



City Manager's Update

Photo: Morro Bay is pretty amazing.

February 24, 2018

Happy Saturday from City Hall! February is quite a busy month, as City Council establishes the City's priorities and work plan for 2018, reviews the status of our budget mid-year, prepares for a March trip to Washington D.C. to help secure federal funding for the Water Reclamation Facility (WRF) project budget and lobby for important harbor initiatives, and begins planning for the upcoming budget year (which starts in July). Phew!

Finding time to get all these important things done requires strategic thinking and planning. With that thought in mind, City Council hosted a 2018 goals and objectives retreat on February 2nd to review previous City goals, consider new priorities and harness the City's energy to get work done on key initiatives this year.

As discussed at the retreat, the chief City priority is ensuring that we remain financially stable as an organization in the

face of sky-rocketing pension cost increases. Morro Bay, like the vast majority of cities in California, is required to substantially increase its annual payments to CalPERS over the next 5 – 10 years and beyond to ensure that the PERS pension fund (second largest in the country) remains solvent. The City will need to increase its annual pension payments upwards of \$1.5 million by 2024, making it difficult for the City to fund key community services.

While this is a frightening proposition, we remain optimistic that the City and community can work together to tackle this challenging issue and find lasting solutions. To learn more about CalPERS and other important City updates, please read on!

As always, I encourage community members to reach out to me to share their thoughts, ideas, and concerns. My direct phone number is 805-772-6206, and my email address is scollins@morrobayca.gov.

California Public Employees Retirement System (CalPERS) Update –

Based on preliminary estimates, Morro Bay will be facing a 60% increase in its CalPERS pension costs over the next six years. This equates to an approximate \$1.5 million impact. This estimated increase does not include the recent amortization change which will only serve to increase the annual payments. While there is much uncertainty surrounding CalPERS and the rate increase/amortization change impact, we do know that this is going to be a significant long-term impact to the City with increases projected to last outwards of 20 years. What we know for sure at this point is that as a City, we will be challenged to provide the current level of services to the community into the future; meaning we will need to rethink how we provide services to the community and become creative with our solutions to address these issues. Staff is actively engaged with the CalPERS actuaries to help devise a strategy that best fits Morro Bay given our financial capacity and cash resources.

CalPERS is the largest defined benefit pension system in the United States. CalPERS is currently 70% funded with the goal of becoming 90% funded or higher. While this is a lofty goal and there is much work to be done to obtain 90% funded status, CalPERS has increased their funding status from 64% to 70% in this past year alone. CalPERS is proactively watching their funded status and believes that should the funded status fall below 50% it would be almost impossible to recover and be able to pay all future committed obligations. As such, CalPERS funded ratio is a primary factor in all their investment decisions. CalPERS is a long-term investor and uses an Asset Liability Management approach to guide investments choices.

There are multiple factors driving the funding risk, including market conditions, plan demographics and benefit structure. As CalPERS will begin to ramp down the discount rate (annual expected rate of return on investment) from 7.5% to 7% in 2020/21, cities contribution rates are also being impacted due to prior year returns: 0% in 2015/16 and 2.5% in 2016/17. Investment returns of less than 7.5% during 2015/16 and 2016/17 equates to a loss which are recouped through increased city contribution rates. These losses are being ramped up now and the City is experiencing these impacts with their current rates.

With the adoption of the Public Employers Pension Reform Act (PEPRA), anticipated future savings were expected due to the increased retirement age for PEPRA employees and compensation caps for the PEPRA employees at retirement, and increased employee contribution shares. There are currently 285,000 PEPRA members in the CalPERS system which is approximately 33% of active members. This equates to a projected \$38 billion savings over the next 30 years. As cities see more PEPRA employees enter their workforce and the retirement of PEPRA employees, CalPERS costs will start to decrease, and cities will start to experience savings.

Last week the CalPERS Board voted to shorten the amortization period for new pension liabilities from 30 to 20 years. This move will increase the payments for cities in the short-term with the goals of saving cities money in the long term. With the shorter amortization period and level payments, Cities will know what their next 20 years' payments will be and will be more accurately able to prepare for those payments. In addition, the most recently adopted changes eliminates the negative amortization and allows for intergenerational equity and contribution security.

The amortization modification is only for prospective accumulation of amortization, meaning current accrued unfunded liabilities will not be changed. Amortization bases are added each year to either assign and recoup investment losses to agencies or payback investment gains. When indicating that the amortization change is prospective we mean that only future bases will be affected.

The amortization policy changes will be reflected in cities' June 2019 valuation reports; however, Morro Bay will not see a budget impact from this specific change until 2021-22. We could choose to adopt the amortization sooner to capture the recent above market returns. Staff will be working directly with our assigned actuary to analyze options and determine the best path forward for Morro Bay.

While attending the California Society of Municipal Finance Officers annual conference in Riverside, staff had the opportunity to meet one-on-one with a CalPERS actuary and discuss Morro Bay's pension liability as well as listen to the CalPERS CEO, CFO and Deputy Chief Actuary of Special Programs. During these meetings, CalPERS indicated that there is so much volatility in the rates that it is difficult to predict long-term future impacts, however CalPERS is researching implementation of a CalPERS administered IRS 115 Pensions Trust fund as one tool to help cities fund current accrued liabilities. Paying down the Unfunded Accrued Liability (UAL) is the best method today for cities to proactively deal with their outstanding UAL.

New Finance Department Employee – Tracy McConnell



The Finance Department would like to welcome Tracy McConnell to the Morro Bay team. Tracy is our newest Account Clerk II and will be responsible for Business Tax, Transient Occupancy Tax, and Accounts Receivable collections as well as providing support for Utility Billing. We are fortunate to have Tracy join our team as she has a wealth of experience, most recently working in Cambria Community Services District as the Front Desk Accounts Payable and Receivable person, as well as the calendar holder for the Vets Hall reservations. Prior to that, Tracy worked at Hearst Castle as a Dispatcher and tour guide and has worked for the non-profit throwing fundraising parties on the hilltop.

Tracy and her daughter, Lucy, just moved back to Morro Bay in October after leaving here in 1998. She has always wanted to come back to the community that she loved. Tracy remembers the four years that she lived in Morro Bay to be some of the happiest years of her life, with the laid-back community feel and killer view leaving a lasting impression.

When the opportunity arose to work in the community that she loves so much she applied for the Account Clerk position and is now a valued member of our team. Tracy felt that “the City would be the perfect place to settle and carve a little place out for myself!”

Tracy is also passionate about playing soccer and while knee surgery has curtailed her playing much in the past several years her goal is to get back on the field in the next year or so. Tracy also enjoys drawing, painting and cooking with her boyfriend as well as crossword puzzles and gardening.

Please stop by City Hall and welcome Tracy to Morro Bay!

Public Works

Water Reclamation Facility Project Update

Staff is proceeding with an accelerated schedule and released the Request for Proposals (RFP) for WRF Onsite Improvements on January 24 and expects to receive proposals by April 24.

The proposals (bids) will better quantify the cost of the WRF onsite improvements, and inform the rate study update in late Spring or Summer of this year.

At their January 9 meeting, Council directed staff to recruit a new program manager with expertise in cost control on large projects to oversee the project and work with the staff and the existing technical team.

Staff issued an RFP for Program Manager services on February 23 with the goal of having a new Program Manager on board before receiving the WRF onsite Design-Build proposals. The selected Program Manager will oversee the project, and their chief responsibilities will be to help contain costs and help get the project built on schedule.

General Public Works

After two unsuccessful recruitment attempts to fill the Senior Engineer position, staff has executed a contract with Eikhof Design Group of Atascadero to provide general Engineering Support for the Public Works Department. Jeff van den Eikhof has a couple of decades of municipal and private engineering experience and will be assisting the department with review of the public works components for commercial development projects, preliminary design for streambank repair at the new bike path and updating of the Pavement Management Plan document.

Utilities

Water section staff is working with State Parks at Morro Bay State Park on their connection to the City's water system. These improvements will provide protection of the City's water system with the addition of the required back-flow device; additionally, the project will remove redundant and unnecessary piping from the City's system.

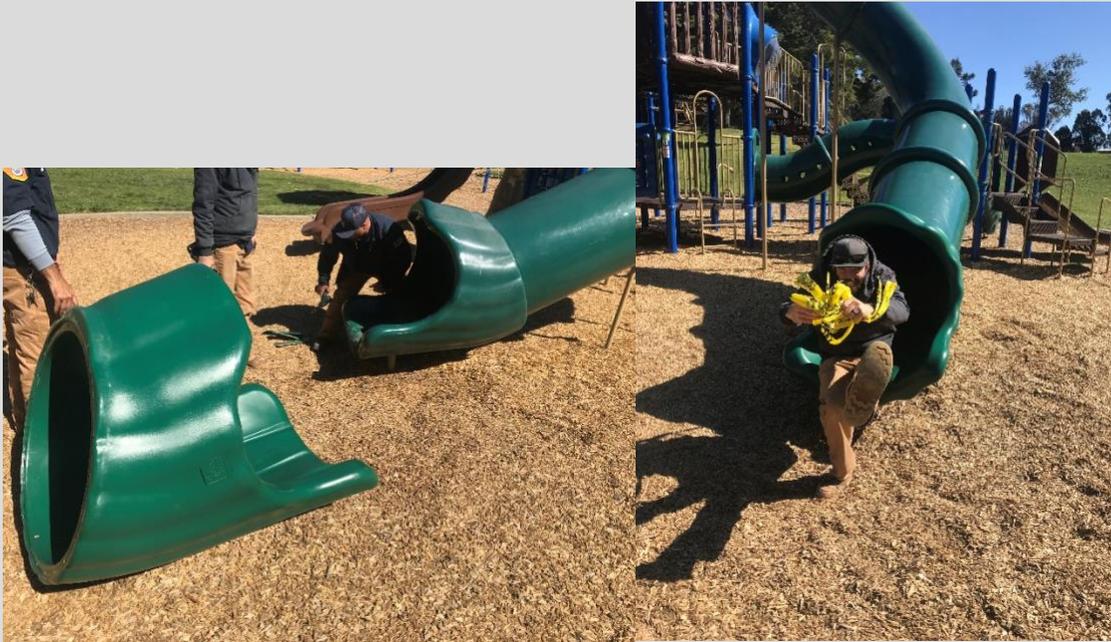
Consolidated Maintenance

Staff installed 8 tons of hot mix Asphalt on Kings Ave. and along Carmel Street. Staff has nearly completed the project to replace 76 missing and damaged street name signs throughout the City.



Patches completed on Kings Avenue and Carmel Street

Maintenance staff also replaced parts of a damaged slide at Del Mar Park.



Staff completing slide repairs and taking a test run!

Fire

Measure Q is improving our emergency communications

We are currently making improvements at our Black Hill Radio Repeater site. One of our improvements is to raise a repeater antenna out of the tree line on Black Hill. During last year's February storms, one of the many trees that fell on Black Hill during the storm damaged our repeater antenna. Our repeater site is a radio receiver and transmitter that provides radio communications in our community. Our repeater site provides this vital component to our communication system for our Police Department, Fire Department, Harbor Department, and our Public Works Department. Even with our regional partners, our repeater site provides communications for the US Coast Guard and SLO County Fire Department.

As we are making the improvements to our repeater site, we are performing a comprehensive study of our future needs for our public safety communication infrastructure in our community. In addition, we are evaluating the effectiveness of our two backup dispatch centers at our primary and secondary Emergency Operations Centers for a possible cost-effective redundant emergency repeater system. This evaluation will also address a regional approach for operational effectiveness and cost-efficient partnerships with our regional public safety neighbors. This project is a great example how Measure Q is improving emergency services in our community.



Antenna system at our Secondary Emergency Operations Center at our Harbor Street Fire Station

Flow testing our fire hydrants

This week you will see our Utilities Division fire flow testing some of our fire hydrants throughout our community. Fire flow testing is important to help us determine the water availability for our daily use and firefighting activities. A typical two-story family residential fire in our community with other buildings nearby will need 800 to 1,250 gallons a minute to contain and extinguish the fire. Annual hydrant fire flow testing in our community is required by the Insurance Services Office (ISO). The current ISO rating in a community helps determine the fire insurance rate for our residential and commercial buildings in our community. With our water supply being a large contributor to the ISO rating, our latest ISO rating improved from a 5 to a 3 which can lead to a dramatic savings to our fire insurance policies for our home owners and business community.

Our City crews use a device that helps defuse the water to prevent any damage to our roads, sidewalks, and private property. In addition, our current fire water flow device dechlorinates all the water that goes through the device to prevent any contamination in our waterways, bay, and ocean.



City crews fire flow test in North Morro Bay

Red Cross helps Morro Bay citizens in need

Last Saturday morning, our Fire Department responded to a reported structure fire at the 400 block of Orcas Street. Our fire crews found a second story of a family residence fully involved in fire. All four occupants and family dog escaped their home. Our fire crews were able to protect the adjacent neighbors and make an offensive interior fire attack to contain the fire to the second story. An uninjured family cat was found on the second floor and returned to the family.

Red Cross responded to help the displaced family and pets. Red Cross is an organization supported by donations and volunteerism and is very active in our county. Red Cross can aid and provide guidance to families displaced from their homes due to a significant event. Red Cross has been known to help with temporary housing, clothing, food, some pet care, communication with your family and friends, and most of all emotional support. The Red Cross has been helping our community for decades and we are extremely glad they have the volunteerism and donations to provide local support.

For more information on how you can help or volunteer for the Red Cross, checkout:

www.redcross.org

For more information on steps to take immediately after a fire and information on a free emergency app to monitor severe weather and emergency alerts, checkout:

<http://www.redcross.org/get-help/how-to-prepare-for-emergencies/types-of-emergencies/fire/home-fire-recovery>



MBFD Respond to structure fire on Orca St.

Tourism

State and Regional Tourism Challenged by Fire and Mudslides

Message from Visit California:

The start of 2017 was a difficult one with several crises. The failure of a bridge in Big Sur closed Highway One and made that key destination driver and icon Hwy 1 nearly inaccessible. Visit California commissioned an economic impact study that showed Monterey and San Luis Obispo Counties would lose nearly \$500,000,000 from the highway closure alone. To compensate Visit California shifted media spending into high gear targeting in-state residents. Thanks to a heroic effort by Caltrans the bridge reopened in seven months instead of the usual 10 year permitted process. We're continuing marketing efforts along Highway One Corridor because it still remains closed, due to a massive land slide that occurred in 2017 just north of Hearst Castle.

But the hits kept coming. In October 2017 one of California's largest wildfire in recorded history broke out in Northern California. For weeks global news coverage showed the devastating wreckage of the California's wine country... the regions tourism-based economy saw an immediate dip and devastating fall out. Southern California has to had faced its own challenges this winter with several fires in densely populated areas including the Thomas fire.

Evacuations, road closures, air-quality issues stretched from San Diego up to San Luis Obispo Counties again. Santa Barbara County area region was hit with an epic deadly road closure in Montecito. Visit California again deployed A crisis response plan and created a new campaign called share the love... collectively between our crisis throughout the fall and after the first of the year we pivoted more than \$2 million dollars worth of existing programs to areas affected by the crisis’.

- Caroline Beteta, President & CEO Visit California

excerpts from the Visit California Outlook Forum, Feb 14th 2018

Mother Nature Keeps Morro Bay on Our Toes

We know that we have to remain nimble and stay up to date on emerging market forces when implementing programs and tactics. For example, after Highways 41 and 1 were closed early last year due to rain and mudslides our team quickly analyzed target audiences and refocused marketing outreach to best reflect Morro Bay’s accessibility. We sent press releases, adjusted our digital reach and worked with our tourism partner Visit SLOCAL to make sure that Morro Bay was included in all crisis management messaging points.

In January of this year, our teams were at the ready for crisis management once more. When Highway 101 closed due to Montecito mudslides, our team jumped into action. We reached out and promoted Morro Bay hotels who offered discounts to displaced citizens, sending out press releases that were picked up by Santa Barbara press. We increased media buys on social media and focused ads in the valley and inland up Hwy I-5. We updated digital ads using midweek hotel rates to incentivize bookings and sent additional e-blasts promoting Morro Bay as open for business. And now after the close of January books, we’re able to see if we were effective. How does tourism quantify this? The STR report is put out nationally and posts monthly hotel occupancy based on cities. The January STR report shows it paid off across the board with increases across various metrics, while our comparable set on the north coast in Cambria and San Simeon showed marked decreases. Final numbers will be available after March 5th and waiting for those is always a nail-biter. Usually we trend slight up (1-2%) above the STR reports. Thanks for all your support during the last few months of fluid changes in our tourism economy in Morro Bay and statewide.

Recreation

Administration

The Community Foundation of Estero Bay has provided scholarships for youth totaling \$5,152 for the second quarter of 2017. These funds were used to help underprivileged kids participate in MB Recreations’ youth basketball, gymnastics, and Kids Club.

Recreation Services is working with the Morro Bay Historical Society on the naming and passive development of Franklin Riley Park (Morro Cove).

Recreation Services is partnering with the Community Foundation of Estero Bay to raise funds for our youth to participate in recreation activities. This will be our 29th annual Dixon's Spaghetti Dinner Fundraiser and we invite everyone to come out and support this worthy cause!

COMMUNITY FOUNDATION OF ESTERO BAY, INC. - MORRO BAY RECREATION SERVICES
MORRO BAY SENIOR CITIZENS, INC. - MORRO BAY RECREATION & PARKS COMMISSION

29TH ANNUAL
**DIXON'S SPAGHETTI DINNER
FUNDRAISER**

Friday March 9th, 2018
5pm to 7:30pm
Morro Bay Community Center



Art by Maile McGurk, 3rd Grade

PROCEEDS BENEFIT THE CFEB SCHOLARSHIP FUND!

Adult \$12
Children (under 12) \$7

Tickets available for sale at the Morro Bay Community Center! For questions give us a call at (805)772-6278!

Join us for Dinner and much MORE!
Beer and Wine Available,
Make Your Own Sundae Bar,
Silent Auction & Door Prizes,
Carnival & Cake Walk,
Wine Walk for Adults

Community Sponsors



Senior Services

Cuesta Emeritus winter classes are in full swing with the Senior Center hosting nine different classes. Well over 100 local seniors are enrolled in the classes which brings vibrancy each week to the Center. We are excited that our trip program, called the SLO Rovers, has been revitalized with the help of Sue Whitten and Nan Clark. Already they have travelled to Cambria for the Scarecrow festival and Christmas lights, attended the Melodrama in Oceano, taken a trip to

Chumash Casino and planning a trip to Solvang in March. All the trips have been sold out. Morro Bay Active Adults (MBAA) membership is at its highest number in many years as the word seems to be getting out that this is the place to be!

Sports

Registration for the Morro Bay Junior Lifeguard Program will begin on April 2 at 8:30 a.m. The summer schedule will be: June 11-22, Junior Guard 2.0 (ages 12+); June 25-July 13, Beach Session 1 (ages 9+); July 23-August 10, Beach Session 2 (ages 9+); and, our summer Pool Program will be announced once pool hours are confirmed with Morro Bay High School.



Registration for Estero Bay Youth Futsal will begin on February 26. The season will begin on April 9.



Coast Girls Softball Opening Day will be March 10 at Lila Keiser Park.

Estero Bay Youth Basketball End of Season Tournament will be March 2 & 3. This tournament is sponsored by the Bay Osos Kiwanis Club.

Youth Services

Youth Services is so proud of our successful Parent's Night Out on February 16th, while parents went out and celebrated Valentine's Day, the kids and Kids' Club staff celebrated with pizza, movies, games and lots of fun! We look forward to offering more of these fun evenings in the future.

Our Teen Action Committee is gearing up to do some volunteering for our Dixon's Spaghetti Feed where they will be out in town selling tickets and helping at the event.

Community Pool

The pool will be closed February 27 (MBHS Swim Meet)



Harbor

Harbor Patrol has noticed more than 50 boats in the bay for expired or non-compliant registration this week. All boaters are encouraged to get their stickers put on immediately to save hassle of citation or impoundment.

The Big, Bad and Ugly Surf contest was held last weekend at the Rock. The turnout was great with approximately 200 competitors from Santa Cruz to San Diego. The surf was not big... only 3-4 ft, not bad... but not great and generally ugly with strong NW winds in the afternoon on Sunday.

Harbor Patrol was faced with high winds that began last Sunday. Several sailboats had rigging come loose and sails rip while dancing around on their moorings. Colder temperatures have made life on the water tougher than normal lately as well. Water temperature has dropped to 53 degrees and of course the 30-degree lows plus wind chill doesn't help. The Coast Guard posted Hazardous Harbor Entrance 2/22/18 along with the gale wind advisory.

COMMUNITY DEVELOPMENT DEPARTMENT ACTIVITY UPDATE FOR JANUARY 2018



Planning Division Activity

Planning Commission:

Jan. 2, 2018

1. 937 Anchor, 966 sq.ft. addition to a Single Family Residence (SFR). Approved.

Jan. 16, 2017

- 545 Shasta. 1 -year review of Live Theatre Use at St. Peter's Church.
- 1156 Market. New 1,302 sq.ft. home. Approved
- 3310 Main. Concept review of two new SFR's each with an Accessory Dwelling unit. PC provided comment.

Planning Permits Received Jan. 2018

- Sign Permit = 1
- Conditional Use Permit = 4
- Coastal Development Permits = 4

Total = 9

Fees collected = \$31,617

Code Enforcement Activity

- 25 cases initiated
- 14 cases resolved
- 28 total pending cases

Building Division Activity

Permits Issued = 27

Valuation = \$376,062

Fees Paid = \$16,942

of Inspections = 75

Thank you again for taking time to read this and previous updates. We hope you find it useful and encourage you to share your thoughts about how to improve this communication moving forward.

Sincerely,

Scott Collins
City Manager