to City, as provided in subsection b., below, in the event City is in default. If such failure by City to perform and of the terms or conditions of this Agreement arises out of causes beyond City's control, then it shall not be considered a default.
- b. If EBC Radio determines City is in default in the performance of any of the terms or conditions of this Agreement, then it may cause to be served upon the City Manager a written notice of the default. City shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event City fails to cure its default within such period of time, EBC Radio shall have the right,

notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

9. RECORD KEEPING

EBC Radio shall maintain complete and accurate records with respect to sales, costs, expenses, and receipts that relate to the performance of services under this Agreement (the "Records"). The Records shall be maintained in accordance with generally accepted accounting principles, shall be complete and detailed, and shall be maintained in a format that enables the City's City Manager to evaluate the performance of the services. The Records shall be made available to City for review and copying, as reasonably requested by City's City Manager. If City requires an auditing of the Records due to another governmental agency's request, then EBC Radio shall make the Records available for that audit. The Records shall be maintained for a period of three years following completion of the services hereunder.

10. INDEPENDENT CONTRACTOR

- a. EBC Radio is and shall at all times remain as to City wholly independent. The personnel performing the services under this Agreement on behalf of EBC Radio shall at all times be under EBC Radio's exclusive direction and control. Neither City nor any of its officers, employees, or agents shall have control over the conduct of EBC Radio or any of EBC Radio's officers, employees, or agents. EBC Radio shall not at any time or in any manner represent it or any of its officers, employees, or agents are in any manner officers, employees, or agents of City. EBC Radio shall not incur or have the power to incur any debt, obligation, or liability whatever against City, or bind City in any manner.
- b. No City employee benefits shall be available to EBC Radio in connection with the performance of this Agreement. City shall not pay salaries, wages, or other compensation to EBC Radio for performing services hereunder for City. City shall not be liable for compensation or indemnification to EBC Radio for injury or sickness arising out of performing services hereunder.

11. CITY TERMINATION

City shall also have the right to terminate this Agreement upon 120-days' written notice to EBC Radio, if the City Council, after considering that matter at a public meeting, determines it is in the best interest of the public to terminate this Agreement.

12. NOTICES

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt

showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

For City of Morro Bay:

Scott Collins
City Manager
595 Harbor Street
Morro Bay, CA 93442

For Estero Bay Community Radio

Hal Abrams
Founder/Executive Director
695 Harbor Street
Morro Bay, CA 93442

13. ASSIGNMENT

EBC Radio shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of City.

14. PROPERTY TAXES

The parties do not intend this Agreement to create any possessory interest in real property. However, if the right to occupy the Premises is deemed to be a taxable interest, then EBC Radios is solely responsible for timely payment of those taxes. EBC Radio reserves the right to contest any such tax imposition.

15. LICENSES

At all times during the term of this Agreement, EBC Radio shall have in full force and effect, all licenses and business tax certificates required of it by law for the performance of the services described in this Agreement.

16. GOVERNING LAW

City and EBC Radio understand and agree the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with jurisdiction over City.

17. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties relating to the

obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

18. AUTHORITY TO EXECUTE THIS AGREEMENT

The person or persons executing this Agreement on behalf of EBC Radio warrants and represents he/she has the authority to execute this Agreement on behalf of EBC Radio and has the authority to bind EBC Radio to the performance of its obligations hereunder.

19. INTERPRETATION

The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of the Agreement or any other rule of construction which might otherwise apply.

20. INDEMNIFICATION

To the full extent permitted by law, EBC Radio agrees to indemnify, defend and hold harmless City, its officers, employees, agents and volunteers (“Indemnified Parties”) against any and all actions, either judicial, administrative, arbitration or regulatory claims, damages to persons or property, losses, costs (including reasonable attorneys’ fees and court costs), penalties, obligations, errors, omissions or liabilities whether actual or threatened (herein “claims or liabilities”) that may be asserted or claimed by any person, firm or entity arising out of or in connection with the performance of the work, operations or activities provided herein of EBC Radio, its officers, employees, agents, subcontractors, invitees, or any individual or entity for which EBC Radio is legally liable (“Indemnitors”); provided, that the obligation to indemnify and hold harmless is only to the extent any of the Indemnitors causes the claims or liabilities. The indemnity obligation shall be binding on successors and assigns of EBC Radio and shall survive termination of this Agreement.

21. INSURANCE COVERAGE

EBC Radio shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement, including any extension thereof, the following policies of insurance, which shall cover all elected and appointed officers, employees and agents of City (through naming them as additional insureds on the policy listed in a., below):

- a. Commercial General Liability Insurance (Occurrence Form CG0001 or equivalent).
A policy of comprehensive general liability insurance written on a per occurrence basis for bodily injury, personal injury and property damage. The policy of insurance shall be in an amount not less than \$1,000,000.00 per occurrence or if a general aggregate limit is used, either the general aggregate limit shall apply separately to

this contract/location, or the general aggregate limit shall be twice the occurrence limit.

- b. Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for EBC Radio against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by EBC Radio in the course of carrying out the work or services contemplated in this Agreement.

22. GENERAL INSURANCE REQUIREMENTS

All of the above policies of insurance shall be primary insurance and any insurance maintained by City or its officers, employees or agents may apply in excess of, and not contribute with EBC Radio's insurance. The insurer is deemed hereof to waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. The insurance policy must specify when the primary insured does not satisfy the self-insured retention, any additional insured may satisfy the self-insured retention. All of said policies of insurance shall provide the insurance may not be amended or cancelled by the insurer or any party hereto without providing thirty-days' prior written notice by certified mail return receipt requested to the City. In the event any of said policies of insurance are cancelled, EBC Radio shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Agreement to the City.

23. COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

24. SEVERABILITY

In the event any part of this Agreement shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining portions of this Agreement which are hereby declared as severable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Agreement meaningless.

25. NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES.

No officer or employee of the City shall be personally liable to EBC Radio, or any successor in interest, in the event of any default or breach by City or for any amount, which may become due to EBC Radio or to its successor, or for breach of any obligation of the terms of this Agreement.

--signatures on next page--

City of Morro Bay
a municipal corporation

Estero Bay Community Radio

By: _____
Scott Collins, City Manager

By: _____

Its _____

By: _____

Its _____

Attest:

Dana Swanson, City Clerk

APPROVED AS TO FORM

Joseph W. Pannone, City Attorney

Lease Agreement

AGREEMENT

This lease agreement ("this Lease") is made and entered into this 9th day of August, 2017 by and between the CITY OF MORRO BAY, a municipal Corporation hereinafter referred to as "LESSOR", and THE ESTERO BAY COMMUNITY RADIO, a California non-profit corporation hereinafter referred to as "LESSEE".

RECITALS

WHEREAS, LESSOR is the owner of certain real property located at 695 Harbor Street, Morro Bay CA (the "Premises"); and

WHEREAS, LESSEE is organized to provide a publicly accessible, diverse radio broadcasting for the entertainment, education and enjoyment of the community; and

WHEREAS, LESSOR and LESSEE have mutual interests in enhancing the quality of life and vitality of the community; and

WHEREAS, LESSOR and LESSEE desire to enter into a lease agreement for a portion of the Premises.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS;

1. LEASE: LESSOR hereby leases to LESSEE and LESSEE agrees to accept from LESSOR the lease of the portions of the Premises as described in Section 4., below.
2. RENT: During the term on this Lease, LESSEE agrees to pay the sum of \$75.00 per month.
3. TERM: The term of this Lease shall commence on August 9, 2017, and terminate without notice on August 8, 2018, unless sooner terminated as herein provided term (the "Term"). Any holdover of possession of the Premises by LESSEE beyond the Term shall constitute a month-to-month tenancy on the same terms and conditions of this Lease and LESSEE agrees to vacate the Premises upon thirty-days' (30-days') prior written notice from LESSOR.
4. PREMISES: The Premises for purpose of this Lease shall include only those portions of the Premises, as of the effective date of this Lease, that are used to house LESSEE'S broadcasting equipment and related supplies and materials. In addition, LESSEE shall have access to and use of, but not control of, common areas including both bathrooms, the conference room, hallways, entranceways and the kitchen.
5. USE OF PREMISES: LESSEE shall use the Premises solely for the purpose of the operation of Radio station 97.3 and directly related operations.

6. **FIXTURES AND ALTERATIONS:** LESSEE shall not make or cause to be made any alterations, additions or improvements, of a substantial nature or make any structural changes in the building (the "Improvements") without first notifying LESSOR and obtaining prior written approval from LESSOR for the Improvements. In the event the Improvements include any structural change, LESSEE shall supply to LESSOR plans and specifications for such work, and obtain prior written approval. LESSEE shall be responsible for all costs associated with any of the Improvements. All permits necessary for the Improvements, shall be at LESSEE'S expense and obtained prior to any work any of on the Improvements.
7. **ITEMS INSTALLED BY LESSEE:** All decorations and additions and any of the Improvements in the Premises, except for structural changes, made by LESSEE shall remain the property of LESSEE for the term of this Lease or any extension or renewal thereof. Upon expiration of this Lease, or any renewal term thereof, LESSEE shall remove all decorations and additions and those portions of the Improvements that are LESSEE property, and restore the Premises, ordinary wear and tear excepted, to its condition at the time of original occupancy, unless written approval is obtained by LESSOR to allow such decorations, additions or the Improvements to remain.
8. **SECURITY:** LESSOR agrees to provide locks on doors of the Premises to be used, except for the doors for access to the Common Area, exclusively by LESSEE for its use.
9. **MAINTENANCE:** LESSOR shall be responsible for the overall interior and exterior non-routine maintenance of the Premises, except that LESSOR shall have no duty, obligation, or liability whatever to care for or maintain or rebuild the Premises or surrounding grounds except at its sole discretion. LESSEE shall be responsible for routine janitorial and maintenance of the Premises and the Common Areas.
10. **SURRENDER OF PREMISES:** At the expiration of the tenancy hereby created, LESSEE shall surrender the Premises in the same condition as the Premises were upon delivery of possession thereto under this Lease, reasonable wear and tear excepted, and damage by unavoidable casualty not within the reasonable control of LESSEE excepted, and shall surrender all keys for the Premises to LESSOR. LESSEE shall thereupon remove all its fixtures, and any alterations or improvements as provided above before surrendering the Premises and shall repair any damage to the Premises caused thereby. LESSEE's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this lease.
11. **INSURANCE:** LESSEE shall, during the full term of this lease, keep in full force and effect an appropriate policy of liability and property damage insurance with respect to the Premises in the minimum amounts of \$1,000,000 each. The policies shall name LESSOR and its officers, employees and representatives as additional insureds and shall contain a clause the insurer will not cancel or change the insurance without first giving LESSOR 10-days' prior written notice. LESSEE shall exhibit to LESSOR, at any time upon

demand, a certificate of insurance, or other evidence of insurance, and shall keep such policies in effect during the full term of this Lease or any extensions thereof.

12. FIRE, EXTENDED COVERAGE: LESSEE agrees to purchase and maintain, during the full term of this Lease or any extensions thereof, a policy of fire, extended coverage, insurance, which policy shall not be less than 100% of the replacement value of the Premises. The cost of such insurance shall be at the sole cost of LESSEE.
13. INDEMNIFICATION: LESSEE agrees to indemnify, defend and hold harmless LESSOR, its officers, employees and agents, from and against any and all claims, actions, damages, liability, expenses, costs and reasonable attorney's fees resulting or related to any loss of life, personal injury or damage to property, or any other liability, arising out of any occurrence related to the Premises or the occupancy or use by LESSEE or any of its agents, contractors, employees, servants, lessees or concessionaires of the Premises or any part thereof, occasioned wholly or in part by any act or omission of LESSEE or any of its agents, contractors, employees, servants, lessees or concessionaires, or for any act or omission by LESSOR in furtherance of the interests of LESSEE for any reason in connection with this Lease.
14. UTILITIES & TAXES: LESSEE shall not be responsible to pay for utilities used.
15. ASSIGNMENT AND SUB-LETTING: LESSEE will not assign this lease, in whole or in part, nor sub-let all or any part of the Premises.
16. GOVERNMENTAL REGULATIONS: LESSEE shall at LESSEE's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable government authorities, now in force, or which may hereafter be in force, pertaining to the Premises, and shall faithfully observe in the use of the Premises all municipal and county ordinances, and all state and federal statutes now, or which may hereafter be, in force.
17. DESTRUCTION OF PREMISES: If the Premises shall be damaged or destroyed by fire, the elements, unavoidable accidents or other casualty, then all insurance proceeds payable by reason thereof shall be applied to the repair, reconstruction and renovation of Premises.
18. CONDEMNATION: In the event any or all of the Premises are taken, in whole or in part, through the exercise of any power of eminent domain exercised by any state, federal or local municipality (including LESSOR) having the power thereof, any sums paid by such condemning authority shall be paid to LESSOR.
19. DEFAULT: In the event of any failure of LESSEE to perform any of the terms, conditions or covenants of this Lease to be observed or performed by LESSEE for more than 30 days after written notice of such default shall have been given to LESSEE, or if LESSEE shall abandon the Premises, then LESSOR, besides other rights or remedies it

may have, shall have the immediate right of reentry and may remove all persons and properties from the Premises without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

20. ENTIRE AGREEMENT: This Lease, and any exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understanding between the parties concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them, other than or herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this lease shall be binding upon either party unless reduced to writing and signed by both.
21. NOTICE: Any notice, demand, request or other instrument which may be required to be given under this lease shall be deemed delivered when sent by ordinary United States Mail, postage prepaid, addressed to LESSOR care of its City Manager, or LESSEE care of its then acting President.
22. PARTIAL INVALIDITY: If any term, covenant or condition of this lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then the remainder of this lease, or the application of such term, covenant or condition to persons or circumstances other than those to which it is held invalid, or unenforceable, shall not be affected thereby; and each term, covenant or condition of this lease shall be valid and be enforced to the fullest extent permitted by law. If the length, term or duration or this Lease, in any way is in violation of any statute, law or Constitution or is invalid for any reason whatsoever, then this Lease shall be deemed a lease from year to year, and all other provisions hereunder shall remain the same.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 31st day of August 2017, at Morro Bay, California

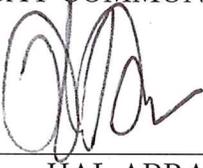
CITY OF MORRO BAY

By: 
MARTIN R. LOMELLI
Interim City Manager

Attest:


DANA SWANSON
City Clerk

ESTERO BAY COMMUNITY RADIO

By: 
HAL ABRAMS
Director

By: _____
Its _____

Approved As To Form:


JOSEPH W. PANNONE
City Attorney

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):

Any person or organization that you are required to add as an additional insured on this policy, under a written contract or agreement currently in effect, or becoming effective during the term of this policy. The additional insured status will not be afforded with respect to liability arising out of or related to your activities as a real estate manager for that person or organization.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A. Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:
1. In the performance of your ongoing operations; or
 2. In connection with your premises owned by or rented to you.

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

- B. With respect to the insurance afforded to these additional insureds, the following is added to Section III – Limits Of Insurance:**

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or
2. Available under the applicable Limits of Insurance shown in the Declarations; whichever is less.

This endorsement shall not increase the applicable Limits of Insurance shown in the Declarations.



MACKEY AND MACKEY INSURANCE AGENCY, INC

WWW.MACKEY-INSURANCE.COM

Certificates of Insurance:

The attached certificate merely provides evidence of insurance. You may have signed contracts, leases, or other agreements requiring you to provide this certificate. In those agreements, you may assume obligations and/or liability for others. Some of these obligations are not covered by insurance. You should review these with a competent legal counsel.

Additional Insureds:

In addition to providing a certificate of insurance, you may also be required to name your client or customer on your policy as an additional insured. This action requires an actual endorsement / change to your policy and is possible only with the permission of the insurance company. In some cases there may be an additional premium to add additional insureds to your policy.

There are other potential consequences of including additional insureds on your policy which include, but are not limited to:

- 1) Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limits.
- 2) Your policy may provide higher limits than required by contract; but your full limits can be exposed due to the additional insured.
- 3) There may be conflicts in defense when your insurer has to defend both you and the additional insured.

Some contracts, leases and agreements you sign may have indemnity and/or hold harmless requirements that cannot be addressed by an insurance policy. We recommend that these agreements be thoroughly reviewed by you and your legal counsel.

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 persons with disabilities; 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 24th day of May, 2016 on the following vote:

- AYES: Irons, Headding, Johnson, Makowetski, Smukler
- NOES: None
- ABSENT: None
- ABSTAIN: None



JAMIE L. IRONS, Mayor

ATTEST:



DANA SWANSON, City Clerk

**City of Morro Bay
Recreation Services Division
Partnership Policy
And
Partnership Proposal Guidelines**

Table of Contents

<i>Part One</i>	<u>Page</u>
I. Morro Bay Recreation Services Division Partnership Policy	
A. Purpose	2
B. Partnership Definition	2
C. Possible Types of Active Partnerships	2
D. Sponsorships	3
E. Limited Decision-Making Partnerships	3
F. Benefits of Partnerships	3
II. The Partnering Process	4
III. The Partnership Evaluation Process	
A. Mission and Goals	6
B. Other Considerations	6
C. Selection Criteria	7
 <i>Part Two</i>	
Partnership Proposal Guidelines	9
Guiding Questions	10

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?



AGENDA NO: C-1

MEETING DATE: January 9, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: December 29, 2017

FROM: Scott Collins, City Manager

BY: Rob Livick, PE/PLS, Public Works Director

SUBJECT: Review of and Direction for Water Reclamation Facility (WRF) Program Management Structure and Provide Other Comments and Direction as Deemed Appropriate

RECOMMENDATION

Staff recommends the following:

- 1) Council review, consider, and provide comments on the presentation of the current program management structure; and
- 2) Consider the City Manager's recommendation to revise the program management structure by assigning Public Works Director as WRF Program Manager, supplemented by technical support through the current Program Management firm.

ALTERNATIVES

- A. Direct staff to terminate the Consulting Agreement with MKN & Associates for "convenience" with 30-days' notice to MKN & Associates and direct staff to immediately issue a Request for Proposal (RFP) for WRF Program Management services.
- B. Direct staff to terminate the Consulting Agreement with MKN & Associates for "convenience" with 30-days' notice to MKN & Associates and recruit for an "in-house" Program Management Team consisting of three licensed journey level engineers, one land use planner, one public outreach specialist, one GIS technician, one design draftsman, one contract specialist and one clerical person.
- C. Direct staff to recruit for a Project Manager position, either as a consultant or as a member of City staff, to lead the project with the existing Program Management team and report directly to the City Manager.
- D. Maintain existing Program Management structure.

If Council chooses alternatives A or B, then it is likely the delay caused by major restructuring of program management will result in the City missing the deadlines for the Environmental Review, permitting and project financing through subsidized Federal and State Programs. That may result in a secondary treatment/disposal project, but with higher financing costs due to the City financing through the issuance of municipal bonds or private financing (and not through the subsidy programs). It is unclear if alternative C would have the same impact on deadlines.

Prepared By: rl

Dept Review: RL

City Manager Review: SC

City Attorney Review: JWP

FISCAL IMPACT

No additional fiscal impact is proposed within this review. All work performed by the Program Management consultant team is performed under a multi-year agreement that is annually reviewed and revised to reflect the next year's activities. That work is performed and paid on a "time and materials basis" with a budget not to exceed the total contract amount.

Moving forward with the staff recommendation will result in a reduction between \$15,000-20,000 consulting fees for Program Management, mainly related to public outreach and meeting attendance. That change will not negatively impact public outreach efforts.

BACKGROUND

As directed by City Council on September 26, 2017, staff has reviewed the existing Program Management structure and examined available resources in the Public Works Department.

Current Program Management Structure

In 2015, the City of Morro Bay issued an RFP for consulting services consisting of Program Management for the development, permitting and construction of the City's proposed new WRF. The City identified the need to have a consistent technical team to provide support for the following activities:

- Meeting and outreach support
- Grant and loan pursuit management and technical support
- Land use and environmental review
- Permitting
- Master planning for recycled water
- Owner's representation during design, design-build, and construction procurement processes
- Development of preliminary plans, layouts, and studies
- Construction management
- Startup and operational support

The need for consultant services was identified, since the City required many areas of expertise for the proposed project. but determined it would not be cost-effective or feasible to individually hire civil, mechanical, wastewater process, architectural, permitting/land use, value engineering (for federal/state loan compliance), electrical, instrumentation and other professionals to develop the proposed WRF Project. Those Program Management Consulting Teams responding to the RFP were required to include all those services in their proposals.

MKN & Associates, Inc., was interviewed by a selection team consisting of a City Council Subcommittee, WRFCAC members and City staff and was selected to perform program management for the project. City Council approved the proposed scope of work and estimated fees and the contract was executed in August of 2015.

It should be noted the WRFCAC will be reviewing the WRF program management recommendation and alternative options at its January 4, 2018 meeting. There will be insufficient time to incorporate WRFCAC recommendations into this written report. However, staff will include WRFCAC considerations and recommendations in its oral report to City Council at the January 9, 2018 Council meeting.

Review of Existing Public Works Department

The City's Public Works Department (Public Works) is responsible for planning, engineering and

maintaining the City's infrastructure in a safe and environmentally sensitive manner, including safe and reliable water deliveries, wastewater collection and treatment, and safe and accessible streets. Additionally, Public Works provides a supporting role to the City's Community Development Department to insure new development is consistent with City requirements for public improvements, subdivision mapping, stormwater and flood damage prevention regulations. Public Works Engineering/Administrative staff currently consists of the Public Works Director, Utilities Division Manager, Environmental Programs Manager, Maintenance Superintendent, Management Analyst, Assistant Engineer, Engineering Technician and an Administrative Assistant. The journey level Senior Engineer position is currently vacant. The City needs to fill the Senior Engineer position, either through regular staffing or consulting staffing, to meet the ongoing engineering and administrative responsibilities of the department.

Hiring consultants to fill these needs in the department would allow the Public Works Director and the City's Utilities Division Manager to devote more of their time to WRF program management and outreach. That is a typical role for consultants; and the City is more likely to find qualified, experienced individuals or firms to address streets, water, stormwater, and other areas as compared to the needs of the proposed WRF Project. Using consultants on a temporary basis alleviates department work load pressures, allowing staff to allocate more time to the WRF Project. This approach will also give City Management staff sufficient time to evaluate the overall staffing of the Public Works Department within the context of the FY18/19 Budget.

DISCUSSION

Recommended Modification to Program Management Structure

City Council has established a goal of minimizing cost in all areas of the WRF Program. With that in mind, Public Works proposes to realign staff priorities and hire contract support for projects and other department needs outside the WRF Program to allow the Public Works Director to serve as the WRF Program Manager, with support from the Utilities Division Manager. It is expected that can be done in a budget neutral manner, given there will be some savings due to the Senior Engineer vacancy. Further, it is expected that the Public Works Director would spend about 50 percent of his time leading the project, depending upon the phase of the project. The Program Management support team (MKN and Associates) would continue to provide technical, management, permitting, and construction-phase support, but project oversight and outreach would be conducted directly by the City's WRF Program Manager (Public Works Director/City Engineer).

That would result in a reduction in scope and budget (\$15,000-\$20,000 in fees) for the Program Management consulting firm moving forward, while ensuring the City has the technical support (including owner's representation during the design-build process, permitting, construction-phase engineering and observation, and plan review support) required for a major public works project like the proposed WRF Project.

Other Options for Program Management

- Hire additional City staff to perform the duties of the entire WRF Program Management team, replacing the existing program management firm. The minimum staffing for the Program Management Team, in addition to the Public Works Director/City Engineer, should consist of three Licensed journey level engineers, one land use/coastal/CEQA planner, one public outreach specialist, one GIS technician/design draftsman, one contract specialist and one clerical person. Since those needs are temporary, it is not feasible to find qualified, experienced staff to fill the many temporary positions across the many disciplines needed for project execution. In addition, many of the efforts require disciplines and expertise outside of

the typical skill set of engineering or operations staff. Using that approach is neither practical or feasible and will result in significant project delays.

- The City could choose to go out with an RFP for a new Program Management consulting team, replacing the existing program management firm. While technically feasible, that option will result in project delays while the new program management team is procured and brought up to speed on the proposed WRF Project. That would also result in higher costs to the program overall, due to a loss in efficiency and experience and potential loss of the WIFIA loan. City staff does not see any need or cause to replace the current consultant team.
- Finally, the City could choose to create a new Project Lead position, either as a consultant or City staff position, to liaise with the Program Management Team and report directly to the City Manager. Under this option the Program Management Team would be maintained, along with their existing expenses, and report to the new lead. That option would alleviate the need for the Public Works Director to oversee the proposed WRF Project, and, thus, allow him to focus more time on the overall management of Public Works. However, he would still need to be involved in the work of the project, given his overall experience with and understanding of the project (particularly in the early stages of the lead being brought on board and up to speed). A new lead would not come with that knowledge or understanding. Further, that option could result in some project delays as the new lead is recruited, hired and brought up to speed on the Proposed WRF Project. Finally, the proposed WRF Project would be subject to the additional cost of hiring a lead position to oversee it.

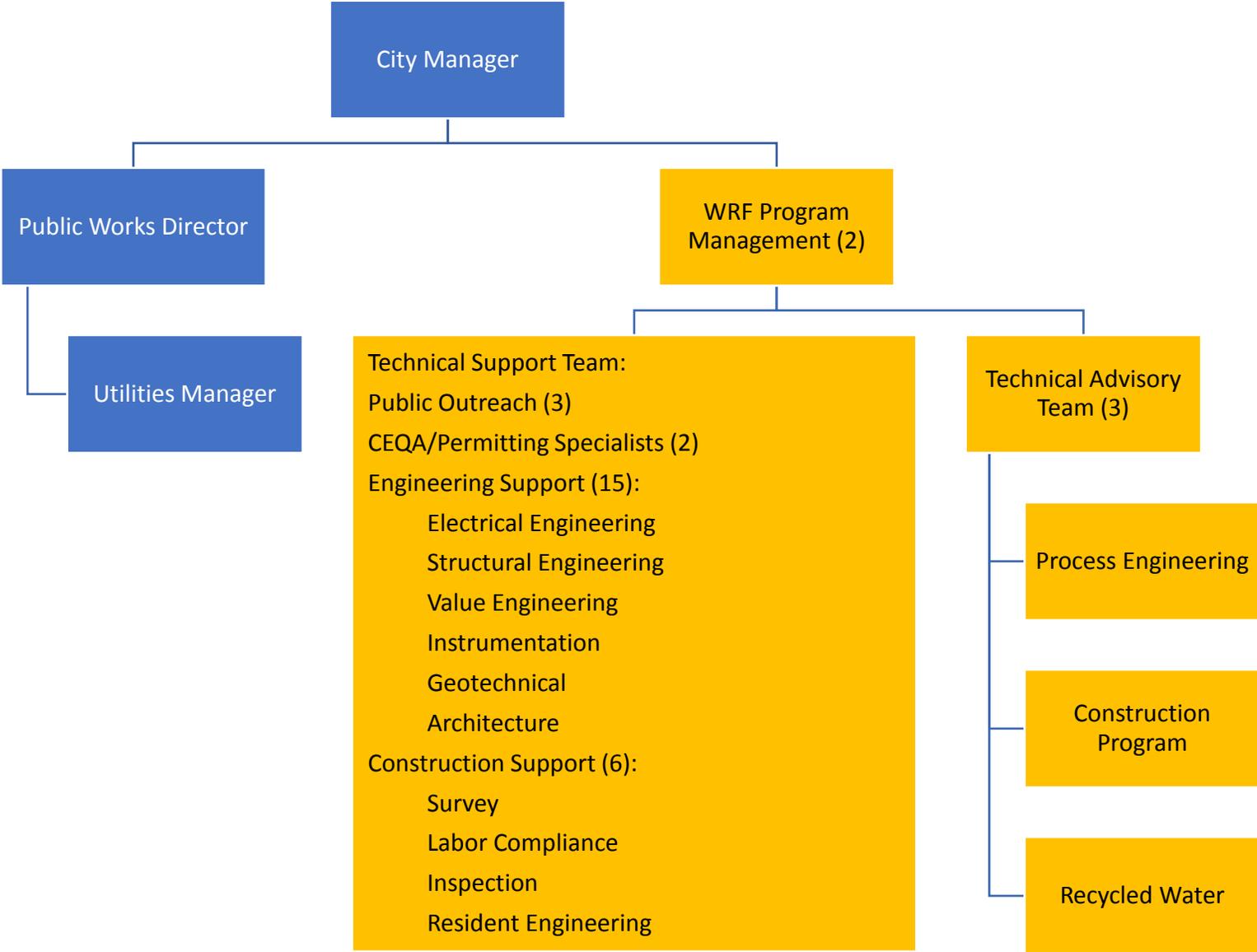
CONCLUSION

Staff opines, if Council determines there is need to change the program management structure, then the Public Works Director be assigned the additional duties of providing the lead program management role with support from the City's Utilities Division Manager and the existing Program Management Team (MKN and Associates) shifting emphasis to technical support, as needed, to move the proposed WRF Project forward in conformance with the current critical path schedule. That option is one the City can follow, with direct City oversight of the proposed WRF Project, and still achieve the critical deadlines for the EIR, and funding applications, and keep this vitally important project moving forward without additional costs or delays.

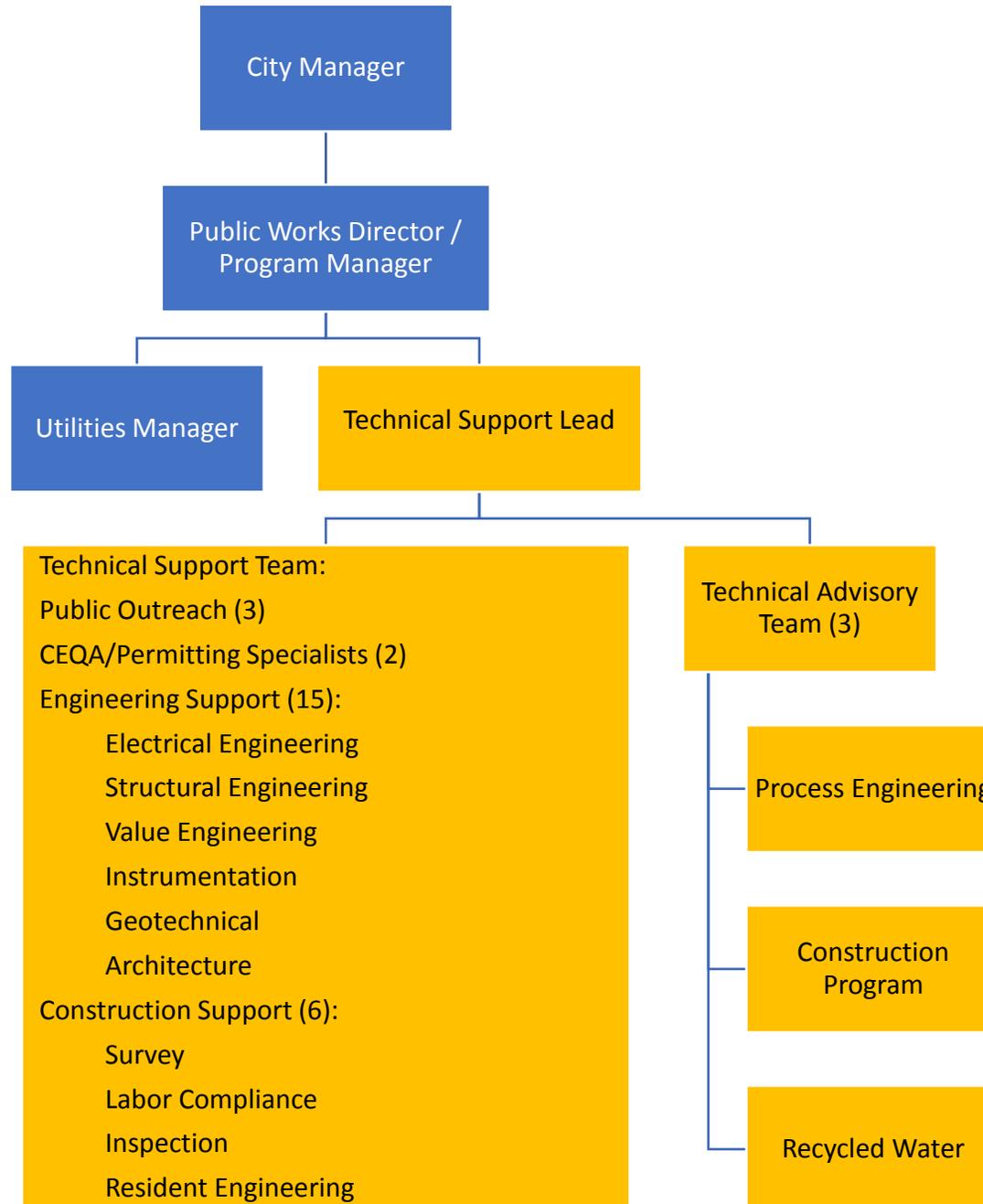
ATTACHMENT

1. Current and Recommended Organization Structure
2. WRF Project Timeline

Current PM Organization Structure:



Recommended PM Organization Structure:



**Water Reclamation Facility Project Schedule
Key Activities**

Item	Date
City received Statements of Qualifications (SOQ) from interested Design Build Entities	December 7, 2017
SOQ Review	December 7 – January 15
Council Review of Program Management	January 9, 2018
Release RFP for Design/Construction of WRF Onsite Improvements	January 23, 2018
Financial Analysis of: 1) Funding Available from Approved 2015 Rates 2) Rate Increase Recommendations for WRF Project	February 2018
Release of Public Draft Environmental Impact Report (EIR)	March 2018
Release of Updated Rate Study	May 2018
Proposition 218 Hearing	June 2018
Council Certification of Final EIR (Critical Timeline for Grant Pursuits)	June 2018
Deadline for WIFIA Loan Application	July 17, 2018
Approval of Coastal Development Permit through County Local Coastal Plan (County of SLO)	September 2018
Council Award of Contract for WRF Onsite Improvements	August 2018
Council Award of Contract for Construction of Lift Station and Offsite Pipelines	November 2019
Completion of WRF Improvements	October 2021; Startup and Commissioning through January 2022

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AGENDA NO: C-2

MEETING DATE: January 9, 2018

Staff Report

TO: Honorable Mayor and Council Members

DATE: December 29, 2017

FROM: Jennifer Callaway, Finance Director

SUBJECT: Review and Receive and File the Information and Recommendations Regarding Financial Reporting and Authorize the City Manager to Sign a 3-year Agreement, subject to Approval of the City Attorney, with OpenGov to Provide On-line Transparency for City Financial Matters

RECOMMENDATION

Council:

- 1) Receive staff's input and recommendations to provide monthly Cross-Fund reports with fund balances and transactions and bi-weekly Accounts Payable Check Run Listings on the City's website, provide quarterly financial reports at regularly scheduled Council meetings; and
- 2) Authorize the City Manager enter into a three-year contract with OpenGov to provide an on-line financial transparency portal for a three-year total contract amount of \$31,045.80, in a form approved by the City Attorney.

ALTERNATIVES

1. The City Council could direct staff to provide the monthly Cross-Fund Reports and Accounts Payable Check Run Listing as an agenda item for Council Discussion
2. The City Council could elect not to enter into an agreement with OpenGov
3. The City Council could elect to enter into a five-year agreement with OpenGov at a cost of \$45,424
4. The City Council could elect to include the integration and/or standard deployment components with either a three-year for five-year contract with OpenGov in the amount of \$43,496 and \$57,874 respectively.

FISCAL IMPACT

In Fiscal Year (FY) 2017/18, a partnership with OpenGov would cost \$14,348.60, which may require a mid-year budget adjustment. Under a three-year agreement, the annual fee of \$8,348.60 for FY 2018/19 and FY 2019/20 would be included in the City's annual budget for those years, equating to a total three-year cost of \$31,045.80.

BACKGROUND

The City of Morro Bay is committed to transparency, including financial transparency. It is important for the public to know how their tax dollars are being appropriately and effectively spent. Per Government Code section 41004, "regularly, at least once each month, the City Treasurer shall

Prepared By: <u> JC </u>	Dept Review: <u> JC </u>
City Manager Review: <u> SC </u>	City Attorney Review: <u> JWP </u>

submit to the City Clerk a written report and accounting of all receipts, disbursements, and fund balances.” The Government Code stipulates a copy of that report shall also be filed with the legislative body (City Council). Monthly reports have not been filed in the most recent past in Morro Bay; however, staff is committed to complying with the Government Code requirements, as well as providing useful and helpful data for both the Council and Community. As such, staff is proposing a three-tiered approach, which includes 1) uploading to the City’s website monthly accounts payable distribution registers and cash balance reports by fund, 2) providing quarterly financial reports to be discussed at a regularly scheduled City Council meeting, and 3) consideration of purchasing OpenGov, a cloud-based financial transparency portal for the Council, community and internal staff to use for data analysis. Each of those suggestions are discussed in more detail below.

DISCUSSION

Monthly Financial Data

The City Treasurer, designated as the Finance Director in Morro Bay, is required per the California Government Code to make monthly financial data available for the City Council. The mechanism for making those monthly data available is not clearly defined in the Government Code; and cities throughout California are complying in a variety of ways. At this time, it is staff’s recommendation a reconciled cross-fund report be published monthly on the City’s website (Attachment 1). The cross-fund report would be published after the bank reconciliation is complete; and it would list each fund, beginning balance, debits, credits and ending fund balance. From a compliance standpoint, production of a cross-fund report would satisfy the Government Code requirements. However, in addition to providing each cross-fund report on a monthly basis, staff also recommends publishing the bi-weekly Accounts Payable Check Run listing (attachment 2) on the City’s website. The Check Run listing is a detailed account of the bi-weekly accounts payable disbursements, with payee name and transaction amount. Staff proposes to upload each of those reports to the City’s website on the Friday following the accounts payable check run, with January 12, 2018, being the first posting and every two weeks thereafter. The Accounts Payable Check Run listing will only provide detail for all payments processed through accounts payable; it does not include electronic fund transfers (EFTs) or payroll disbursements. Those transactions are accounted for in the total credits reported on the cross-fund report previously discussed.

By posting both the cross-fund reports and accounts payable check run listings on the City’s website on a regular basis, the City Council and community will have access to view those fund balances and transactions on a regular basis. Staff does not propose those reports be provided as part of a Council packet or agenda item for Council discussion for two reasons: the reports will be more readily available for Council and public viewing if published directly to the website, as compared to going through the meeting agenda process, which will delay posting of information, and it would be more appropriate to agenda item for discussion at Council staff’s budget performance update on a quarterly basis, as described later in this report

Quarterly Financial Reports

As an agenda item for Council discussion and consideration and as a matter of best practice, staff will provide quarterly financial updates, during regularly scheduled Council meetings. The City Council can generally expect a first quarter report to be presented in November and a mid-year report in February. Often, a third quarter report is not provided as staff is compiling the annual draft budget document for consideration; however, when it is necessary to provide a third quarter update that would be generally be provided in early May. Attachment 3 of this staff report includes the General Fund Quarterly Budget Report for the first three months of the fiscal year, beginning July 1,

2017, and ending September 30, 2017. The report presents analysis related to the key General Fund revenues and expenditures by category and by department.

Staff will be providing the City Council with quarterly updates on the status of the current year's adopted budget revenues and expenditures and projected financial condition of the City's funds. At this point, staff has completed the analysis of the General Fund first quarter only. A similarly structured report and analysis of the Measure Q funds will be provided to the Citizen's Advisory Finance Committee (CFAC) on January 16, 2018, and staff plans to provide a WRF Project specific 1st quarter and 2nd quarter report to the Water Reclamation Facility Citizens Advisory Committee (WRFCAC) during its regularly scheduled February meeting.

At this time, the enterprise funds and other special funds are not included in the quarterly update. Those funds will be included, in summarized form, in the mid-year update and all future quarterly updates.

An analysis of the FY 2017/18 General Fund revenues confirms the City is tracking well, consistent with prior year's first quarter results at 17% of total budgeted revenues. The City's most economically sensitive revenues are Sales Tax and Transient Occupancy Tax (TOT). Sales tax is trending well, approximately 1% higher than in the prior year's first quarter receipts. TOT, however is trending about 2% or approximately \$10,000 lower than the prior year's first quarter receipts. Staff will continue to monitor the TOT receipts, but presumably the closure of Highway 1, North of Morro Bay, to repair the road failure that occurred last winter has impacted travel to Morro Bay and surrounding area. Increases in the revenue sources of Use of Money & Property help to offset the lower than expected TOT receipts for the first quarter.

Staff also reviewed General Fund first quarter expenditure budget results for all City Departments and found General Fund expenditures are trending slightly lower than in prior years. Salaries costs are trending low, primarily due to vacancies and transitions that occurred during the first quarter. Vacancies and transitions often create the need for additional overtime and part-time hours; and, as expected, both of those categories are trending high for the first quarter. As an overall category however, salaries and benefits are trending at approximately 23.5% of budgeted totals, on target for the first quarter of the fiscal year.

Overall, the City's general operating expenditures, which include contract services, supplies and materials, are coming in at 14.4% of budgeted totals. While initially a good indicator of annual expenditures, staff will continue to monitor those expenditures throughout the next quarter.

Financial Transparency Portal

Keeping the spirit of financial transparency in mind, staff has been researching various cloud-based transparency portals, including OpenGov, Tyler Technologies and Socrata.

Tyler Technologies has not gone live with its transparency portal with any California city, at this point, as it is finalizing the integration portal with New World Financial Systems. An advantage to Tyler Technologies would be the ease of integration as Tyler Technologies is the parent agency to New World Financial Systems, which the City currently utilizes; however the City would essentially be beta testing the portal. Given the newness of the product coupled with the \$32,500 three-year cost staff is not recommending Tyler Technologies transparency portal at this time.

While all three solutions (OpenGov, Tyler Technologies and Socrata) provide excellent portals to enhance governmental transparency, OpenGov is generally considered the market leader for

government financial transparency, data visualization, and business intelligence software. OpenGov’s cloud-based financial analysis platform enables governments to collaborate more effectively, make smarter data-driven decisions, and build trust and engagement through greater transparency. OpenGov currently serves over 1700 customers across 48 states, all of various size.

A partnership with OpenGov will provide the Council, citizens, stakeholders and staff with a financial transparency portal, which is designed to bring visibility, openness, and accountability to the City’s operations. The portal is updated regularly (data upload schedule is at the discretion of the City), with a “data dump” from the City’s Financial software system. A link to the portal would be placed prominently on the City’s webpage for anybody to view, filter, and analyze revenue, expense, and balance sheet financial data for the City. A user can analyze financial trends and easily download the data for offline analysis.

OpenGov allows users to explore budget and historical finances in a simple, graphical user interface. Locally, the City of San Luis Obispo has partnered with OpenGov, a link to its site is provided for reference (<https://sanluisobispo.opengov.com>). Other cities such as the City of Cupertino, CA (<https://cupertinoca.opengov.com>), Sausalito, CA (<https://sausalitoca.opengov.com>), and Atherton, CA (<https://athertonca.opengov.com>) are just a few that are utilizing OpenGov to enhance their transparency and provide their communities with access to local financial data.

OpenGov offers three-year and five-year contract options, both including a one-time deployment fee. The proposed pricing for both options is provided below:

	3-Year Term	5-Year Term
Reporting and Analysis Module	\$ 8,348.60	\$ 7,884.79
Quick Start Deployment Fee (Year one only)	\$ 6,000.00	\$ 6,000.00
Total Cost for Year One	\$ 14,348.60	\$ 13,884.79
<hr/>		
Total Subsequent Annual Cost	\$ 8,348.60	\$ 7,884.79
<hr/>		
Total Cost over Life of the Contract Period	\$ 31,045.80	\$ 45,423.95

Optional Additional Features		
Annual Integration Feature	\$ 2,850.00	\$ 2,850.00
Standard Deployment Package	\$ 9,600.00	\$ 9,600.00

Staff’s recommendation is to enter into a three-year contract with OpenGov for the reporting and analysis module, as well as the quick start deployment package. The FY 2017/18 cost would be \$14,350 with a subsequent cost of \$8,350 for the next two years. The total three-year cost would be \$31,050.

The optional additional features include an annual integration fee, which would create an automatic integration link to the City’s New World Financial System, allowing for virtually daily upload of information and transactions. At this time, staff would recommend not purchasing the integration component and rather upload data via Excel on a monthly basis. If that process proves too cumbersome or more “real time” data are deemed useful, then that integration component can be added at a later date.

In addition, a standard deployment package is offered for an additional \$3,600 (total cost of

\$9,600). A comparison of the Quick Start Deployment Package and Standard Deployment Package is provided below for reference:

	Quick Start Deployment	Standard Deployment
Pricing	\$7,500 \$6,000	\$12,000 \$9,600
Description	For smaller organizations with straightforward financial systems and minimal data complexity.	For medium-sized organizations with more staff to train, more data to load, and more complex financial structures.
Key Deliverables	<ul style="list-style-type: none"> • COA design and build • Up to 5 years of data loaded • 4 Standard Reports created • 1 Custom Report created • 5 hours training provided • <i>On-site available at cost</i> 	<ul style="list-style-type: none"> • COA design and build • Up to 10 years of data loaded • 4 Standard Reports created • 3 Custom Reports created • 8 hours training provided • PR/press support included • 1 on-site visit

Staff's recommendation is to purchase the Quick Start Deployment Package, which is designed for smaller organizations, five-years of data uploaded to the portal, four standard reports and one custom report created for deployment. The included standard reports are an annual report, budget-to-actual report, balance sheet and checkbook transactions. For the additional \$3,600, 10-years' of data are uploaded on the portal, 3 custom reports are created, an additional 3 hours of training, press support and one on-site visit is provided. The primary advantage to the standard deployment package is the five additional years of historical data uploaded to the portal and the two additional custom reports prepared for deployment. OpenGov representatives confirmed custom reports can be developed and added to the portal at any time, either by City staff or with assistance from OpenGov representatives at no additional cost. Therefore, staff recommends purchasing the quick start deployment package.

If approved, then staff would work to identify cost savings and a funding source for the FY 2017/18 cost of \$14,350 and incorporate the annual cost of \$8,350 into the FY 2018/19 budget and financial forecast. At this point, staff believes there will be sufficient salary savings resulting from vacancies and transitions within City Hall to fund the FY 2017/18 purchase of OpenGov. Staff would bring a formal budget adjustment request, if necessary, forward during the February Mid-Year update, if sufficient funding is not determined at that point. If approved, then deployment of OpenGov could range between two weeks and two months; given the size of Morro Bay, staff projects approximately a one-month deployment period with the goal of having the City's OpenGov portal live by mid-February in conjunction with the City's mid-year budget update.

CONCLUSION

The available first quarter preliminary data, while on track, cautions staff and Council to continue conservative fiscal planning and efforts to sustain the City's economically sensitive revenues. Staff will continue to examine revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating needs.

ATTACHMENTS

1. Cross Fund Report – September 30, 2017
2. A/P Check Run Report – 12/14/17
3. First Quarter FY 2017/18 Budget Performance and Status Report for period ending September 30, 2017

City of Morro Bay

Cross Fund Report

From Date: 9/1/2017 - To Date: 9/30/2017

Summary Listing, Report By Fund - Account

Fund	Description	Paying Fund	Paying Fund Description	Beginning Balance	Total Debits	Total Credits	Ending Balance
001	General Fund	001	General Fund	(\$797,869.80)	\$889,007.10	\$914,292.12	(\$823,154.82)
002	General Fixed Asset Group	001	General Fund	\$0.00	\$0.00	\$0.00	\$0.00
003	Sales & Use Tax Measure Q	003	Sales & Use Tax Measure Q	\$41,132.84	\$129,796.78	\$80,096.33	\$90,833.29
005	Unfunded Compensable Leave	001	General Fund	\$229,129.60	\$0.00	\$0.00	\$229,129.60
007	MBT-BID	007	MBT-BID	\$211,990.97	\$94,310.53	\$101,081.16	\$205,220.34
011	General Long Term Debt	011	General Long Term Debt	\$0.00	\$0.00	\$0.00	\$0.00
050	Gen. Gov. Vehicle Replacement	050	Gen. Gov. Vehicle Replacement	\$181,374.54	\$0.00	\$16,315.10	\$165,059.44
051	G/F Emergency Reserve Fund	051	G/F Emergency Reserve Fund	\$3,569,418.40	\$0.00	\$0.00	\$3,569,418.40
052	G/F Facility Maintenance Fund	052	G/F Facility Maintenance Fund	\$122,516.78	\$9,000.00	\$0.00	\$131,516.78
053	Water Equip. Replacement	053	Water Equip. Replacement	\$267,003.65	\$0.00	\$0.00	\$267,003.65
054	Sewer Equip. Replacement	054	Sewer Equip. Replacement	\$684,109.16	\$0.00	\$0.00	\$684,109.16
055	Harbor Equip. Replacement	055	Harbor Equip. Replacement	\$55,672.05	\$0.00	\$0.00	\$55,672.05
070	Jamaica Joint Defense	070	Jamaica Joint Defense	\$0.00	\$0.00	\$0.00	\$0.00
100	Redevelopment Agency	100	Redevelopment Agency	\$0.00	\$0.00	\$0.00	\$0.00
200	Community Development Grants	200	Community Development Grants	(\$64,331.85)	\$0.00	\$369.50	(\$64,701.35)
201	CDBG Loan Repayment Fund	201	CDBG Loan Repayment Fund	\$3,200.00	\$0.00	\$0.00	\$3,200.00
202	CDBG 03/04 Tech. Assist.	202	CDBG 03/04 Tech. Assist.	\$4,182.04	\$0.00	\$0.00	\$4,182.04
203	CDGB 1996 Water Reclam	203	CDGB 1996 Water Reclam	\$0.00	\$0.00	\$0.00	\$0.00
204	CDBG 04/05 Housing Rehab	204	CDBG 04/05 Housing Rehab	\$205,088.44	\$0.00	\$0.00	\$205,088.44
205	05/06 Home Partnership	205	05/06 Home Partnership	\$24,315.24	\$0.00	\$0.00	\$24,315.24
206	05/06 Station 54	206	05/06 Station 54	\$0.00	\$0.00	\$0.00	\$0.00
250	State Gas Tax Fund	250	State Gas Tax Fund	\$0.00	\$0.00	\$0.00	\$0.00
270	Lower Cost Visitor Accom Fund	270	Lower Cost Visitor Accom Fund	\$53,616.19	\$0.00	\$0.00	\$53,616.19
280	Traffic Safety Fund	280	Traffic Safety Fund	\$0.00	\$0.00	\$0.00	\$0.00
281	Traffic Safety Grant Fund	281	Traffic Safety Grant Fund	\$0.00	\$0.00	\$0.00	\$0.00
282	Special Safety Grants	282	Special Safety Grants	\$60,415.43	\$12,000.00	\$1,482.25	\$70,933.18
298	Beach Street Specific Plan Fund	298	Beach Street Specific Plan Fund	\$262.00	\$0.00	\$0.00	\$262.00
299	Parking In-Lieu Fund	299	Parking In-Lieu Fund	\$354,775.72	\$511.75	\$1,840.00	\$353,447.47
301	Transit Fund	301	Transit Fund	\$313,776.32	\$3,093.45	\$43,697.92	\$273,171.85
302	Bike Path	302	Bike Path	\$11,960.15	\$0.00	\$0.00	\$11,960.15
303	LTF Roads	303	LTF ROADS	\$21,526.36	\$0.00	\$0.00	\$21,526.36
311	Water Revenue Fund	311	Water Revenue Fund	\$641,490.22	\$513,896.81	\$103,442.64	\$1,051,944.39
315	Water Discounts/Rebates	315	Water Discounts/Rebates	\$303,074.43	\$0.00	\$1,346.71	\$301,727.72
321	Sewer Revenue Fund	321	Sewer Revenue Fund	\$2,213,326.28	\$550,853.55	\$62,108.07	\$2,702,071.76
331	Harbor Operating Fund	331	Harbor Operating Fund	\$113,316.95	\$111,905.35	\$151,662.90	\$73,559.40
430	Risk Management	430	Risk Management	\$158,477.35	\$2,468.72	\$4,484.55	\$156,461.52
443	Unemployment Reserve	443	Unemployment Reserve	\$0.00	\$0.00	\$0.00	\$0.00
444	Liability Insurance	444	Liability Insurance	\$0.00	\$0.00	\$0.00	\$0.00
450	Information Technology Fund	450	Information Technology Fund	\$175,504.12	\$0.00	\$49,473.15	\$126,030.97
460	Capital Accumulation Fund	460	Capital Accumulation Fund	\$201,626.42	\$0.00	\$0.00	\$201,626.42
470	Projects Accumulation Fund	470	Projects Accumulation Fund	\$286,660.10	\$0.00	\$0.00	\$286,660.10
480	Opportunity Fund	480	Opportunity Fund	(\$50,635.07)	\$0.00	\$0.00	(\$50,635.07)
500	Assessment Districts	500	Assessment Districts	\$71,153.53	\$0.00	\$228.19	\$70,925.34
512	Other Post Employment Benefits	512	Other Post Employment Benefits	\$855,946.00	\$16,991.19	\$0.00	\$872,937.19
515	Trust & Agency Fund	515	Trust & Agency Fund	\$1,057,319.18	\$52,243.90	\$1,205.15	\$1,108,357.93
550	Mimosa AD Redemption	550	Mimosa AD Redemption	\$0.00	\$0.00	\$0.00	\$0.00
551	Mimosa Supp. Rememption	551	Mimosa Supp. Rememption	\$0.00	\$0.00	\$0.00	\$0.00
560	Bayshore Bluffs Maint AD	560	Bayshore Bluffs Maint AD	\$0.00	\$0.00	\$0.00	\$0.00
565	North Point Assessment	565	North Point Assessment	\$0.00	\$0.00	\$0.00	\$0.00
570	Cloisters Park Maint AD	570	Cloisters Park Maint AD	\$53,415.30	\$0.00	\$9,317.90	\$44,097.40
575	Cloisters Park Accumulation	575	Cloisters Park Accumulation	\$89,107.01	\$0.00	\$0.00	\$89,107.01
599	MB/CS Waste Water Fund	599	MB/CS Waste Water Fund	(\$284,783.42)	\$373.66	\$109,743.63	(\$394,153.39)
900	Governmental Impact Fees	900	Governmental Impact Fees	\$742,639.01	\$4,386.93	\$0.00	\$747,025.94
904	Park Fee Fund	904	Park Fee Fund	\$9,926.24	\$0.00	\$0.00	\$9,926.24
911	Old Capital Projects Fund	911	Old Capital Projects Fund	\$0.00	\$0.00	\$0.00	\$0.00
915	Capital Projects Fund	915	Capital Projects Fund	(\$78,418.77)	\$86,074.39	\$0.00	\$7,655.62
920	Transit Capital Impv Fund	920	Transit Capital Impv Fund	\$0.00	\$0.00	\$0.00	\$0.00
921	Water Capital Impv Fund	921	Water Capital Impv Fund	(\$2,898.16)	\$0.00	\$134.63	(\$3,032.79)
922	Sewer Capital Impv Fund	922	Sewer Capital Impv Fund	(\$8,656.85)	\$0.00	\$10,847.20	(\$19,504.05)
923	Harbor Capital Impv Fund	923	Harbor Capital Impv Fund	(\$5,115.00)	\$0.00	\$5,445.00	(\$10,560.00)
924	State Park Marina	924	State Park Marina	\$300,726.67	\$10,874.06	\$0.00	\$311,600.73
930	WWTP Capital Impv Fund	930	WWTP Capital Impv Fund	\$0.00	\$0.00	\$0.00	\$0.00
941	Affordable Housing In-Lieu Fund	941	Affordable Housing In-Lieu Fund	\$111,622.28	\$402.15	\$0.00	\$112,024.43
951	Water Accumulation Fund	951	Water Accumulation Fund	\$2,893,674.35	\$0.00	\$0.00	\$2,893,674.35
952	Sewer Accumulation Fund	952	Sewer Accumulation Fund	\$4,263,104.34	\$0.00	\$0.00	\$4,263,104.34
953	Harbor Accumulation Fund	953	Harbor Accumulation Fund	\$482,336.77	\$0.00	\$0.00	\$482,336.77
960	Gas Tax Accumulation Fund	960	Gas Tax Accumulation Fund	\$0.00	\$0.00	\$0.00	\$0.00
Grand Total: 87 Funds				\$20,147,203.51	\$2,488,190.32	\$1,668,614.10	\$20,966,779.73

City of Morro Bay
A/P Check Run 12/14/17
 Bank Account: 401-Gen Checks - General Checking
 Batch Date: 12/14/2017

Type	Date	Number	Source	Payee Name	EFT Bank/Account	Transaction Amount
Bank Account: 401-Gen Checks - General Checking						
Check	12/14/2017	157258	Accounts Payable	39+ Dance Club		1,088.00
Check	12/14/2017	157259	Accounts Payable	A G P Video Inc.		5,000.00
Check	12/14/2017	157260	Accounts Payable	AAA Kleen		1,139.00
Check	12/14/2017	157261	Accounts Payable	Abalone Coast Analytical Inc		1,624.35
Check	12/14/2017	157262	Accounts Payable	Airgas West		108.17
Check	12/14/2017	157263	Accounts Payable	Allstar Industrial Supply		1,489.64
Check	12/14/2017	157264	Accounts Payable	ASAP Reprographics		128.82
Check	12/14/2017	157265	Accounts Payable	AT&T Mobility		54.77
Check	12/14/2017	157266	Accounts Payable	Avaya Financial Services		1,901.74
Check	12/14/2017	157267	Accounts Payable	AXON Enterprises		367.24
Check	12/14/2017	157268	Accounts Payable	AZ Commercial		138.73
Check	12/14/2017	157269	Accounts Payable	Barron , Jesus		100.00
Check	12/14/2017	157270	Accounts Payable	Battery Systems Inc		1,028.40
Check	12/14/2017	157271	Accounts Payable	California Code Check Inc		813.75
Check	12/14/2017	157272	Accounts Payable	CalPortland Construction		359.48
Check	12/14/2017	157273	Accounts Payable	CAPE-Central Coast Chapter		45.00
Check	12/14/2017	157274	Accounts Payable	Cascade Fire Equipment		1,531.74
Check	12/14/2017	157275	Accounts Payable	Caterpillar Financial Services Corp		2,013.29
Check	12/14/2017	157276	Accounts Payable	Cayucos Elementary School Dist		500.00
Check	12/14/2017	157277	Accounts Payable	Charter Communications		1,815.36
Check	12/14/2017	157278	Accounts Payable	CLEAR, INC		50.00
Check	12/14/2017	157279	Accounts Payable	Coast Electronics		3.76
Check	12/14/2017	157280	Accounts Payable	Coastal Tree Experts, Inc		5,900.00
Check	12/14/2017	157281	Accounts Payable	Collins , Scott		106.61
Check	12/14/2017	157282	Accounts Payable	CRUISIN MORRO BAY CAR SHOW		4,500.00
Check	12/14/2017	157283	Accounts Payable	CT INTERNATIONAL		142.23
Check	12/14/2017	157284	Accounts Payable	Culligan		124.51
Check	12/14/2017	157285	Accounts Payable	Degarimore's Central Coast Fuel		1,126.08
Check	12/14/2017	157286	Accounts Payable	Deluxe Corporation		90.17
Check	12/14/2017	157287	Accounts Payable	Don Thomas Trucking		315.00
Check	12/14/2017	157288	Accounts Payable	DOOLEY ENTERPRISES		126.15
Check	12/14/2017	157289	Accounts Payable	DYER'S DIESELRO, INC		76.34
Check	12/14/2017	157290	Accounts Payable	Ferguson Enterprises Inc #1350		1,143.31
Check	12/14/2017	157291	Accounts Payable	FGL Enviromental		1,864.00

User: Chloe Budd

Pages: 1 of 4

12/14/2017 3:21:49 PM

City of Morro Bay
A/P Check Run 12/14/17
 Bank Account: 401-Gen Checks - General Checking
 Batch Date: 12/14/2017

Type	Date	Number	Source	Payee Name	EFT Bank/Account	Transaction Amount
Check	12/14/2017	157292	Accounts Payable	Forest Nurseries, Inc		735.39
Check	12/14/2017	157293	Accounts Payable	Freshcrete		253.21
Check	12/14/2017	157294	Accounts Payable	Full Spectrum Powder Coating, Inc.		540.00
Check	12/14/2017	157295	Accounts Payable	Gallegos , Henry		100.00
Check	12/14/2017	157296	Accounts Payable	Golden State Overnight		10.36
Check	12/14/2017	157297	Accounts Payable	Grainger Inc		269.75
Check	12/14/2017	157298	Accounts Payable	Greenvale Tree Company		5,500.00
Check	12/14/2017	157299	Accounts Payable	Haaker Equipment Company		3,617.17
Check	12/14/2017	157300	Accounts Payable	Hach Company		1,055.39
Check	12/14/2017	157301	Accounts Payable	Hanley & Fleishman, LLP		5,401.50
Check	12/14/2017	157302	Accounts Payable	Hay Printing		91.59
Check	12/14/2017	157303	Accounts Payable	HELFAND , ADAM		100.00
Check	12/14/2017	157304	Accounts Payable	Hinson's Tire Inc		437.93
Check	12/14/2017	157305	Accounts Payable	Independent Electric Supply Inc		898.25
Check	12/14/2017	157306	Accounts Payable	Ingraffia , Joseph		150.00
Check	12/14/2017	157307	Accounts Payable	INN AT MORRO BAY		840.00
Check	12/14/2017	157308	Accounts Payable	J B Dewar Inc		42.02
Check	12/14/2017	157309	Accounts Payable	Jackrabbit Systems Inc.		1,200.00
Check	12/14/2017	157310	Accounts Payable	Jerry Marine & Tackle		4.31
Check	12/14/2017	157311	Accounts Payable	Key Termite and Pest Control, Inc.		60.00
Check	12/14/2017	157312	Accounts Payable	L N CURTIS & SONS		3,724.19
Check	12/14/2017	157313	Accounts Payable	Lamphier , Modeana		270.00
Check	12/14/2017	157314	Accounts Payable	Lee Wilson Electric Inc		175.00
Check	12/14/2017	157315	Accounts Payable	Life-Assist, Inc.		534.82
Check	12/14/2017	157316	Accounts Payable	Lucas , Michael		150.00
Check	12/14/2017	157317	Accounts Payable	Luhr , Gerald		150.00
Check	12/14/2017	157318	Accounts Payable	Marine Research Specialists		20,373.10
Check	12/14/2017	157319	Accounts Payable	MCV Wines		98.91
Check	12/14/2017	157320	Accounts Payable	Miner's Ace Hardware		1,424.50
Check	12/14/2017	157321	Accounts Payable	Mission Uniform Service		1,542.26
Check	12/14/2017	157322	Accounts Payable	Morro Bay Chamber Of Commerce		4,166.67
Check	12/14/2017	157323	Accounts Payable	Morro Bay Garbage		10,557.25
Check	12/14/2017	157324	Accounts Payable	MV Transportation, Inc		91.00
Check	12/14/2017	157325	Accounts Payable	National Auto Fleet Group		49,248.60
Check	12/14/2017	157326	Accounts Payable	Negranti Construction		598.89

User: Chloe Budd

Pages: 2 of 4

12/14/2017 3:21:49 PM

City of Morro Bay
A/P Check Run 12/14/17
 Bank Account: 401-Gen Checks - General Checking
 Batch Date: 12/14/2017

Type	Date	Number	Source	Payee Name	EFT Bank/Account	Transaction Amount
Check	12/14/2017	157327	Accounts Payable	Norcast Telecom Networks		5.37
Check	12/14/2017	157328	Accounts Payable	Oasis Equipment Rental		87.11
Check	12/14/2017	157329	Accounts Payable	Omni-Means, Ltd		748.50
Check	12/14/2017	157330	Accounts Payable	PACIFIC COAST CONGRESS HARBOR		265.00
Check	12/14/2017	157331	Accounts Payable	Pacific Gas & Electric		226.05
Check	12/14/2017	157332	Accounts Payable	Pacific Heating/Sheet Metal		61.96
Check	12/14/2017	157333	Accounts Payable	PARS		692.34
Check	12/14/2017	157334	Accounts Payable	Paso Robles Safe & Lock, Inc		853.31
Check	12/14/2017	157335	Accounts Payable	Pete's Morro Bay Tire & Auto		139.29
Check	12/14/2017	157336	Accounts Payable	Ponder , Tami L		479.64
Check	12/14/2017	157337	Accounts Payable	Pure Watersports - Dana Point LLC		1,740.26
Check	12/14/2017	157338	Accounts Payable	Quinn Company		163.14
Check	12/14/2017	157339	Accounts Payable	RAIN FOR RENT		3,032.96
Check	12/14/2017	157340	Accounts Payable	Rick Engineering Company		2,178.42
Check	12/14/2017	157341	Accounts Payable	Ricoh USA, Inc		1,303.83
Check	12/14/2017	157342	Accounts Payable	Roemer-Jones, Inc.		1,000.00
Check	12/14/2017	157343	Accounts Payable	Sadowski , Richard		150.00
Check	12/14/2017	157344	Accounts Payable	San Luis Auto Parts		855.44
Check	12/14/2017	157345	Accounts Payable	San Luis Coastal Unified School District		60.00
Check	12/14/2017	157346	Accounts Payable	San Luis Paper Co		1,747.78
Check	12/14/2017	157347	Accounts Payable	Sentry Alarm Systems		25.50
Check	12/14/2017	157348	Accounts Payable	Siafu		2,000.00
Check	12/14/2017	157349	Accounts Payable	Simply Clear Marketing & Media		150.00
Check	12/14/2017	157350	Accounts Payable	SLO CO EMS AGENCY		187.00
Check	12/14/2017	157351	Accounts Payable	SLO COUNTY VCB		55,064.48
Check	12/14/2017	157352	Accounts Payable	SP Maintenance Services Inc		3,131.88
Check	12/14/2017	157353	Accounts Payable	State Board of Equalization		128.88
Check	12/14/2017	157354	Accounts Payable	Statewide Safety & Signs		6,677.51
Check	12/14/2017	157355	Accounts Payable	SWRCB		1,400.00
Check	12/14/2017	157356	Accounts Payable	T2 Systems Canada Inc.		75.00
Check	12/14/2017	157357	Accounts Payable	The Ferguson Group LLC		4,523.01
Check	12/14/2017	157358	Accounts Payable	The Gas Company		1,033.73
Check	12/14/2017	157359	Accounts Payable	The Tribune		496.10
Check	12/14/2017	157360	Accounts Payable	The UPS Store		76.90
Check	12/14/2017	157361	Accounts Payable	Todds Garage		321.50

User: Chloe Budd

Pages: 3 of 4

12/14/2017 3:21:49 PM

City of Morro Bay
A/P Check Run 12/14/17
 Bank Account: 401-Gen Checks - General Checking
 Batch Date: 12/14/2017

Type	Date	Number	Source	Payee Name	EFT Bank/Account	Transaction Amount
Check	12/14/2017	157362	Accounts Payable	TransUnion Risk & Alternative Data Solutions, Inc		25.00
Check	12/14/2017	157363	Accounts Payable	U S POSTMASTER		225.00
Check	12/14/2017	157364	Accounts Payable	U. S. Bank Equipment Finance		703.26
Check	12/14/2017	157365	Accounts Payable	Univar USA INC		2,463.79
Check	12/14/2017	157366	Accounts Payable	Utility Telephone		756.50
Check	12/14/2017	157367	Accounts Payable	Verizon Wireless		2,201.14
Check	12/14/2017	157368	Accounts Payable	Village Cleaners		17.00
Check	12/14/2017	157369	Accounts Payable	Wahl , Greg		480.00
Check	12/14/2017	157370	Accounts Payable	Winema Industrial & Safety Supply		403.21
Check	12/14/2017	157371	Accounts Payable	ZOLL MEDICAL CORP		96.98
401-Gen Checks General Checking Totals:				Transactions: 114		\$249,681.47
Checks:		114	\$249,681.47			

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

INTRODUCTION

Purpose

This is the first quarterly budget report for the Fiscal Year 2017/18, for the three-month period ending September 30, 2017. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

Content

This quarterly report presents an overview of the City's operating revenues and expenditures from the General Fund for the quarter ending September 30, 2017, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report focuses on General Fund operating revenues and expenditures, as these represent the funds used to provide essential City services.

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual comprehensive audit, which is released in the winter of each year for the prior fiscal year.

With respect to revenues: The City monitors and adjusts its year-end revenue projections based on revenue performance and other developments that may affect City revenues in order to develop a more accurate picture of the City's anticipated year-end financial position.

With respect to expenditures: The expenditure information in this report is extracted directly from the City's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time, and does not reflect final FY 2017/18 adjustments.

Table of Contents

Introduction.....	1
Executive Summary.....	2
General Fund – Key Revenue Analysis.....	3
Other Taxes	3
Sales Tax	4
Transient Occupancy Tax	6
Franchise Fees	7
Property Tax	8
Charges for Service.....	9
Licenses and Permits.....	10
Business Tax	11
General Fund – Key Expenditure Analysis.....	12
Salaries and Benefits.....	12
Supplies, Materials and Services	13
Financial Summaries and Projections.....	13
General Fund by Category	14
General Fund by Department	15
Conclusion	16

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

EXECUTIVE SUMMARY

Status of FY 2017/18 Adopted Budget

Overall, first quarter revenue trends are steady when compared to the first quarter of Fiscal Year 2016/17, at about 17% of budgeted levels. Of the City's most economically-sensitive revenues - sales tax is about 1% higher than those receipts in the 1st quarter of the prior year while Transient Occupancy Tax (TOT) is down slightly. Fines and Forfeitures, Charges for Service, and Use of Money & Property categories are trending higher than the prior year.

Overall, General Fund expenditures for the first quarter are trending low with first quarter Supplies, Materials and Services expenditures at about 14% of budget. Overall salary and benefits are trending a bit high, so staff will continue to monitor these and bring forth any budget adjustments at the mid-year review. With only three months of data available, however, it is difficult to predict revenues and expenditures for the remainder of the year. In light of this, staff continues to be cautiously optimistic while monitoring fiscal developments very closely, and is not recommending budget adjustments for either revenues or expenditures at this time.

U.S. Economic Outlook

The Congressional Budget Office (CBO) estimates, in real terms, Gross Domestic Product (GDP) expansion by 2.2 percent in calendar year 2017 and by 2.0 percent in 2018. The CBO expects consumer spending and capital investment by businesses to drive that growth. The growth of real GDP in the CBO's forecast averages is 1.5 percent annually in 2019 and 2020.

The Federal Reserve has been gradually reducing its support for economic growth and this process is likely to continue through 2020, in the CBO's view. The CBO expects the Federal Reserve to raise the

federal funds interest rate from 0.9 percent in the second quarter of 2017 to 2.0 percent by the end of 2018, and then 3.0 percent by the end of 2020. Similarly, in the CBO's forecast, by the end of 2020, the interest rate on 3-month Treasury bills rises to 2.7 percent and the rate on 10-year Treasury notes rises to 3.5 percent.

In addition, the federal lawmakers still face the longer-term budget issues posed by the large projected national debt and implementation of rising health care costs due to the aging population.

State Budget Update

The 2017 Budget Act continues to bolster the State's Rainy-Day fund and pay down accumulated debts and liabilities, to counter the potential fiscal impact of federal policy changes on California and the potential end of an economic expansion that has surpassed historical averages. While maintaining fiscal prudence, the Budget focuses state spending on the Governor's key priorities – investing in education, counteracting the effects of poverty, and improving the state's streets, roads and transportation infrastructure.

The budget uses dedicated proceeds from Proposition 2 to pay down nearly \$1.8 billion in past budgetary borrowing and state employee pension liabilities. In addition, the budget reflects a \$6 billion supplemental payment to CalPERS through a loan from the Surplus Money Investment Fund that will reduce the state's unfunded liabilities, stabilize state contribution rates, and save \$11 billion over the next two decades.

The budget implements the Road Repair and Accountability Act of 2017 (SB 1), which returns the gas tax's purchasing power to 1994 levels, and provides \$54 billion in new funding over the next decade, split evenly between state and local funding.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the first quarter, ending September 30, 2017.

Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or state budget actions.

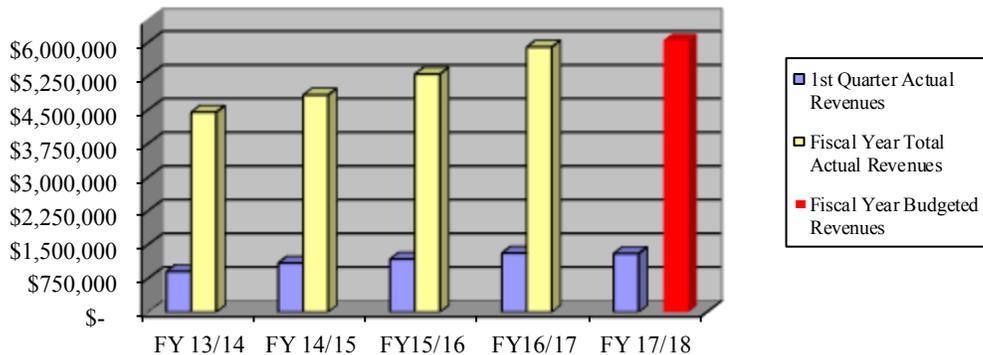
Other Taxes

Other taxes include sales and use tax, Prop 172 public safety sales tax, property transfer tax, transient occupancy tax (TOT), and Franchise Fees. As a category, other taxes represent 44% of the Cities total General Fund revenues, inclusive of transfers in, with transient occupancy tax being the second largest revenue source for the City. For purposes of the quarterly review, an analysis of Other Taxes as a grouping, as well as individual analysis of Sales and Use Tax, TOT and Franchise Fees will be discussed.

Analysis – First quarter receipts are trending consistently with those in the same period in the past fiscal year, and therefore, no budget adjustments to this category are recommended at this time. A detailed analysis of sales tax, TOT and Franchise fees is following.

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 904,353	\$ 1,091,081	\$ 1,179,798	\$ 1,311,780	\$ 1,303,092
Fiscal Year Total Actual Revenues	\$ 4,448,934	\$ 4,828,679	\$ 5,297,172	\$ 5,896,997	
Fiscal Year Budgeted Revenues					\$ 6,048,717
1st Quarter Percent of Total	20.33%	22.60%	22.27%	22.24%	21.54%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

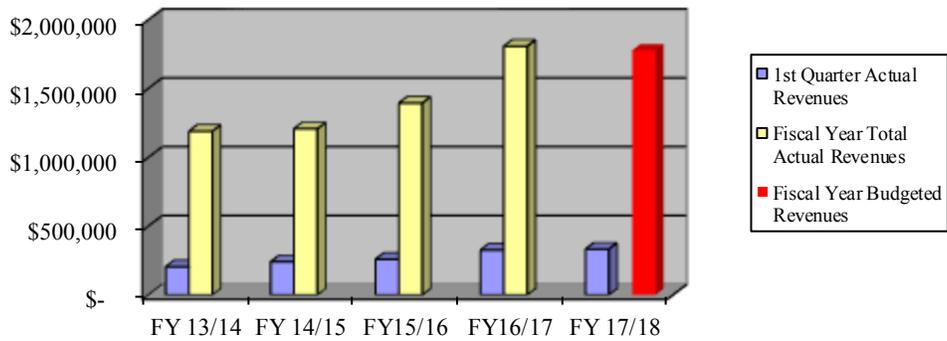
Sales Tax

Sales tax generates approximately 13% of revenues, the third largest revenue source for the City’s General Fund in FY 2017/18. The City’s General Fund receives 1 cent for every 7.5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Morro Bay. Previously, the State Board of Equalization retained 25% of the City’s 1-cent share, referred to as the “Triple Flip,” requiring the San Luis Obispo County Auditor to replace it with an equal amount of property tax revenue. Revenues are remitted from the State to the City on a monthly basis, and from the County to the City on a biannual basis. These revenues are placed in the General Fund for unrestricted uses. The “triple flip” period ended in FY 2015/16, and is no longer impacting sales tax receipts.

Analysis – As a revenue category, first quarter receipts are trending in line with those in the same period in the past fiscal year. Staff will continue to monitor sales tax receipts and meet with the City’s sales tax consultant’s HDL to analyze trends. Any budget recommendations for adjustments will be brought forth with the mid-year update.

Sales Tax

**Quarterly and Annual Revenues
5-Year History**

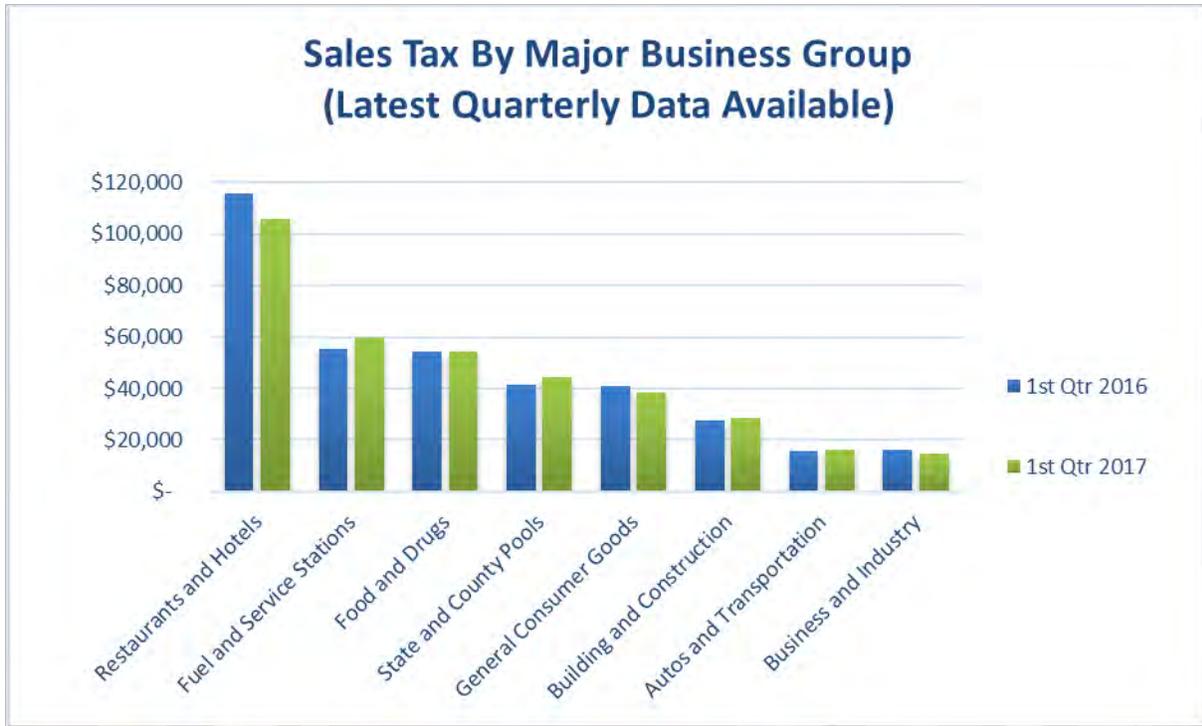


	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 205,052	\$ 240,848	\$ 259,457	\$ 326,803	\$ 333,152
Fiscal Year Total Actual Revenues	\$ 1,189,656	\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	
Fiscal Year Budgeted Revenues					\$ 1,777,664
1st Quarter Percent of Total	17.24%	19.95%	18.61%	18.08%	18.74%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

As depicted in the graph below, the categories of Fuel and Service Stations and State and County Pools represent the most significant increase in sales tax from the 1st quarter of 2016 to the 1st quarter of 2017. Both the Restaurants & Hotels and Business & Industry categories represent the most significant decrease in sales tax receipts quarter over quarter. There is not significant change in the sales tax revenue in the General Retail category; however, it should be noted that sales tax revenue has increased slightly in both the Food and Construction areas, when compared to the same quarter results from the prior fiscal year.



Staff will continue to monitor these revenues through the mid-year to determine if a budget adjustment will be recommended at that time.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

TOT Tax

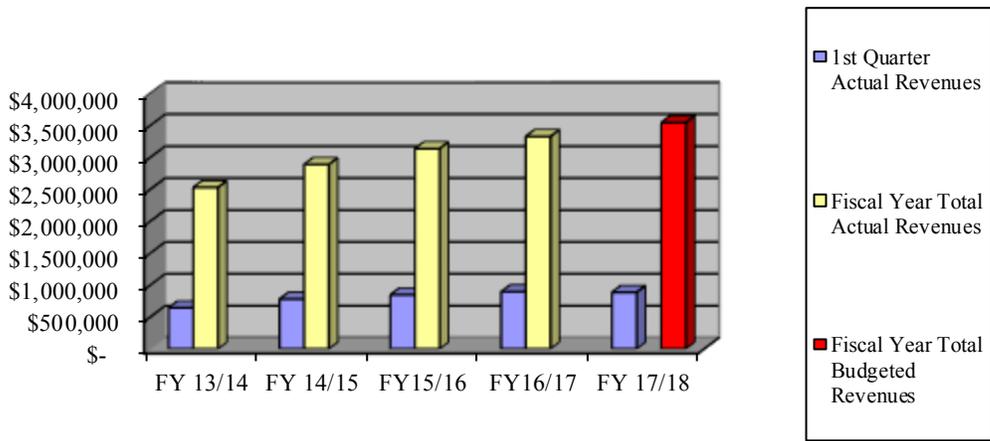
Transient Occupancy Tax (TOT) accounts for 26% of the City’s general fund revenues for FY 2017/18. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

The City levies a 10% transient occupancy tax (TOT) on all hotel, motel, vacation rentals and RV parks within the municipal limits of Morro Bay. This tax helps to fund City services provided to transitory visitors to Morro Bay. In addition, the City collects additional revenues for the Tourism Business Improvement District (TBID) in the amount of 3% on all hotels, motels, inns, etc., which funds the Tourism program within the City and a 1 percent tax on all hotels, motels, vacation rentals and RV parks which is the share for the County Tourism program.

Analysis – Visit California, formerly the California Travel and Tourism Commission, reports that the total number of visitors to California grew 2.1% in 2017, following a 1.9% expansion in 2016. Total international visits to California will decline by 0.9% in 2017 before picking up to just above 2.5% in 2018 and increasing each year through 2021 (Source: California Office of Tourism). First quarter TOT revenues are trending just slightly below prior year first quarter results, when viewed as a percentage of budget. At this time, staff is not recommending a budget adjustment, but will continue to monitor this funding source closely to assess the need for future budget adjustments.

Transient Occupancy Tax

**Quarterly and Annual Revenues
5-Year History**



	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
1st Quarter Actual Revenues	\$ 641,692	\$ 779,178	\$ 843,923	\$ 895,546	\$ 885,172
Fiscal Year Total Actual Revenues	\$ 2,527,352	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	
Fiscal Year Total Budgeted Revenues					\$ 3,543,371
1st Quarter Percent of Total	25.39%	26.97%	26.91%	26.92%	24.98%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

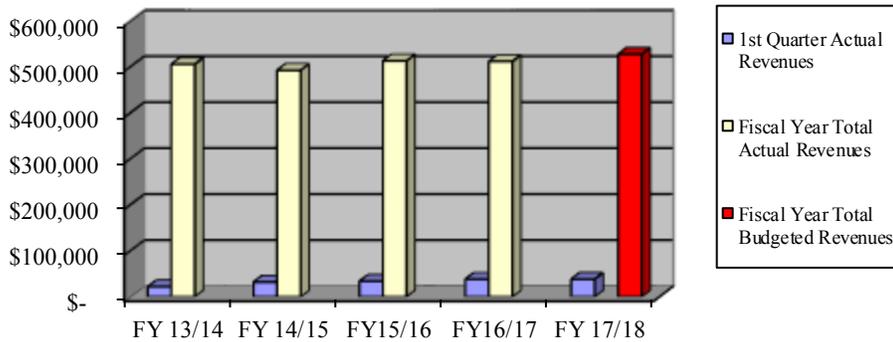
Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Morro Bay, and as a fee in lieu of a business tax. Franchise fees are currently received for electricity, garbage, cable TV and natural gas. Franchise fees represent 4.0% of budgeted General Fund revenues in FY 2017-18.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, first quarter receipts are not necessarily predictive. Total franchise fee revenues to date are 5.8% of budgeted total receipts, consistent with the prior year’s 1st quarter results. No budget adjustment is recommended at this time.

Franchise Fees

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 22,162	\$ 32,085	\$ 34,093	\$ 38,354	\$ 38,372
Fiscal Year Total Actual Revenues	\$ 505,659	\$ 492,572	\$ 513,081	\$ 511,696	
Fiscal Year Total Budgeted Revenues					\$ 527,484
1st Quarter Percent of Total	4.38%	6.51%	6.64%	7.50%	7.27%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

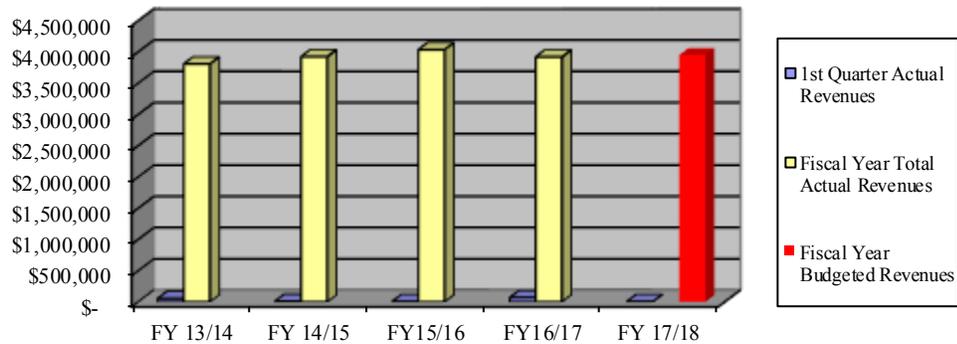
Property Tax

Property tax, including property tax in-lieu, is the second largest revenue category for the City’s General Fund, accounting for 29% of budgeted General Fund revenues in FY 2017/18. Property tax is levied by the San Luis Obispo County Assessor’s Office at 1% of a property’s assessed value, of which the City receives approximately 13.7 cents per dollar paid on property located within the municipal limits of Morro Bay.

Analysis – Property tax distributions are largely received in the third and fourth quarters, however the chart below depicts the 1st quarter receipts for the past four years as compared to the current fiscal year. First quarter receipts are trending consistent with prior years. Property tax revenue for FY 2017/18 was budgeted consistent with previous year’s actuals projecting relatively flat real estate transactions.

PROPERTY TAX

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 54,044	\$ 7,750	\$ 5,718	\$ 66,907	\$ 4,220
Fiscal Year Total Actual Revenues	\$ 3,805,601	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	
Fiscal Year Budgeted Revenues					\$ 3,948,634
1st Quarter Percent of Total	1.42%	0.20%	0.14%	1.71%	0.11%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

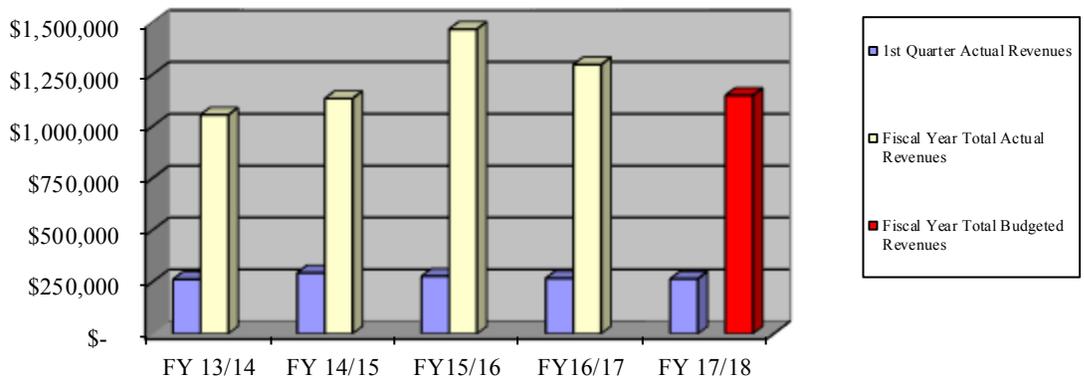
Charges for Services

City service revenues consist primarily of Plan Check fees, Building Inspection fees and Recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect approximate costs of providing these services and, as a total category, account for 8% of the City’s General Fund revenues. Community Development and Recreation Services account for most of these fees.

Analysis – First quarter receipts are trending slightly ahead of those in the same period in the prior fiscal year. Staff will continue to monitor this revenue source; however, no budget revisions are recommended at this time.

Charges for Services

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 262,289	\$ 294,031	\$ 278,023	\$ 267,467	\$ 264,736
Fiscal Year Total Actual Revenues	\$ 1,055,168	\$ 1,134,047	\$ 1,468,119	\$ 1,297,352	
Fiscal Year Total Budgeted Revenues					\$1,149,348
1st Quarter Percent of Total	24.86%	25.93%	18.94%	20.62%	23.03%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

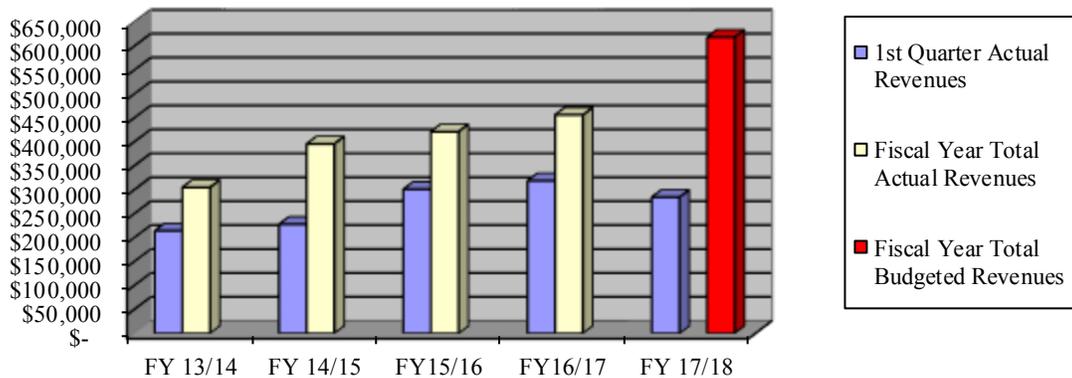
Licenses and Permits

Licenses and permits consist mainly of business and transient vendor taxes. Conditional use permits, and coastal permits are the other primary revenues sources in this category. The Licenses and Permits category represents approximately 5% of total City General Fund revenues for FY 2017/18. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

Analysis – First quarter licenses and permit revenue as an overall category is trending lower than the first quarter results from the previous fiscal year. Business tax is the largest subset of this category, and is the primary reason why overall licenses and permits are trending low. Staff will continue to monitor this revenue source to assess the need for mid-year budget adjustments; however, no budget revisions are recommended at this time.

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	\$ 214,256	\$ 227,818	\$ 301,018	\$ 318,860	\$ 284,370
Fiscal Year Total Actual Revenues	\$ 305,021	\$ 395,769	\$ 421,205	\$ 456,319	
Fiscal Year Total Budgeted Revenues					\$ 618,589
1st Quarter Percent of Total	70.24%	57.56%	71.47%	69.88%	45.97%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

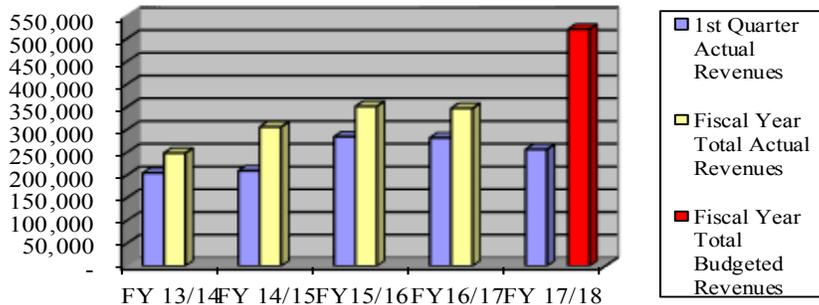
Business Tax

The City requires all business located within Morro Bay, or those that operate within Morro Bay, to obtain a business tax certificate. Business taxes apply to businesses operating as a general or sub-contractor, as a home occupation, from a commercial or office space rental, or as a business conducting temporary activities within the City limits. The amount of business tax paid by each business is based on the type of business being operated and varies depending on that type. Businesses, with gross receipts under \$4,000 per year for all work conducted within Morro Bay, are exempt from applying for and receiving a business tax certificate. These activities account for approximately 4% of annual General Fund operating revenues. Annual renewal payments are due in July, or for newer businesses, the month in which the business started.

Analysis – Business tax revenue grew steadily from FY 2013/14 through FY 2015/16, at which point revenues appear to have flattened out. When viewed as a percentage of budget, current year first quarter revenues are trending much lower than those of the previous year. This is due to FY 2017/18 budgeted business and transient vendor tax revenues being quite high compared to actual receipts from the prior years. Business Tax budgeted revenues increased in FY 2015/16 when the City engaged the services of Municipal Auditing Services to audit business tax receipts. At the time it was expected that the Business Tax audit would result in a substantial increase Business Tax revenue for the City so the budgeted estimates were increased. Those higher estimates were carried into future years despite significantly lower actual receipts. Staff will budget revenues for FY 2018/19 in line with actual receipts from the past several years to avoid shortfalls in the future. Staff will continue to monitor this revenue source and will likely bring forth a budget adjustment recommendation at the mid-year review.

Business Tax

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Revenues	204,511	209,590	284,507	281,942	256,600
Fiscal Year Total Actual Revenues	\$ 248,181	\$ 305,844	\$ 351,055	\$ 346,704	
Fiscal Year Total Budgeted Revenues					\$ 520,730
1st Quarter Percent of Total	82.40%	68.53%	81.04%	81.32%	49.28%
Recommended Budget Revision					No Change

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the first quarter ending September 30, 2017. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

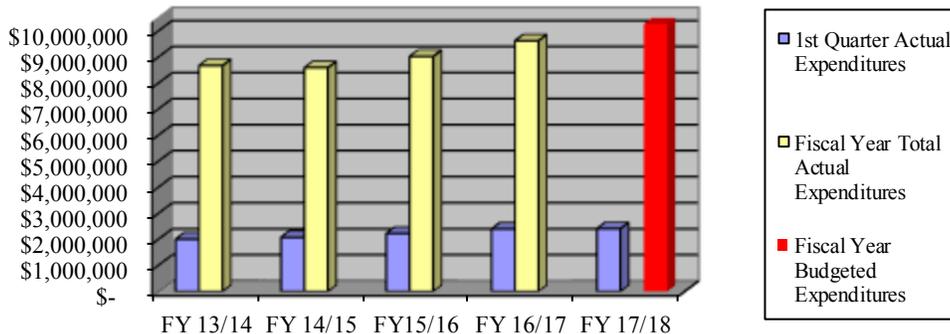
SALARIES AND BENEFITS

Salaries and benefits include full-time employee salaries, elected official’s stipends, temporary/relief employees, overtime, other benefits, pensions and health care. Under typical circumstances, it would be expected that salaries and benefits would be at approximately 25% of total budget at the end of the first quarter.

Analysis – First quarter results are trending in line with those in the same period in prior years, at approximately 23.5% of budgeted totals. Within the Salaries and Benefits categories, staff is closely monitoring overtime and part-time staffing costs, as both are trending high at the first quarter, partially due to vacancies, and seasonal employment needs. There are mitigating savings in both regular salary costs and other pay classifications to help offset the overtime and part-time usage; however, staff will closely monitor use of overtime and part-time hours to mitigate increasing costs. There is no recommendation for adjustments at this time.

SALARIES AND BENEFITS

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Expenditures	\$ 2,009,423	\$ 2,081,974	\$ 2,227,163	\$ 2,401,146	\$ 2,412,050
Fiscal Year Total Actual Expenditures	\$ 8,675,535	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	\$ 9,625,716
Fiscal Year Budgeted Expenditures					\$ 10,269,135
1st Quarter Percent of Total	23.16%	24.22%	24.67%	24.95%	23.49%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

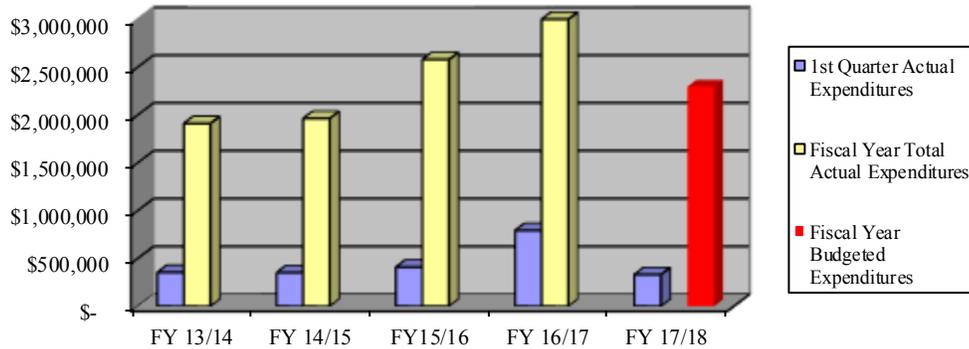
SUPPLIES, MATERIALS AND SERVICES

Operating expenditures consist of all General Fund costs to provide services, including supplies and materials, consulting services, contract services, and debt service. For analysis materials, utilities, insurance, payment to other agencies and transfers are categorized individually as they are often expenditure categories that staff have limited control or ability to reduce expenditures. The category of supplies, materials and services, the Cities most controllable expenditure category, should trend around the 25% level for the first quarter. Consulting and contractual services, a component of this category, may have various contract start dates and payments may not be equally spread throughout the fiscal year so variation from the 25% amount may be explained due to these consulting and contractual services.

Analysis – First quarter results are trending lower than those in the same period in prior years, at approximately 14.40% of budgeted totals (exclusive of transfers). There is no recommendation for adjustments at this time.

SUPPLIES, MATERIALS AND SERVICES

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
1st Quarter Actual Expenditures	\$ 354,554	\$ 350,762	\$ 409,774	\$ 792,839	\$ 330,369
Fiscal Year Total Actual Expenditures	\$ 1,910,336	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	
Fiscal Year Budgeted Expenditures					\$ 2,295,924
1st Quarter Percent of Total	18.56%	17.86%	15.89%	26.23%	14.39%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2017/18, and is sorted by revenue and expenditure category. In the last column are projections of final balances for the current fiscal year, based upon the early trends observed through the first quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended September 30, 2017

	FY17/18 Adopted Budget	FY17/18 1st Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 4,220	0%	\$ 3,948,634
Other Taxes	200,198	46,396	23%	200,198
Transient Occupancy Tax	3,543,371	885,172	25%	3,543,371
Sales Tax	1,777,664	333,152	19%	1,777,664
Franchise Fees	527,484	38,372	7%	527,484
Licenses & Permits	97,859	27,770	28%	97,859
Business Tax	520,730	256,600	49%	520,730
Charges for Services	1,149,348	264,736	23%	1,149,348
Fines & Forfeitures	12,000	5,367	45%	12,000
Intergovernmental	60,394	-	0%	60,394
Other Sources	39,422	5,785	15%	39,422
Use of Money & Property	443,927	134,630	30%	443,927
Fund Transfers	1,316,851	257,449	20%	1,316,851
Total Revenues	13,637,882	2,259,649	17%	13,637,882
Expenditures				
Salaries	5,240,831	1,071,856	20%	5,240,831
Overtime	247,177	116,992	47%	247,177
Part-time	901,245	284,876	32%	901,245
Other Salaries	332,189	63,483	19%	332,189
Labor Costs Applied	1,500	23,682	1579%	1,500
Benefits	3,546,193	851,162	24%	3,546,193
Supplies, Materials and Services	2,295,924	330,369	14%	2,295,924
Utilities	357,852	94,416	26%	357,852
Insurance	142,770	35,693	25%	142,770
Payment to other Agencies	40,775	17,316	42%	40,775
Total Expenditures	\$ 13,106,456	\$ 2,889,845	22%	\$ 13,106,456
Transfers In/Out	522,322	-	0%	522,322
Total Operating Expenditures	\$ 13,628,778	\$ 2,889,845	21%	\$ 13,628,778
Net Surplus or (Use) of Reserves	\$ 9,104	\$ (630,196)		\$ 9,104

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2017/18

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2017/18 displayed by revenue type and expenditures per department. The chart serves to monitor Department expenditures related to both budgeted amounts and prior year actuals. In the last column are projections of final balances for the current fiscal year based upon the early trends observed through the first quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended September 30, 2017

	FY17/18 Adopted Budget	FY17/18 1st Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 4,220	0%	\$ 3,948,634
Other Taxes	200,198	46,396	23%	200,198
Transient Occupancy Tax	3,543,371	885,172	25%	3,543,371
Sales Tax	1,777,664	333,152	19%	1,777,664
Franchise Fees	527,484	38,372	7%	527,484
Licenses & Permits	97,859	27,770	28%	97,859
Business Tax	520,730	256,600	49%	520,730
Charges for Services	1,149,348	264,736	23%	1,149,348
Fines & Forfeitures	12,000	5,367	45%	12,000
Intergovernmental	60,394	-	0%	60,394
Other Sources	39,422	5,785	15%	39,422
Use of Money & Property	443,927	134,630	30%	443,927
Fund Transfers	1,316,851	257,449	20%	1,316,851
Total Revenues	13,637,882	2,259,649	17%	13,637,882
Expenditures				
City Council	134,575	43,635	32%	134,575
City Manager	280,441	52,706	19%	280,441
Contract Services	768,105	61,259	8%	768,105
City Clerk/HR/Elections	419,500	103,619	25%	419,500
Deputy City Manager	117,284	20,530	18%	117,284
Accounting & Treasury	616,680	120,985	20%	616,680
Police Department	3,336,552	729,100	22%	3,336,552
Support Services	231,122	40,657	18%	231,122
Fire Department	2,480,935	691,828	28%	2,480,935
Emergency Operations Center	8,967	(8,531)	-95%	8,967
Community Development	1,053,470	182,487	17%	1,053,470
Public Works	626,349	154,122	25%	626,349
Consolidated Maintenance	855,800	255,066	30%	855,800
Vehicle, Parks, Facilities	120,361	26,314	22%	120,361
Streets, Street Trees, Storm Drains/Creeks	864,144	78,636	9%	864,144
Street lighting	106,000	20,077	19%	106,000
Curbside Recycling	-	-	0%	-
Recreation Services - Administration	318,203	58,422	18%	318,203
Recreation Services - Dance 39+	11,500	3,053	27%	11,500
Recreation Services - Sports	411,856	127,735	31%	411,856
Recreation Services - Youth Services	344,612	126,064	37%	344,612
Electricity	-	2,079		-
Total Expenditures	\$ 13,106,456	\$ 2,889,845	22%	\$ 13,106,456
Transfers In/Out	522,322	-	0%	522,322
Total Operating Expenditures	\$ 13,628,778	\$ 2,889,845	21%	\$ 13,628,778
Net Surplus or (Use) of Reserves	\$ 9,104	\$ (630,196)		\$ 9,104

CONCLUSION

The financial results from the FY 2017/18 first quarter data, confirms that the City is trending well and on track for the year. The first quarter report highlights that the City must continue to monitor the most economically sensitive revenue category of TOT closely into the mid-year update as well as striving to contain costs as much as possible. As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating and capital needs.

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AGENDA NO: C-3

MEETING DATE: January 9, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: January 2, 2018

FROM: Scott Collins, City Manager

SUBJECT: Authorization for Travel to Washington, D.C. for Attendance at the C-MANC Annual Washington, D.C. “Washington Week” Meetings and for Support of Funding for the Water Reclamation Facility, and Approval of Resolution No. 01-18 in Support of Congressional Bill H.R. 1176, the “Keep America’s Waterfronts Working Act”

RECOMMENDATION

Staff recommends the City Council:

- 1) authorize a three-person delegation (the Mayor, City Manager and Harbor Director) to attend the California Marine Affairs and Navigation Conference (C-MANC) 2018 “Washington Week” meetings in Washington, D.C. Those meetings are slated for March 5-8, 2018; and,
- 2) authorize the Public Works Director to travel to Washington D.C. and meet, alongside the City Manager and Mayor when appropriate, with Morro Bay’s legislative delegation and relevant federal agencies representatives in support of the Water Reclamation Facility (WRF) funding and permitting. The travel would coincide with the annual (C-MANC) 2018 meetings in Washington, D.C.; and,
- 3) adopt Resolution No. 01-18 in support of Congressional Bill H.R. 1176, the “Keep America’s Waterfronts Working Act” for grant funding support of working waterfronts nationwide.

ALTERNATIVES

- A. Do not approve authorization for the WRF – DC trip.
- B. Do not approve authorization for the “Washington Week” C-MANC delegation.
- C. The Council may consider sending an additional Councilmember on the Washington D.C. trip in support of the WRF project.
- D. Do not approve Resolution No. 01-18.

FISCAL IMPACT

The total combined expenses for airfare, hotel, and monetary contribution to the Golden State Reception for the C-MANC “Washington Week” meetings are estimated at \$8,000-\$10,000. This amount would cover the trip costs for the Harbor Director and Mayor and other related expenses. These costs do not include the approximate \$2,000 in staff time in preparatory meeting attendance, grant preparation, and travel/meeting logistics. Those staff expenses will be assumed by the Harbor Enterprise Fund. The City will be applying for a grant of approximately \$8,000 -\$10,000, once more accurate costs are known, from the Central Coast Joint Cable Fisheries Liaison Committee. If successful, the grant will be used for reimbursement of actual travel, attendance and associated costs of the C-MANC attendance. Last year’s actual costs (for a three-person delegation) were just under \$11,000; however, the Cable Committee only agreed to reimbursement for two persons in the

Prepared By: EE/DS

Dept Review: EE

City Manager Review: SC

City Attorney Review: _____

amount of \$8,000, as they felt a two-person delegation as was historically done prior to 2016 was sufficient, and it matched what was being reimbursed for Port San Luis’s two-person delegation. If we are not successful in obtaining the grant, then staff may have to come back to Council for a budget adjustment in the Harbor Enterprise Fund and/or change in itinerary, as those funds are not currently budgeted.

The trip costs for the City Manager and Public Works Director are expected to be funded equally between the Water and Wastewater Enterprise funds. It is estimated that airfare, hotel and meals will cost approximately \$7,500 in combined total for the City Manager and Public Works Director’s expenses. There will be no General Funds expended for this trip.

Estimated Travel Costs and Funding Source		
	Estimated Cost	Funding Source
C-MANC “Washington Week” - Mayor Irons and Director Endersby	\$8,000 - \$10,000	Paid from Harbor Enterprise Fund with anticipated reimbursement from Central Coast Joint Cable Fisheries Liaison Grant
WRF Funding and Permitting - City Manager Collins and Director Livick	\$7,500	Paid from Water and Wastewater Enterprise Funds

BACKGROUND/DISCUSSION

C-MANC “Washington Week” Meetings:

The City of Morro Bay is a long-standing member of C-MANC, and for over 20 years has sent representatives to the “Washington Week” meetings to remind Congress of the importance of dredging projects, commercial fishing and other coastal-related legislation in California and nationwide. This year, similar to last year, we are proposing a three-person delegation including the City Manager, as this three-person team has proven effective in strategically attending differently-focused meetings and making contacts on the many significant and varied issues facing Morro Bay.

The annual “Washington Week” proceedings are the City’s most effective way for face-to-face meetings with our representatives and others to stress the critical need to fund navigational and entrance dredging and other Federal priorities of the City, including the Water Reclamation Facility. In addition to the C-MANC group meetings and forums with such entities as OMB, EPA, U.S. Fish and Wildlife, Council on Environmental Quality, Army Corps of Engineers, U.S. Coast Guard, Department of Transportation, NOAA and Congressional members, additional one-on-one meetings with the Morro Bay delegation are scheduled with key Congressional representatives, regulators and agencies. C-MANC members also host the “Golden State Reception,” attended by over 200 elected and appointed Washington officials, for a “meet and greet” gathering, where agencies can meet with representatives and staffers of various levels to discuss their issues and concerns in a less formal setting.

For the current Federal fiscal year, C-MANC, the City of Morro Bay and the Army Corps recommended and were successful in obtaining funding sufficient to dredge the entirety of Morro Bay’s channels and harbor entrance. Because of those efforts working with the Corps at all levels, all of our channels were recently dredged, and the Corps’ dredge ship *YAQUINA* will be here again this upcoming spring to dredge our entrance.

WRF Funding and Permitting:

On July 19, 2017, the U.S. Environmental Protection Agency (EPA) invited the City of Morro Bay to apply for an \$82 million Water Infrastructure Finance and Innovation Act (WIFIA) loan. The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation's water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. The City submitted a letter of interest to EPA in April 2017 and was selected from a group of 43 projects that represent large and small communities from across the United States based on the project description to recycle wastewater to help supplement the City water supply; reduce reliance on imported water; improve groundwater quality with the addition of highly treated water; and move a critical piece of infrastructure to reduce flood risk.

In discussing the WIFIA program, EPA Administrator Scott Pruitt said, "Rebuilding America's infrastructure is a critical pillar of the President's agenda. These large-scale projects will improve water quality for 20 million Americans, especially those communities that need it the most – such as rural and urban communities."

Securing this federal subsidy, and other potential funding sources, for the proposed WRF Project is a critical effort to making the project more affordable for the Morro Bay Community. The total costs for the proposed WRF project could be upwards of \$150M to relocate that critical infrastructure away from coastal hazards, while providing a more resilient and local water supply for the community. The Public Works Director, City Manager and Mayor (when available) will meet with the US-EPA and the WIFIA staff, USDA and their infrastructure funding staff along with the US Bureau of Reclamation in pursuit of a WaterSmart grant that could potentially fund 25-percent or up to \$20M of the total project cost. The WaterSmart grant will additionally require congressional authorization so keeping the proposed WRF Project in front of our legislative delegation is imperative. As such, Morro Bay representatives will meet with our Congressional representatives to discuss this matter.

Resolution No. 01-18 Supporting H.R. 1176 – "Keep America's Waterfronts Working Act"

Regarding Resolution 01-18 in support of H.R. 1176, that bill was introduced by Congresswoman Chellie Pingree of Maine's 1st District. Co-sponsors include Congressman Wittman (VA), Congressman Keating (MA) and Congresswoman Bordallo (Guam-at large). The bill amends the Coastal Zone Management Act of 1972 to direct the National Oceanic and Atmospheric Administration (NOAA) to establish a Working Waterfront Grant Program. Under that proposed program, NOAA would award grants to coastal states with approved working waterfront plans in place to preserve and expand access to coastal waters for people engaged in fishing, aquaculture, boat building and other water-dependent businesses. Those grants would be available by allocation to local governments, agencies or non-governmental organizations. A copy of H.R. 1176, as of the date of this agenda publication, is included with this staff report as Attachment 1.

Recognizing water-dependent commercial activities are an important economic and cultural center of many coastal communities that depend on coastal access and infrastructure, and coastal property values are constantly rising and pressure to develop them for other than traditional commercial uses is also rising, H.R. 1176 was authored to preserve and protect coastal access for commercial activities by way of establishment of a task force to identify critical needs, and grant funding to help enable those needs.

Although that potential grant funding would be to eligible states, there is provision for allocation to local entities such as the City of Morro Bay. Morro Bay's "working waterfront" is at the heart of this community's identity, and we are currently undertaking a complete overhaul of our General Plan and Local Coastal Plan that will likely include some element or elements of "working waterfronts." Based

on those reasons alone, it would behoove the City to support this bill as it could be a potential future funding source for land acquisition and improvements such as wharves, boat ramps, slips and storage facilities, boatyards and haul-out facilities, commercial fishing facilities, recreational fishing facilities and other coastal access commercial infrastructure.

CONCLUSION

It is critically important for the California C-MANC delegation to maintain its many relationships in Washington and a seat at the D.C. table, in addition to bringing a unified voice to D.C. of the importance of all of California's ports and harbors, large and small, to the national economy and security. It is equally vital to maintain relationships with the City's potential Federal funding partners for the City's WRF project and impress upon them how critical it is to receive financial assistance that will make this critical infrastructure affordable for our small community.

Staff is, therefore, recommending approval of City Council authorization to send a three-person delegation (Mayor, City Manager, and Harbor Director) to C-MANC's "Washington Week" proceedings this coming March. Staff will be applying for cable grant funding in January when the grant cycle is open to cover the trip's costs for the Mayor and the Harbor Director, and is supplying "in-kind" City staff time as its share; therefore, no direct fiscal impacts to the General Fund are anticipated. Staff is further recommending approval for Public Works Director to travel with the delegation in support of the WRF project. Staff recommends funding the City Manager's and Public Works Director's expenses out of the Water and Wastewater Funds. This is a fair allocation of expenses, considering that the City Manager's time will likely be split evenly between C-MANC and WRF activities, and the Mayor's time will be split in some fashion between them as well.

Staff also recommends the City officially support, by way of Resolution No. 01-18, the "Keep America's Waterfronts Working Act," to enable possible future grant funding for various Morro Bay "working waterfront" endeavors and initiatives. If Council approves the resolution, then Morro Bay's delegation would bring the City's support to our legislators' attention, including the bill's sponsors, in March. That would also likely lead to building favorable relationships with other Congress Members than Morro Bay's direct representative.

Finally, staff will bring an informational item to Council, likely the second meeting in February, discussing the D.C. agenda, final cost estimates and status of the Cable grant and draft letters to our Congressional representatives, the US Army Corps of Engineers USEPA, the Bureau of Reclamation and the US Department of Agriculture and to seek Council input, if any, on the trip.

ATTACHMENTS

1. U.S. Congressional Bill H.R. 1176.
2. Resolution 01-18.

115TH CONGRESS
1ST SESSION

H. R. 1176

To amend the Coastal Zone Management Act of 1972 to establish a Working Waterfront Task Force and a working waterfronts grant program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2017

Ms. PINGREE (for herself and Mr. WITTMAN) introduced the following bill;
which was referred to the Committee on Natural Resources

A BILL

To amend the Coastal Zone Management Act of 1972 to establish a Working Waterfront Task Force and a working waterfronts grant program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Keep America’s Water-
5 fronts Working Act”.

6 **SEC. 2. WORKING WATERFRONTS GRANT PROGRAM.**

7 The Coastal Zone Management Act of 1972 (16
8 U.S.C. 1451 et seq.) is amended by adding at the end
9 the following:

1 **“SEC. 320. WORKING WATERFRONTS GRANT PROGRAM.**

2 “(a) FINDINGS AND PURPOSE.—The Congress finds
3 the following:

4 “(1) FINDINGS.—

5 “(A) Water-dependent commercial activi-
6 ties are the economic and cultural heart of
7 many coastal communities. These activities in-
8 clude commercial fishing, recreational fishing
9 businesses, tourism, aquaculture, boatbuilding,
10 transportation, and many other water-depend-
11 ent businesses.

12 “(B) Water-dependent commercial activi-
13 ties depend on coastal access in the form of—

14 “(i) docks, wharfs, boat lifts, wet and
15 dry marinas, and boat ramps;

16 “(ii) boat hauling, repair, and con-
17 struction facilities;

18 “(iii) commercial fishing facilities; and

19 “(iv) other support structures on,
20 over, or adjacent to navigable bodies of
21 water.

22 “(C) The coastal zone of the United States
23 is experiencing rising property values and taxes,
24 and related development pressure, as more peo-
25 ple move to the coastal zone and as coastal

1 areas experience a demographic shift favoring
2 wealthier individuals.

3 “(D) Privately owned access areas for
4 water-dependent commercial activity in many
5 States are under increasing threat from private
6 residential development and other conversion.

7 “(E) Loss of access for water-dependent
8 commercial activity would have economically
9 and culturally devastating consequences for
10 many coastal communities.

11 “(2) PURPOSE.—The purpose of this section is
12 to preserve and protect coastal access for persons
13 engaged in water-dependent commercial activities,
14 including commercial fishing, recreational fishing
15 businesses, aquaculture, boatbuilding, or other
16 water-dependent coastal-related businesses.

17 “(b) WORKING WATERFRONT TASK FORCE.—

18 “(1) ESTABLISHMENT AND FUNCTIONS.—The
19 Secretary of the Interior shall establish a task force
20 to identify and address critical needs with respect to
21 working waterfronts.

22 “(2) MEMBERSHIP.—The members of the task
23 force shall be appointed by the Secretary of the Inte-
24 rior, and shall include—

1 “(A) experts in the unique economic, so-
2 cial, cultural, ecological, geographic, and re-
3 source concerns of working waterfronts; and

4 “(B) representatives from the National
5 Oceanic and Atmospheric Administration’s
6 Coastal Services Center, the United States Fish
7 and Wildlife Service, the Department of Agri-
8 culture, the Environmental Protection Agency,
9 the United States Geological Survey, the Navy,
10 the National Marine Fisheries Service, and such
11 other Federal agencies as the Secretary con-
12 siders appropriate.

13 “(3) FUNCTIONS.—The task force shall—

14 “(A) identify and prioritize critical needs
15 with respect to working waterfronts in States
16 that have a management program approved by
17 the Secretary of Commerce pursuant to section
18 306, in the areas of—

19 “(i) economic and cultural importance
20 of working waterfronts to communities;

21 “(ii) changing environments and
22 threats working waterfronts face from en-
23 vironment changes, trade barriers, and
24 marketplace variables; and

1 “(iii) identifying working waterfronts
2 and highlighting them within communities;

3 “(B) outline options to address such crit-
4 ical needs;

5 “(C) identify Federal agencies that are re-
6 sponsible under existing law for addressing such
7 critical needs; and

8 “(D) recommend Federal agencies best
9 suited to address any critical needs for which
10 no agency is responsible under existing law.

11 “(4) INFORMATION TO BE CONSIDERED.—In
12 identifying and prioritizing policy gaps pursuant to
13 paragraph (3), the task force shall consider the find-
14 ings and recommendations contained in section VI of
15 the report entitled ‘The Sustainable Working Water-
16 fronts Toolkit: Final Report’, dated March 2013.

17 “(5) REPORT.—Not later than 18 months after
18 the date of the enactment of this section, the task
19 force shall submit a report to Congress on its find-
20 ings.

21 “(6) IMPLEMENTATION.—The head of each
22 Federal agency identified in the report pursuant to
23 paragraph (3)(C) shall take such action as is nec-
24 essary to implement the recommendations contained

1 in the report by not later than 1 year after the date
2 of the issuance of the report.

3 “(c) WORKING WATERFRONT GRANT PROGRAM.—

4 “(1) The Secretary shall establish a Working
5 Waterfront Grant Program, in cooperation with ap-
6 propriate State, regional, and other units of govern-
7 ment, under which the Secretary may make a grant
8 to any coastal state for the purpose of implementing
9 a working waterfront plan approved by the Secretary
10 under subsection (d).

11 “(2) Subject to the availability of appropria-
12 tions, the Secretary shall award matching grants
13 under the program to coastal states with approved
14 working waterfront plans through a regionally equi-
15 table, competitive funding process in accordance
16 with the following:

17 “(A) The Governor, or the lead agency
18 designated by the Governor for coordinating the
19 implementation of this section, where appro-
20 priate in consultation with the appropriate local
21 government, shall determine that the applica-
22 tion is consistent with the State’s or territory’s
23 approved coastal zone plan, program, and poli-
24 cies prior to submittal to the Secretary.

1 “(B) In developing guidelines under this
2 section, the Secretary shall consult with coastal
3 states, other Federal agencies, and other inter-
4 ested stakeholders with expertise in working
5 waterfront planning.

6 “(C) Coastal states may allocate grants to
7 local governments, agencies, or nongovernment
8 organizations eligible for assistance under this
9 section.

10 “(3) In awarding a grant to a coastal state, the
11 Secretary shall consider—

12 “(A) the economic and cultural significance
13 of working waterfront to the coastal state;

14 “(B) the demonstrated working waterfront
15 needs of the coastal state as outlined by a
16 working waterfront plan approved for the coast-
17 al state under subsection (d), and the value of
18 the proposed project for the implementation of
19 such plan;

20 “(C) the ability to successfully leverage
21 funds among participating entities, including
22 Federal programs, regional organizations, State
23 and other government units, landowners, cor-
24 porations, or private organizations;

1 “(D) the potential for rapid turnover in
2 the ownership of working waterfront in the
3 coastal state, and where applicable the need for
4 coastal states to respond quickly when prop-
5 erties in existing or potential working water-
6 front areas or public access areas as identified
7 in the working waterfront plan submitted by
8 the coastal state come under threat or become
9 available;

10 “(E) the impact of the working waterfront
11 plan approved for the coastal state under sub-
12 section (d) on the coastal ecosystem and the
13 users of the coastal ecosystem; and

14 “(F) the extent of the historic connection
15 between working waterfronts and the local com-
16 munities within the coastal state.

17 “(4) The Secretary shall approve or reject an
18 application for such a grant within 60 days after re-
19 ceiving an application for the grant.

20 “(d) WORKING WATERFRONT PLANS.—

21 “(1) To be eligible for a grant under subsection
22 (c), a coastal state must submit and have approved
23 by the Secretary a comprehensive working water-
24 front plan in accordance with this subsection or be
25 in the process of developing such a plan and have an

1 established working waterfront program at the State
2 or local level.

3 “(2) Such plan—

4 “(A) must provide for preservation and ex-
5 pansion of access to coastal waters to persons
6 engaged in commercial fishing, recreational
7 fishing businesses, aquaculture, boatbuilding, or
8 other water-dependent, coastal-related business;

9 “(B) shall include—

10 “(i) an assessment of the economic,
11 social, cultural, and historic value of work-
12 ing waterfront to the coastal state;

13 “(ii) a description of relevant State
14 and local laws and regulations affecting
15 working waterfront in the geographic areas
16 identified in the working waterfront plan;

17 “(iii) identification of geographic
18 areas where working waterfronts are cur-
19 rently under threat of conversion to uses
20 incompatible with commercial fishing, rec-
21 reational fishing businesses, aquaculture,
22 boatbuilding, or other water-dependent,
23 coastal-related business, and the level of
24 that threat;

1 “(iv) identification of geographic areas
2 with a historic connection to working wa-
3 terfronts where working waterfronts are
4 not currently available, and, where appro-
5 priate, an assessment of the environmental
6 impacts of any expansion or new develop-
7 ment of working waterfronts on the coastal
8 ecosystem;

9 “(v) identification of other working
10 waterfront needs including improvements
11 to existing working waterfronts and work-
12 ing waterfront areas;

13 “(vi) a strategic and prioritized plan
14 for the preservation, expansion, and im-
15 provement of working waterfronts in the
16 coastal state;

17 “(vii) for areas identified under
18 clauses (iii), (iv), (v), and (vi), identifica-
19 tion of current availability and potential
20 for expansion of public access to coastal
21 waters;

22 “(viii) a description of the degree of
23 community support for such strategic plan;
24 and

1 “(ix) a contingency plan for properties
2 that revert to the coastal state pursuant to
3 determinations made by the coastal state
4 under subsection (h)(4)(C);

5 “(C) may be part of the management pro-
6 gram approved under section 306;

7 “(D) shall utilize to the maximum extent
8 practicable existing information contained in
9 relevant surveys, plans, or other strategies to
10 fulfill the information requirements under this
11 paragraph; and

12 “(E) shall incorporate the policies and reg-
13 ulations adopted by communities under local
14 working waterfront plans or strategies in exist-
15 ence prior to the date of enactment of this sec-
16 tion.

17 “(3) A working waterfront plan—

18 “(A) shall be effective for purposes of this
19 section for the 5-year period beginning on the
20 date it is approved by the Secretary;

21 “(B) must be updated and re-approved by
22 the Secretary before the end of such period; and

23 “(C) shall be complimentary to and incor-
24 porate the policies and objectives of regional or
25 local working waterfront plans as in effect be-

1 fore the date of enactment of this section or as
2 subsequently revised.

3 “(4) The Secretary may—

4 “(A) award planning grants to coastal
5 states for the purpose of developing or revising
6 comprehensive working waterfront plans; and

7 “(B) award grants consistent with the pur-
8 poses of this section to States undertaking the
9 working waterfront planning process under this
10 section, for the purpose of preserving and pro-
11 tecting working waterfronts during such pro-
12 cess.

13 “(5) Any coastal state applying for a working
14 waterfront grant under this title shall—

15 “(A) develop a working waterfront plan,
16 using a process that involves the public and
17 those with an interest in the coastal zone;

18 “(B) coordinate development and imple-
19 mentation of such a plan with other coastal
20 management programs, regulations, and activi-
21 ties of the coastal state; and

22 “(C) if the coastal state allows qualified
23 holders (other than the coastal state) to enter
24 into working waterfront covenants, provide as
25 part of the working waterfront plan under this

1 subsection a mechanism or procedure to ensure
2 that the qualified holders are complying their
3 duties to enforce the working waterfront cov-
4 enant.

5 “(e) USES, TERMS, AND CONDITIONS.—

6 “(1) Each grant made by the Secretary under
7 this section shall be subject to such terms and condi-
8 tions as may be appropriate to ensure that the grant
9 is used for purposes consistent with this section.

10 “(2) A grant under this section may be used—

11 “(A) to acquire a working waterfront, or
12 an interest in a working waterfront; or

13 “(B) to make improvements to a working
14 waterfront, including the construction or repair
15 of wharfs, boat ramps, or related facilities.

16 “(f) PUBLIC ACCESS REQUIREMENT.—A working
17 waterfront project funded by grants made under this sec-
18 tion must provide for expansion or improvement of reason-
19 able and appropriate public access to coastal waters at or
20 in the vicinity of a working waterfront, except for commer-
21 cial fishing or other industrial access points where the
22 coastal state determines that public access would be un-
23 safe.

24 “(g) LIMITATIONS.—

1 “(1) Except as provided in paragraph (2), a
2 grant awarded under this section may be used to
3 purchase working waterfront or an interest in work-
4 ing waterfront, including an easement, only from a
5 willing seller and at fair market value.

6 “(2) A grant awarded under this section may
7 be used to acquire working waterfront or an interest
8 in working waterfront at less than fair market value
9 only if the owner certifies to the Secretary that the
10 sale is being entered into willingly and without coer-
11 cion.

12 “(3) No Federal, State, or local entity may ex-
13 ercise the power of eminent domain to secure title to
14 any property or facilities in connection with a
15 project carried out under this section.

16 “(h) ALLOCATION OF GRANTS TO LOCAL GOVERN-
17 MENTS AND OTHER ENTITIES.—

18 “(1) The Secretary shall encourage coastal
19 states to broadly allocate amounts received as grants
20 under this section among working waterfronts iden-
21 tified in working waterfront plans approved under
22 subsection (d).

23 “(2) Subject to the approval of the Secretary,
24 a coastal state may, as part of an approved working
25 waterfront plan, designate as a qualified holder any

1 unit of State or local government or nongovernment
2 organization, if the coastal state is ultimately re-
3 sponsible for ensuring that the property will be man-
4 aged in a manner that is consistent with the pur-
5 poses for which the land entered into the program.

6 “(3) A coastal state or a qualified holder des-
7 ignated by a coastal state may allocate to a unit of
8 local government, nongovernmental organization,
9 fishing cooperative, or other entity, a portion of any
10 grant made under this section for the purpose of
11 carrying out this section, except that such an alloca-
12 tion shall not relieve the coastal state of the respon-
13 sibility for ensuring that any funds so allocated are
14 applied in furtherance of the coastal state’s approved
15 working waterfront plan.

16 “(4) A qualified holder may hold title to or in-
17 terest in property acquired under this section, except
18 that—

19 “(A) all persons holding title to or interest
20 in working waterfront affected by a grant under
21 this section, including a qualified holder, private
22 citizen, private business, nonprofit organization,
23 fishing cooperative, or other entity, shall enter
24 into a working waterfront covenant;

1 “(B) such covenant shall be held by the
2 coastal state or a qualified holder designated
3 under paragraph (2);

4 “(C) if the coastal state determines, on the
5 record after an opportunity for a hearing, that
6 the working waterfront covenant has been vio-
7 lated—

8 “(i) all right, title, and interest in and
9 to the working waterfront covered by such
10 covenant shall, except as provided in sub-
11 paragraph (D), revert to the coastal state;
12 and

13 “(ii) the coastal state shall have the
14 right of immediate entry onto the working
15 waterfront;

16 “(D) if a coastal state makes a determina-
17 tion under subparagraph (C), the coastal state
18 may convey or authorize the qualified holder to
19 convey the working waterfront or interest in
20 working waterfront to another qualified holder;
21 and

22 “(E) nothing in this subsection waives any
23 legal requirement under any Federal or State
24 law.

25 “(i) MATCHING CONTRIBUTIONS.—

1 “(1) Except as provided in paragraph (2), the
2 Secretary shall require that each coastal state that
3 receives a grant under this section, or a qualified
4 holder designated by that coastal state under sub-
5 section (h), shall provide matching funds in an
6 amount equal to at least 25 percent of the total cost
7 of the project carried out with the grant.

8 “(2) The Secretary may waive the application
9 of paragraph (1) for any qualified holder that is an
10 underserved community, a community that has an
11 inability to draw on other sources of funding because
12 of the small population or low income of the commu-
13 nity, or for other reasons the Secretary considers ap-
14 propriate.

15 “(3) A local community designated as a quali-
16 fied holder under subsection (h) may utilize funds or
17 other in-kind contributions donated by a nongovern-
18 mental partner to satisfy the matching funds re-
19 quirement under this subsection.

20 “(4) As a condition of receipt of a grant under
21 this section, the Secretary shall require that a coast-
22 al state provide to the Secretary such assurances as
23 the Secretary determines are sufficient to dem-
24 onstrate that the share of the cost of each eligible

1 project that is not funded by the grant awarded
2 under this section has been secured.

3 “(5) If financial assistance under this section
4 represents only a portion of the total cost of a
5 project, funding from other Federal sources may be
6 applied to the cost of the project. Each portion shall
7 be subject to match requirements under the applica-
8 ble provision of law.

9 “(6) The Secretary shall treat as non-Federal
10 match the value of a working waterfront or interest
11 in a working waterfront, including conservation and
12 other easements, that is held in perpetuity by a
13 qualified holder, if the working waterfront or inter-
14 est is identified in the application for the grant and
15 acquired by the qualified holder within 3 years of
16 the grant award date, or within 3 years after the
17 submission of the application and before the end of
18 the grant award period. Such value shall be deter-
19 mined by an appraisal performed at such time before
20 the award of the grant as the Secretary considers
21 appropriate.

22 “(7) The Secretary shall treat as non-Federal
23 match the costs associated with acquisition of a
24 working waterfront or an interest in a working wa-
25 terfront, and the costs of restoration, enhancement,

1 or other improvement to a working waterfront, if the
2 activities are identified in the project application and
3 the costs are incurred within the period of the grant
4 award, or, for working waterfront described in para-
5 graph (6), within the same time limits described in
6 that paragraph. These costs may include either cash
7 or in-kind contributions.

8 “(j) LIMIT ON ADMINISTRATIVE COSTS.—No more
9 than 5 percent of the funds made available to the Sec-
10 retary under this section may be used by the Secretary
11 for planning or administration of the program under this
12 section.

13 “(k) OTHER TECHNICAL AND FINANCIAL ASSIST-
14 ANCE.—

15 “(1) Up to 5 percent of the funds appropriated
16 under this section may be used by the Secretary for
17 purposes of providing technical assistance as de-
18 scribed in this subsection.

19 “(2) The Secretary shall—

20 “(A) provide technical assistance to coastal
21 states and local governments in identifying and
22 obtaining other sources of available Federal
23 technical and financial assistance for the devel-
24 opment and revision of a working waterfront

1 plan and the implementation of an approved
2 working waterfront plan;

3 “(B) provide technical assistance to States
4 and local governments for the development, im-
5 plementation, and revision of comprehensive
6 working waterfront plans, which may include,
7 subject to the availability of appropriations,
8 planning grants and assistance, pilot projects,
9 feasibility studies, and other projects necessary
10 to further the purposes of this section;

11 “(C) assist States in developing other tools
12 to protect working waterfronts; and

13 “(D) collect and disseminate to States
14 guidance for best storm water management
15 practices in regards to working waterfronts.

16 “(I) REPORTS.—

17 “(1) The Secretary shall—

18 “(A) develop performance measures to
19 evaluate and report on the effectiveness of the
20 program under this section in accomplishing the
21 purpose of this section; and

22 “(B) submit to Congress a biennial report
23 that includes such evaluations, an account of all
24 expenditures, and descriptions of all projects

1 carried out using grants awarded under this
2 section.

3 “(2) The Secretary may submit the biennial re-
4 port under paragraph (1)(B) by including it in the
5 biennial report required under section 316.

6 “(m) DEFINITIONS.—In this section:

7 “(1) The term ‘qualified holder’ means a coast-
8 al state or a unit of local or coastal state govern-
9 ment or a non-State organization designated by a
10 coastal state under subsection (h).

11 “(2) The term ‘Secretary’ means the Secretary,
12 acting through the National Oceanic and Atmos-
13 pheric Administration.

14 “(3) The term ‘working waterfront’ means real
15 property (including support structures over water
16 and other facilities) that provides access to coastal
17 waters to persons engaged in commercial fishing,
18 recreational fishing businesses, boatbuilding, aqua-
19 culture, or other water-dependent, coastal-related
20 business and is used for, or that supports, commer-
21 cial fishing, recreational fishing businesses, boat-
22 building, aquaculture, or other water-dependent,
23 coastal-related business.

24 “(4) The term ‘working waterfront covenant’
25 means an agreement in recordable form between the

1 owner of working waterfront and one or more quali-
2 fied holders, that provides such assurances as the
3 Secretary may require that—

4 “(A) the title to or interest in the working
5 waterfront will be held by a grant recipient or
6 qualified holder in perpetuity, except as pro-
7 vided in subparagraph (C);

8 “(B) the working waterfront will be man-
9 aged in a manner that is consistent with the
10 purposes for which the property is acquired
11 pursuant to this section, and the property will
12 not be converted to any use that is inconsistent
13 with the purpose of this section;

14 “(C) if the title to or interest in the work-
15 ing waterfront is sold or otherwise exchanged—

16 “(i) all working waterfront owners
17 and qualified holders involved in such sale
18 or exchange shall accede to such agree-
19 ment; and

20 “(ii) funds equal to the fair market
21 value of the working waterfront or interest
22 in working waterfront shall be paid to the
23 Secretary by parties to the sale or ex-
24 change, and such funds shall, at the dis-
25 cretion of the Secretary, be paid to the

1 coastal state in which the working water-
2 front is located for use in the implementa-
3 tion of the working waterfront plan of the
4 State approved by the Secretary under this
5 section; and

6 “(D) such covenant is subject to enforce-
7 ment and oversight by the coastal state or by
8 another person as determined appropriate by
9 the Secretary.”.

○

RESOLUTION NO. 01-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
IN SUPPORT OF CONGRESSIONAL BILL H.R. 1176,
THE “KEEP AMERICA’S WATERFRONTS WORKING ACT”**

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

WHEREAS, water and coastal-dependent commercial activities are the economic and cultural heart of many coastal communities; and

WHEREAS, the City of Morro Bay has a Working Waterfront of local and regional historic, cultural and economic importance; and

WHEREAS, water and coastal-dependent commercial activities that depend on coastal access include, but are not limited to, commercial and recreational fishing, seafood processing, mariculture and aquaculture, boating, boat hauling and repair, marine construction, and tourism; and

WHEREAS, the City of Morro Bay is uniquely located and situated to capitalize on the waters of Morro Bay and the adjacent Pacific Ocean; and

WHEREAS, the City of Morro Bay is dedicated to ensuring a vibrant Working Waterfront for the purposes of providing, promoting and supporting land uses and access in support of water-dependent commercial activities; and

WHEREAS, the coastal zone of the United States is experiencing rising property values and related development pressure that threaten water-dependent commercial activity whose loss could have devastating economic and cultural consequences; and

WHEREAS, Congresswoman Pingree of Maine has introduced H.R. 1176, the “Keep America’s Waterfronts Working Act,” to the 115th Congress for consideration; and

WHEREAS, H.R. 1176 seeks to establish a Task Force to identify and prioritize critical needs with respect to Working Waterfronts in America; and

WHEREAS, H.R. 1176 further seeks to establish a grant funding program to assist states and regional and local governments to implement Working Waterfront plans, in addition to funding commercial infrastructure and other Working Waterfront needs; and

WHEREAS, Morro Bay could take advantage of H.R. 1176 grants to fill significant funding gaps in its commercial Working Waterfront needs, including, but not limited to, planning, property acquisition, repairs and improvements to existing infrastructure and for new infrastructure.

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

1. The City of Morro Bay applauds the efforts of Congresswoman Pingree to recognize and assist America’s Working Waterfronts.
2. The City of Morro Bay is in support of H.R. 1176, the “Keep America’s Waterfronts Working Act.”

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 9th day of January, 2018 on the following vote:

AYES:
NOES:
ABSENT:

Jamie L. Irons, Mayor

ATTEST:

Dana Swanson, City Clerk