



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, June 12, 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

- SLO Green Challenge by Civic Spark Fellows

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 MAY 8, 2018 CITY COUNCIL MEETING;
(ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-2 APPROVAL OF MINUTES FOR THE MAY 22, 2018 CITY COUNCIL SPECIAL
MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-3 APPROVAL OF MINUTES FOR THE MAY 22, 2018 CITY COUNCIL MEETING;
(ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-4 APPROVAL OF MINUTES FOR THE MAY 23, 2018 CITY COUNCIL SPECIAL
CLOSED SESSION MEETING; (ADMINISTRATION)
- RECOMMENDATION: Approve as submitted.**
- A-5 DESIGNATION OF REPRESENTATIVE(S) TO THE CALIFORNIA JOINT POWERS
INSURANCE AUTHORITY; (CITY CLERK)
- RECOMMENDATION: City Council designate the Mayor as the official representative of the City of Morro Bay on the California Joint Powers Insurance Authority (CJPIA) Board of Directors. It is also recommended the Risk Manager be designated first alternate, and the City Manager as second alternate.**
- A-6 GENERAL MUNICIPAL ELECTION RESOLUTIONS FOR NOVEMBER 6, 2018
ELECTION; (CITY CLERK)
- RECOMMENDATION: Council adopt Resolution No. 33-18 calling a general municipal election for November 6, 2018, and requesting consolidation of the election with the County, and Resolution No. 34-18 adopting regulations for candidate statements.**
- A-7 SLO REGIONAL CODE OF CIVILITY; (MAYOR)
- RECOMMENDATION: Council review and adopt the SLO Regional Code of Civility.**
- A-8 RECEIVE AND FILE CITY RESPONSES TO LINDA STEDJEE AND MARLA JO
BRUTON-SADOWSKI REGARDING ALLEGED BROWN ACT VIOLATIONS, AND
PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY ATTORNEY)
- RECOMMENDATION: Receive and file.**
- A-9 FISCAL YEAR 2017/18 THIRD QUARTER BUDGET PERFORMANCE AND STATUS
REPORT – NINE MONTHS ENDING MARCH 31, 2018, AND ADOPTION OF
RESOLUTION 35-18 AUTHORIZING STAFF TO PROCEED WITH THIRD-QUARTER
BUDGET ADJUSTMENTS; (FINANCE)
- RECOMMENDATION: City Council:**
- A. Receive FY 2017/18 Third Quarter Budget Performance and status report and authorize budget adjustments as recommended in the attached Third Quarter Budget Performance Report; and**
 - B. Adopt Resolution No. 35-18 authorizing staff to proceed with the third-quarter budget adjustments.**

B. PUBLIC HEARINGS

- B-1 ADOPTION OF RESOLUTION NO. 36-18 CONTINUING THE PROGRAM AND LEVYING THE ASSESSMENTS FOR THE 2018/19 FISCAL YEAR FOR THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID); (TOURISM)

RECOMMENDATION: City Council conduct the public hearing, consider public comments and adopt Resolution No. 36-18 continuing the MBTBID activities and assessments for Fiscal Year (FY) 2018/19.

- B-2 PUBLIC HEARING AND ADOPTION OF RESOLUTION NO. 37-18, WHICH AMENDS THE FY 2018/19 MASTER FEE SCHEDULE ADOPTED BY RESOLUTION 17-18 ADDING A COMMERCIAL MEDICAL CANNABIS OPERATIONS PERMIT APPLICATION FEE; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: City Council:

A. Conduct the formally noticed public hearing, review the proposed addition of a Commercial Medical Cannabis Operations Permit Application Fee to the adopted FY 2018/19 Master Fee Schedule, Amending Resolution 17-18 and adopting Resolution No. 37-18, which updates the City Master Fee Schedule for Fiscal Year (FY) 2018/19.

C. BUSINESS ITEMS

- C-1 APPROVAL OF AMENDMENT NO. 3 TO CONTRACT SERVICES AGREEMENT WITH ALESHIRE & WYNDER, LLP FOR CITY ATTORNEY SERVICES; (FINANCE)

RECOMMENDATION: City Council approve Amendment No. 3 to the contract services agreement with Aleshire & Wynder, LLP for City Attorney services, as presented.

- C-2 RESOLUTION NO. 41-18 ADOPTING THE FISCAL YEAR 2018/19 OPERATING AND CAPITAL BUDGETS; (FINANCE)

RECOMMENDATION: City Council adopt Resolution No. 41-18, authorizing the Fiscal Year 2018/19 Operating and Capital Budgets, including any amendments approved by the City Council, prior to the adoption of that Resolution.

- C-3 CONSIDERATION OF APPROVING THREE ELECTION RESOLUTIONS TO PLACE BEFORE CITY VOTERS, AT THE NOVEMBER 6, 2018 GENERAL MUNICIPAL ELECTION, A CANNABIS TAX BALLOT MEASURE TO ADD CHAPTER 3.70 (CANNABIS TAX) TO TITLE 3 OF THE MORRO BAY MUNICIPAL CODE FOR TAXATION OF COMMERCIAL CANNABIS OPERATIONS; (CITY ATTORNEY)

RECOMMENDATION: Council consider approval of three election resolutions to place a proposed cannabis tax ordinance on the ballot for City voter consideration at the November 6, 2018 general municipal election.

- C-4 INTRODUCTION AND FIRST READING OF ORDINANCE NO. 614 AMENDING SECTION 2.08.090 AND SUBDIVISION 3.22.120 B. OF THE MORRO MUNICIPAL CODE RELATING TO COUNCIL MEETING MINUTES AND TERMS OF THE CITIZENS OVERSIGHT COMMITTEE, RESPECTIVELY; (CITY CLERK)

RECOMMENDATION: City Council review Ordinance No. 614, accept public comment, and make a motion introducing through first reading Ordinance No. 614, by number and title only, amending Section 2.08.090 and Subdivision

3.22.120 B. of the Morro Municipal Code (MBMC) relating to Council timing for preparation of Council meeting minutes and terms of the Citizens Oversight Committee, respectively.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, June 26, 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.

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
	Joseph 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
	Steve Knuckles	Fire Chief
	Eric Endersby	Harbor Director
	Jennifer Little	Tourism Manager

ESTABLISH QUORUM AND CALL TO ORDER

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

PLEDGE OF ALLEGIANCE

MOMENT OF SILENCE

RECOGNITION – None

CLOSED SESSION REPORT – No closed session meeting was held.

MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/MPLk6nHBs3E?t=2m7s>

During Announcements, Council Member Davis read the following statement regarding the April 25th WRF meeting into the record:

“I want to recap what I heard from Harvey Packard of the Water Quality Control Board. And it starts off with this:

- The Central Coast Water Quality Control Board sets the rules that govern the City's wastewater discharge and those rules are contained in the City's NPDES permit.
- The existing plant requires either major upgrades or complete replacement in order to meet the discharge requirements. Either one of those options requires a Coastal Development Permit and the Coastal Commission has denied a permit and told us that the plant must be moved away from the coast.
- The Water Board encourages the City and all of its wastewater permit holders to maximize recycling of wastewater and especially those who, like us, discharge into the ocean.
- The Board encourages water portfolio diversity and security because climate change and drought are real and State water deliveries are not reliable.
- Groundwater recharge will also help clean up our aquifer – nitrates and seawater intrusion – and will provide a drought-resistant water supply for the City.
- So far, the City's good-faith proposals up to this point are satisfactory to the Board.

And here are some historical facts:

- In 1954, our WWTP was constructed and designed to meet discharge standards that were acceptable at that time. It was not designed to treat to current secondary discharge standards.
- In January 2003, the Water Board issued a requirement that we upgrade our plant to meet current secondary discharge standards.
- At that point, the City applied to the Coastal Commission for a Coastal Development Permit to rebuild the plant in place.
- Because the Coastal Commission no longer permits WWTP development within the coastal zone, they denied our application.

Here I want to quote Mr. Packard's exact words and I want to note that Mr. Packard, a staff member of the Water Quality Control Board, spoke under color of the authority of Dr Jean-Pierre Wolff, Chair of the Water Board, who sat beside me during the meeting in the front row.

"The City and the Water Board signed a settlement agreement, I believe in 2006, that requires the City to take this project up. That settlement agreement includes monetary penalties for failure to meet the schedule. Those penalties can be up to \$1,000 per day of violation.

It's important to note that when the Coastal Commission denied the permit, the Water Board agreed to hold that schedule in abeyance. The Water Board could at any time decide that it's time now to enforce that schedule. So that's one of the things that they'll be keeping in mind.

If the City decided on a course of action that would delay building this new plant beyond what is as short as possible, the Board could view that as a deliberate violation of the NPDES permit and I suspect they would be very interested in taking enforcement at that point.

And I want to point out that when I'm talking about a decision of the 'City' I'm talking about the City in broad terms. That can be an action by the City Council, the current Council or future Council. That could be a decision of the general population through a citizens' initiative or through a Prop 218 vote, so all of those the Board would view as an action of the city." -- end of quote.

So, where we are now is that the Water Quality Control Board has agreed to allow the City to continue operation under a Time Schedule Order until March of 2023. The TSO shields us from mandatory penalties as long as we follow the prescribed time schedule to meet full secondary effluent standards. The mandatory fine for failing to follow the schedule is up to \$1,000 per day. Any course of action that delays progress triggers mandatory violation penalties, and those delays could be: Council action, failure to enact Prop 218 rate increases that's necessary to fund the project, or a citizens' initiative to overturn required rate increases.

I consider the Water Board's actions as generous, but they are generous only because they believe that we are making a genuine good faith effort to come into compliance. It is clear, though, that a defeat of a Prop 218 vote for a rate increase or a citizens' initiative to overturn an approved rate increase will result in mandatory fines.

What CAL, the Citizens for Affordable Living, has been telling people is that a defeat of a Prop 218 rate increase will keep our rates from rising. That is not true.

The exact opposite is true. Failure to pass a 218 vote to pay for a new plant will result in the addition of mandatory daily fines, and those fines will continue until we agree to raise rates to build a plant.”

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/MPLk6nHBs3E?t=21m4s>

PRESENTATIONS

<https://youtu.be/MPLk6nHBs3E?t=26m23s>

A Proclamation declaring June 1, 2018 as Hunger Awareness Day was presented to Kevin Drabinski and Susan Olson from the SLO Food Bank.

PUBLIC COMMENT

<https://youtu.be/MPLk6nHBs3E?t=33m17s>

Finn Hansen from The Leather Shop provided the business spot. The Leather Shop is located on Morro Bay Blvd. next to the Police Department and is open 9 a.m. to 5 p.m. Tuesday through Saturday. They have been creating hand tooled leather items since 1997.

Jane Heath, Morro Bay resident and business owner, spoke on behalf of the Central Coast Maritime Museum Board of Trustees. As part of the fundraising effort to complete the Museum’s interior and landscaping, applications are available at the Visitor’s Center to purchase engraved bricks that will be installed in the patio entrance. For more information, please call Jane at 550-0230.

Judy Salamacha, Morro Bay, announced an upcoming event at the Garden House memory care facility to be held Sunday, June 3rd. Proceeds from the event will help build a Wonder Garden.

Cynthia Hawley spoke to the public hearing process required for amendments to the General Plan / Local Coastal Plan, requested the Council pull Agenda Item A-4, and asked when the City plans to apply for development permits for the WRF project.

James Costanzo, Morro Bay, thanked Chief Allen, the Police Department and Chief Knuckles for their outstanding work.

Betty Winholtz, Morro Bay, thanked Council Member McPherson for encouraging public input regarding vacation rentals and suggested more work is needed to bring North Point Natural Area to the standard of other public areas.

Bob Keller, Morro Bay, thanked Council Member Davis for his comments regarding the WRF project and spoke of the need to focus on seeking funding that will keep project costs down.

The Mayor closed public comment for items not on the agenda.

The following spoke to Item B-3:

Joan Solu, Morro Bay, urged the Council to include vacation rentals in the TBID assessment at 3%.

The following spoke to Item C-1:

Carolyn Brinkman, Morro Bay, requested the Council to not change the City ordinance regarding timely publishing of minutes. She suggested finding ways to support staff so that minutes can be presented for the next meeting.

The public comment period was closed.

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

A. CONSENT AGENDA
<https://youtu.be/MPLk6nHBs3E?t=1h1m17s>

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 APRIL 10, 2018 CITY COUNCIL MEETING;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE APRIL 24, 2018 CITY COUNCIL SPECIAL
MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 ADOPTION OF RESOLUTION NO. 22-18 APPROVING THE FISCAL YEAR 2018/19
BUSINESS TAX SCHEDULE; (FINANCE)

**RECOMMENDATION: Council review the Business Tax schedule and adopt
Resolution No. 22-18, setting the Fiscal Year (FY) 2018/19 Business Tax Schedule.**

A-4 SECOND READING AND ADOPTION OF ORDINANCE NO. 613, TO LIMIT THE
NUMBER OF VACATION RENTALS IN RESIDENTIAL ZONES TO 250 AT ANY ONE
TIME. ORDINANCE 613 AMENDS SECTION 5.47.050 OF THE MORRO BAY
MUNICIPAL CODE; (COMMUNITY DEVELOPMENT)

**RECOMMENDATION: City Council waive reading of Ordinance 613 in its entirety
and adopt Ordinance No. 613 amending section 5.47.050 of the Morro Bay Municipal
Code (MBMC) to limit the number of vacation rentals to not more than 250 at any
given time on residentially zoned property.**

A-5 PROCLAMATION – NATIONAL TRAVEL AND TOURISM WEEK; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-6 PROCLAMATION DECLARING JUNE 1, 2018 AS HUNGER AWARENESS DAY;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-7 PROCLAMATION DECLARING MAY 19, 2018, AS MORRO BAY SAFE BOATING DAY;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

The public comment period for the Consent Agenda was opened.

Ken Green, Morro Bay, requested Item A-4 be pulled to address legal issues presented by Ms. Hawley.

Cynthia Hawley spoke regarding Item A-4, suggesting it should be a Public Hearing item and not on the Consent Agenda.

Maggie Juren asked if the proposed ordinance in Item A-4 was intended to extend the current vacation rental limit until the General Plan and zoning ordinance are put in place.

The public comment period for the Consent Agenda was closed.

Mayor Irons pulled Item A-4.

MOTION: Council Member Headding moved the Council approve all items on the Consent Agenda except for A-4. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

A-4 SECOND READING AND ADOPTION OF ORDINANCE NO. 613, TO LIMIT THE NUMBER OF VACATION RENTALS IN RESIDENTIAL ZONES TO 250 AT ANY ONE TIME. ORDINANCE 613 AMENDS SECTION 5.47.050 OF THE MORRO BAY MUNICIPAL CODE; (COMMUNITY DEVELOPMENT)
<https://youtu.be/MPLk6nHBs3E?t=1h8m52s>

Staff clarified this is not a land use item, but simply extends the current limit on the number of vacation rental business permits issued by the City. Land use regulations regarding vacation rentals are being discussed by the General Plan Advisory Committee and Planning Commission, with public hearings to come. Council Sub-Committee Members Headding and McPherson will be gathering public input regarding the development of a future ordinance.

MOTION: Council Member Davis moved for approval of Item A-4. The motion was seconded by Council Member Headding and carried unanimously, 5-0.

B. PUBLIC HEARINGS

B-1 ADOPTION OF RESOLUTION NO. 23-18 APPROVING THE ENGINEER'S REPORT AND DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE CLOISTERS LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)
<https://youtu.be/MPLk6nHBs3E?t=1h16m6s>

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

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

Steve Stevens, Morro Bay, raised liability concerns regarding use of California Conservation Corp. personnel for maintenance.

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

Mr. Pannone stated the City's agreement with the California Conservation Corp provides liability protection for the City.

The Council discussed the need for Cloisters' residents to consider a self-imposed increase to fund capital needs and maintenance at the desired level, and suggested discussion of that potential increase should occur prior to the annual renewal process.

MOTION: Council Member Heading moved the Council adopt Resolution No. 23-18 declaring the intent to levy the annual assessment for the maintenance of the Cloisters Park and Open Space for fiscal year 2018/19 and approving the Engineer's Report. The motion was seconded by Council Member Makowetski and carried unanimously, 5-0.

B-2 ADOPTION OF RESOLUTION NO. 24-18 APPROVING THE ENGINEER'S REPORT AND DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)
<https://youtu.be/MPLk6nHBs3E?t=1h44m58s>

Mr. Livick presented the staff report and responded to Council inquires.

The public comment period for Item B-2 was opened

Steve Stevens, Morro Bay, commented the Cloisters Park is City-owned, maintained by the Cloisters' residents, and used by the entire community.

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

MOTION: Council Member Heading moved the Council adopt Resolution No. 24-18 approving the Engineer's Report and declaring the intent to levy the annual assessment for maintenance of the North Point Natural Area. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

The Council took a brief recess at 7:54 p.m. The meeting reconvened at 8:04 p.m. with all members present.

B-3 CONSIDERATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) ANNUAL REPORT AND CONTINUATION OF THE TBID ASSESSMENT FOR FY 2018/19; AND ADOPTION OF RESOLUTION NO. 25-18 DECLARING THE INTENT TO CONTINUE THE PROGRAM AND LEVY ASSESSMENTS FOR THE FISCAL YEAR 2018-19 AND SCHEDULING A PUBLIC HEARING TO LEVY THE ASSESSMENTS; (TOURISM)
<https://youtu.be/MPLk6nHBs3E?t=1h54m32s>

City Manager Collins and Tourism Manager Little presented the staff report and responded to Council inquires.

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

Maggie Juren, TBID Board Member, stated she and her husband manage two small hotels on the Embarcadero and run a vacation rental agency that represents approximately 1/3 of those operating in Morro Bay. She suggested vacation rentals and RV Parks benefit from destination marketing and should contribute in some way but takes exception to 3%. She would like to see the BID process be reevaluated.

Nick Juren agreed 1% would be an appropriate contribution for vacation rentals and stated vacation rentals have much higher occupancy rates and potential for growth.

Erica Crawford, Chamber of Commerce, supported a robust strategic effort for tourism and the importance of establishing relationships with hotels and other business partners.

Bob Keller, Morro Bay, spoke in support of the Tourism Division and urged the Council to approve Resolution No. 25-18.

Betty Winholtz, Morro Bay, reminded the Council vacation rentals have an impact on residential neighborhoods and suggested a higher assessment is better.

The public comment period for item B-3 was closed.

The Council agreed it was not appropriate to include vacation rentals and RV parks in the TBID at this time and that more public notice and community discussion was needed. Council Member Davis suggested staff include this as one of the elements in the strategic planning process.

There was considerable discussion regarding the General Fund contribution to tourism, as laid out in Resolution No. 03-16, and need to reevaluate that commitment given financial challenges ahead. It was suggested the City's partnership and commitment to tourism should be to improve the product by committing funds to infrastructure and improvement of public spaces. Following discussion of reducing the General Fund contribution for FY 2018/19, the Council agreed it was necessary to have further dialogue with hoteliers before doing so.

The Council reiterated the importance of a strong strategic marketing plan that has specified objectives that can be measured through routinely reported metrics to determine outcome of efforts for dollars spent.

MOTION: Council Member Heading moved the Council adopt Resolution No. 25-18 approving draft Fiscal Year 2018/19 Tourism Business Improvement District Annual Report for expenditure of funds to be derived from the annual assessment, except that the budget should be modified by a reduction of \$60,000 and declare the intention to continue the program and levy assessments and set the public hearing date for June 12, 2018 to continue the 3% TBID Assessment in FY 2018/19. The motion failed for lack of second.

Mayor Irons restated the City's commitment should be to spend more on the product and importance of messaging the need to do things differently in the future. Council Member Davis agreed, and suggested staff must think creatively about how to do more with less.

MOTION: Council Member Davis moved the Council receive and file the report from staff on their evaluation of tourism efforts and adopt Resolution No. 25-18 approving the draft Fiscal Year 2018/19 Tourism Business Improvement District annual report for expenditure of funds to be derived from the assessment and declare the intention to continue the program and levy assessments and set the public hearing date for June 12, 2018 to continue the 3% TBID Assessment in FY 2018/19. The motion was seconded by Council Member Makowetski and carried unanimously, 5-0.

MOTION: Council Member Heading moved to direct staff to continue their discussion of vacation rentals and RV parks in the TBID, evaluating the possibility of a future assessment to benefit ratio received by such entities and bring back recommendations according to a timeline determined by staff. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

MOTION: Council Member McPherson moved the Council direct staff review Resolution No. 03-16 and come back with a recommendation on alternative allocations of General Fund within six months, based on a discussion with hoteliers and their TBID Board. The motion was seconded by Council Member Heading.

Mayor Irons stated he would not support the motion, as stated, and suggested the Council consider rescinding Resolution No. 03-16 and discuss how to allocate funds proportionally, as appropriate, to partner with tourism efforts. In his view, the relationship and partnership is for the City to improve the product.

Council Member McPherson withdrew her motion and Council Member Heading withdrew the second.

There was Council concurrence to direct staff to bring to Council consideration of rescinding Resolution No. 03-16 and discussion of how to allocate funds to enhance tourism efforts.

C. BUSINESS ITEMS

C-1 DISCUSSION AND ADOPTION OF RESOLUTIONS APPROVING COUNCIL POLICIES & PROCEDURES, ADVISORY BODIES HANDBOOK AND BY-LAWS, AND READOPTING CIVIL DISCOURSE POLICY AND DIRECTION REGARDING POSSIBLE CHANGE TO THE MORRO BAY MUNICIPAL CODE REQUIREMENT FOR PREPARATION OF COUNCIL MEETING MINUTES; (CITY CLERK)
<https://youtu.be/MPLk6nHBs3E?t=4h19m4s>

Clerk Swanson presented the report and responded to Council inquiries.

Advisory Bodies Handbook and By-Laws

The Council directed staff to bring back consideration of an ordinance that would reduce the Citizen's Finance Advisory Committee term to four years.

Council Policies & Procedures

Page 147 - Section 1.4.7: Insert the following, "but not later than the second regular meeting after..."

Page 157 – Section 3.13: Remove "Presiding Officer" and add the following language, "establishing a sub-committee requires the body to define purpose, parameters and duration of sub-committee. The City Clerk will keep list of sub-committees and defined description as a record with Council liaison assignments for review annually." Except for reference to the City Clerk & annual review, similar language is to be added to the Advisory Bodies Handbook & By-Laws.

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

Bob Keller, Morro Bay, complimented staff and the Council for their work.

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

MOTION: Council Member McPherson moved the Council adopt Resolution No. 26-18 approving the Council Policies & Procedures, including proposed amendments; and adopt Resolution No. 27-18 reaffirming its commitment to follow best practices of civility and civil discourse; and Resolution No. 28-18 approving the Advisory Bodies Handbook and By-Laws, as amended. The motion was seconded by Council Member Heading and carried unanimously, 5-0.

Staff is to bring back ordinance amending Morro Bay Municipal Code 2.08.090 and reducing terms for the Citizens Finance Advisory Committee from six years to four.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

<https://youtu.be/MPLk6nHBs3E?t=4h49m31s>

Council Member Headding requested the future agenda item regarding the air quality issue be removed from the list as it has been resolved.

Council Member McPherson requested discussion of the appropriate uses for Measure Q funds. There was full Council support for this item.

ADJOURNMENT

The meeting adjourned at 11:00 p.m. The next Regular Meeting will be held on Tuesday, April 24, 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

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MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – MAY 22, 2018
VETERANS MEMORIAL HALL
209 SURF STREET – 4:00 P.M.

AGENDA NO: A-2
MEETING DATE: June 12, 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
	Joseph 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
	Steve Knuckles	Fire Chief
	Eric Endersby	Harbor Director
	Sandra Martin	Budget & Accounting Manager

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Irons established a quorum and called the meeting to order at 4:00 p.m. with all Council Members present.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

<https://youtu.be/yri-jhSmPys?t=46s>

Nancy Bast, Morro Bay, requested the Council consider replacing the Veterans Hall chairs during budget considerations.

Carole Truesdale, Morro Bay, asked the Council to fund Senior Nutrition at the full request of \$10,000. She also suggested the Council consider a 1% sales tax to address budget deficits.

The public comment period was closed.

SPECIAL MEETING AGENDA ITEM:

- I. BUDGET STUDY SESSION #3: PROPOSED BUDGET FOLLOW-UP, TEN-YEAR FORECAST UPDATE AND OPTIONS TO ADDRESS UNFUNDED LIABILITIES
<https://youtu.be/yri-jhSmPys?t=6m13s>

City Manager Collins opened the item and requested clarification from Council on the following items:

City Attorney Contract - The requested rate increase of \$10 per hour for all billing codes was presented and a contract amendment will be brought to Council for consideration and approval at a future meeting.

Council Bequests – A request was received from Senior Nutrition following the May 9 meeting for support in the amount of \$10,000. The Council agreed to support that program at \$5,000 for FY 18/19.

Capital Improvement Projects

- Park Strategic Plan – It was agreed analysis and recommendations should be done internally with input from the Public Works Advisory Board and Recreation & Parks Commission, potentially with participation of Cal Poly graduate students.
- Surf Street staircase – The Citizens Finance Advisory Committee forwarded a recommendation to reallocate the funds set aside for the Surf Street stair project to other ADA improvements that have a greater community benefit. Following discussion, the Council agreed it would be prudent to have those funds available for needs in higher traffic areas.

Finance Director Callaway presented the updated 10-year budget report and alternatives for addressing anticipated CalPERS pension impacts.

<https://youtu.be/yrj-jhSmPys?t=25m51s>

The Council considered various risk mitigation strategies and directed staff to return with a pension reserve policy guiding additional lump sum payments, when possible; reevaluate the current General Fund Emergency Reserve policy to focus on budget stabilization; and explore employee cost sharing of PERS contributions during employee negotiations

Mr. Collins presented potential new revenue streams and expenditures being evaluated by staff for future consideration.

<https://youtu.be/yrj-jhSmPys>

Revenues –

- RV Camping at the Rock
- Paid Parking Options
- Cannabis Tax
- Fee Increases
- Sale of Property / Credits

Expenditures -

- Evaluating Organizational Structure
- Reduction of on-going expenditures, where possible
- Employee Cost Sharing
- Services

No formal action was taken by the Council.

ADJOURNMENT

The meeting adjourned at 5:36 p.m.

Recorded by:

Dana Swanson
City Clerk

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
	Chris Neumeyer	Assistant City Attorney
	Dana Swanson	City Clerk
	Jennifer Callaway	Finance Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Director
	Greg Allen	Police Chief
	Steve Knuckles	Fire Chief
	Eric Endersby	Harbor Director
	Cindy Jacinth	Senior Planner
	Damaris Hanson	Environmental Programs Manager
	Janeen Burlingame	Management Analyst

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:03 p.m., with all members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION - None

CLOSED SESSION REPORT – No Closed Session meeting was held.

MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/OcBKEBGnWpQ?t=2m25s>

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/OcBKEBGnWpQ?t=10m36s>

PRESENTATIONS - None

PUBLIC COMMENT

<https://youtu.be/OcBKEBGnWpQ?t=12m51s>

Judy Forester of 63 N' Sunny Catering provided the business spot. In 2016, she launched a boutique style catering company that provides a farm to table experience. Visit www.63nsunnycatering.com for more information.

Rigmor, Morro Bay, asked the Council to reconsider its decision and fund improvements for the Surf Street staircase.

Ken Green, Morro Bay, supported funding Surf Street stair improvements, offered praise for the Police Memorial Ceremony held last week, thanked staff for financial reports, and requested bids for the WRF project be made public.

Eric Foor, Morro Bay, outlined a 9-point plan that he suggested would be more cost effective than the proposed South Bay water reclamation facility.

Pam Ochs, Save Morro Bay, asked the City to release the WRF proposals and expressed concern about the affordability of the proposed project and process to date.

Aaron Ochs, Save Morro Bay, called on the City Council to have an independent auditor determine how the 2015 Proposition 218 funds have been spent.

Marla Jo Sadowski, Morro Bay, suggested agenda for the April 25th Special City Council meeting violated the Brown Act and asked the Council to pull Item A-2 from the Consent Agenda to discuss before approval.

Brad Snook, Chair of the San Luis Obispo County Chapter of the Sierra Club, submitted written comments on the draft EIR for the water reclamation facility project.

The Public Comment period was closed.

The Council and staff responded to issues raised during Public Comment.

A. CONSENT AGENDA
<https://youtu.be/OcBKEBGnWpQ?t=41m54s>

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 APRIL 24, 2018 CITY COUNCIL MEETING;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE APRIL 25, 2018 CITY COUNCIL SPECIAL
MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE APRIL 30, 2018 CITY COUNCIL SPECIAL
CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-4 APPROVAL OF MINUTES FOR THE MAY 8 & 9, 2018 CITY COUNCIL SPECIAL
MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-5 ADOPT RESOLUTION NO. 29-18 AUTHORIZING SAN LUIS OBISPO COUNTY
ASSESSOR TO ASSESS AMOUNTS DUE ON DELINQUENT SOLID WASTE
COLLECTION ACCOUNTS AS TAX LIENS AGAINST THE PROPERTIES; (PUBLIC
WORKS)

RECOMMENDATION: City Council adopt Resolution No. 29-18.

A-6 AUTHORIZATION TO UTILIZE \$50,000 OF THE AFFORDABLE HOUSING IN-LIEU
FUNDS FOR THE SEQUOIA STREET APARTMENTS RENTAL HOUSING
DEVELOPMENT AT 365-389 SEQUOIA STREET AND RESTATEMENT OF EXISTING
CDBG AND IN-LIEU AWARDS; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: City Council adopt Resolution No. 32-18 authorizing a grant of \$50,000 of Affordable Housing In-Lieu Funds for the Sequoia Street Apartments rental housing development located at 365-389 Sequoia Street.

The public comment period for the Consent Agenda was opened.

Marla Jo Sadowski, Morro Bay, shared concerns regarding the April 25th meeting and requested Item A-2 be continued.

Betty Winholtz, Morro Bay, spoke to Item A-6 and asked the City Council to increase funding to \$75,000, as requested.

Darya Oreizi, People's Self-Help Housing, thanked the City for support of the Sequoia Street rehabilitation project. When asked, he stated they are happy with the funding amount recommended by staff.

The public comment period for the Consent Agenda was closed.

Council Member Headding pulled Item A-6.

MOTION: Council Member Davis moved the Council approve all items except for A-6 on the Consent Agenda. The motion was seconded by Council Member Makowetski and carried unanimously, 5-0.

A-6 AUTHORIZATION TO UTILIZE \$50,000 OF THE AFFORDABLE HOUSING IN-LIEU FUNDS FOR THE SEQUOIA STREET APARTMENTS RENTAL HOUSING DEVELOPMENT AT 365-389 SEQUOIA STREET AND RESTATEMENT OF EXISTING CDBG AND IN-LIEU AWARDS; (COMMUNITY DEVELOPMENT)
<https://youtu.be/OcBKEBGnWpQ?t=48m31s>

At Council's request, Senior Planner Jacinth explained that while the City received a large deposit to the in-lieu fund this year, staff does not anticipate receiving additional deposits this year or next, and available funds are needed to help pay for next year's Housing Element update. For those reasons, staff recommended awarding \$50,000, rather than the requested \$75,000. She also answered questions regarding terms of the funding agreement.

MOTION: Council Member Headding moved staff recommendation to authorize \$50,000 of Affordable Housing In-Lieu Funds for the Sequoia Street Apartment Rental Housing Development at 365-389 Sequoia Street and restatement of existing CDBG and In-Lieu funds. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

B. PUBLIC HEARINGS - NONE

C. BUSINESS ITEMS

C-1 REVIEW AND PROVIDE COMMENT ON THE ONEWATER PLAN UPDATE AND PROVIDE DIRECTION AS DEEMED APPROPRIATE; (PUBLIC WORKS)
<https://youtu.be/OcBKEBGnWpQ?t=53m17s>

Eric Casares of Carollo Engineering presented the report and, along with Mr. Livick and Damaris Hanson, Environmental Programs Manager, responded to Council inquiries.

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

Betty Winholtz, Morro Bay, asked questions regarding the proposed improvement projects.

Jeff Heller, Morro Bay, requested a full accounting of projects identified in the 2015 water/sewer rate increase.

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

Staff responded to questions raised during public comment.

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

The Council took a brief recess at 8:28 p.m. The meeting reconvened at 8:37 p.m. with all members present.

C-2 CONSIDERATION AND APPROVAL OF ISSUANCE OF REQUEST FOR PROPOSALS ON LEASE SITE 62/62W (KAYAK HORIZONS) LOCATED AT 551 EMBARCADERO; (HARBOR)
<https://youtu.be/OcBKEBGnWpQ?t=2h26m18s>

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

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

Gene Doughty asked for clarification on the number of parking spaces assigned to this location, and suggested the docks and revetment are in need of repair. He suggested any project would likely be a tear down and new construction.

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

Following discussion, the Council supported a holdover agreement with the existing tenant upon expiration of the current lease. Recommended changes to the RFP included adding the following statement to the end of the third bullet point under Section IV. A., "and maintain the ongoing operation successfully." Additionally, Section IV. C., Selection Methodology was modified as follows: Item 4 was reduced to 20 points, item 6 increased to 15 points, and item 7 was increased to 15 points.

MOTION: Council Member Heading moved for approval of the RFP for Lease Site 62/62W and authorize advertising the approved RFP, as amended this evening, including recommendation to go into a month-to-month holdover agreement with the existing tenant as outlined in Conclusion Section B of the staff report. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

C-3 ADOPTION OF RESOLUTION NO. 30-18 AND RESOLUTION NO. 31-18 APPROVING THE ADOPT MORRO BAY AND MEMORIAL PROGRAMS AND DIRECTION REGARDING A MASTER PLAN FOR STREET FURNITURE; (PUBLIC WORKS)
<https://youtu.be/OcBKEBGnWpQ?t=3h13m4s>

Management Analyst Burlingame presented the staff report and responded to Council inquiries.

The public comment period for Item C-3 was opened; seeing none, the public comment period was closed.

Following discussion, there was Council concurrence to approve the policies with the following changes:

- Correct typographical errors on the Memorial Application forms.
- Modify Item #3 on Resolution No. 31-18 Attachment 1 (page 72 of the agenda packet) to be less prescriptive and refer to the Master Plan for Street Furniture.
- Bike Rack Program to be less prescriptive, providing an acceptable alternative to Peak Racks, and refer to the Master Plan for Street Furniture.
- Modify Adopt Morro Bay Policy to specify two calls for projects, rather than one.
- Remove the word “concrete” in the 7th Whereas statement of Resolution No. 31-18.
- In addition to safety, maintenance and durability, standards for benches to include “reasonable comfort.”
- Street Furniture Master Plan to provide minimum requirements and consistency in the furniture, specify construction materials, appropriate colors and provide examples, all consistent with the Downtown Waterfront Strategic Plan. The proposed plan would be brought to PWAB and Council for approval.

MOTION: Council Member McPherson moved for adoption of Resolution No. 30-18 establishing an Adopt Morro Bay program; and adopt Resolution No. 31-18 rescinding Resolution Nos. 40-90 and 04-00 and establishing a Memorial Tree, Bench, and Bike Rack program in parks and public rights-of-way, as amended; and direct staff to prepare a street furniture master plan to designate location, density, type, and number of benches, bike racks and other memorial objects to be placed in City parks, rights-of-way and other public places and return within six months to Council for approval. The motion was seconded by Council Member Heading.

Ms. Burlingame clarified a six-month time frame would be to take to the advisory boards for initial review with Council review to follow.

AMENDED MOTION: Council Member McPherson amended the motion to strike “within six months.” The amended motion was seconded by Council Member Heading and carried unanimously, 5-0.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

<https://youtu.be/OcBKEBGnWpQ?t=3h46m32s>

None

E. ADJOURNMENT

The meeting adjourned at 9:58 p.m. The next Regular Meeting will be held on Tuesday, June 12, 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

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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 5:50 P.M.

Recorded by:

Dana Swanson, City Clerk



AGENDA NO: A-5
MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE:** May 31, 2018
FROM: Dana Swanson, City Clerk/Risk Manager
SUBJECT: Designation of Representative(s) to the California Joint Powers Insurance Authority

RECOMMENDATION

Staff recommends the City Council designate the Mayor as the official representative of the City of Morro Bay on the California Joint Powers Insurance Authority (CJPIA) Board of Directors. It is also recommended the Risk Manager be designated first alternate, and the City Manager as second alternate.

ALTERNATIVES

The City Council can appoint a Council Member or other staff member(s) to serve as the City's representative or alternate(s) to the CJPIA Board of Directors.

FISCAL IMPACT

There is no fiscal impact associated with the requested action(s).

DISCUSSION

On June 23, 2003, the City Council adopted Resolution No. 38-03 approving the City's membership in CJPIA. The rules of CJPIA require each member agency to appoint a member of its governing board to serve as a representative to the CJPIA Board of Directors. The CJPIA also allows for member agency staff to serve as alternates. The full Board of Directors meets once a year in July, to elect officers and review claims history; this year the meeting is being held on Wednesday, July 18th at the CJPIA office in La Palma, California. Historically, the City has appointed the Mayor to fulfill the duties as the official representative on the CJPIA Board of Directors.

CONCLUSION

It is staff's recommendation the Council designate the Mayor as the official representative to the CJPIA Board of Directors, the Risk Manager as the first alternate, and City Manager as second alternate.

ATTACHMENT

1. Resolution No. 38-03

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

CITY COUNCIL RESOLUTION NO. 38-03

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY,
COUNTY OF SAN LUIS OBISPO, CALIFORNIA, APPROVING EXECUTION OF THE
JOINT POWERS AGREEMENT CREATING CALIFORNIA JOINT POWERS INSURANCE
AUTHORITY, AND FURTHER APPROVING PARTICIPATION IN ITS JOINT
PROTECTION PROGRAM PROVIDING LIABILITY COVERAGE THROUGH SELF-
INSURANCE, LOSS POOLING AND EXCESS INSURANCE**

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

**THE CITY COUNCIL OF THE CITY OF MORRO BAY DOES HEREBY FIND AND
RESOLVE AS FOLLOWS:**

WHEREAS, pursuant to the provisions of Sections 990, 990.4, 990.8 and 6500 of the Government Code, CALIFORNIA JOINT POWERS INSURANCE AUTHORITY ("CALIFORNIA JPIA") has been created by a Joint Powers Agreement; and

WHEREAS, Article 21 of said Agreement provides for additional members to become parties to the Joint Powers Agreement creating the CALIFORNIA JPIA, after the first year of its operation, and thereupon enter the Joint Protection Program providing General and Automobile Liability Coverage through self-insurance and loss pooling; and

WHEREAS, the self-insurance and loss pooling programs of the CALIFORNIA JPIA, as well as its group insurance coverage programs, offer significant advantages to the City in terms of cost, protection, risk management and loss control advice and assistance, and entering such programs would be and is in the best interest of this City.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORRO BAY DOES
HEREBY RESOLVE, ORDER AND DETERMINE THE FOLLOWING:**

Section 1. That the Mayor of the City of Morro Bay is hereby authorized and directed to execute the Joint Powers Agreement on behalf of the City of Morro Bay binding the Member to the terms and conditions of said Agreement.

Section 2. That the City of Morro Bay hereby joins the Joint Protection Program of CALIFORNIA JPIA, providing self-insurance and loss pooling for General and Automobile Liability for a period of not less than three (3) years.

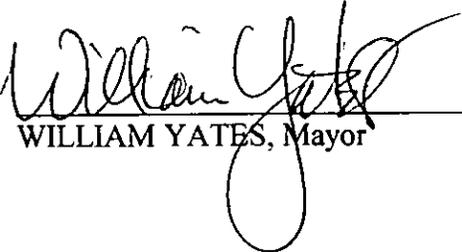
Resolution No. 38-03
Page Two

PASSED AND APPROVED by the City Council of the City of Morro Bay this
23rd day of June 2003 by the following vote:

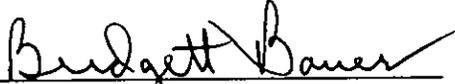
AYES: Elliott, Peirce, Peters, Winholtz, Yates

NOES: None

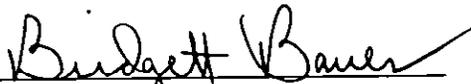
ABSENT: None


WILLIAM YATES, Mayor

ATTEST:


BRIDGETT BAUER, City Clerk

I hereby certify, under the penalty of perjury, that the above and foregoing is a true and correct copy of Resolution No.38-03 as adopted by the City Council of the City of Morro Bay, on the 23rd day of June 2003.


BRIDGETT BAUER, City Clerk

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RESOLUTION NO. 33-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
CALLING FOR THE HOLDING OF A GENERAL MUNICIPAL ELECTION
TO BE HELD ON TUESDAY, NOVEMBER 6, 2018, FOR THE PURPOSE OF ELECTING
CERTAIN OFFICERS OF SAID CITY AS REQUIRED BY THE PROVISIONS OF THE LAWS
OF THE STATE OF CALIFORNIA RELATING TO GENERAL LAW CITIES AND MORRO
BAY MUNICIPAL CODE SECTION 2.09.010; AND, REQUESTING THE BOARD OF
SUPERVISORS OF SAN LUIS OBISPO COUNTY TO CONSOLIDATE SAID ELECTION
WITH THE STATEWIDE GENERAL ELECTION TO BE HELD IN THE COUNTY ON
TUESDAY, NOVEMBER 6, 2018 PURSUANT TO SECTION 10403 OF THE ELECTION
CODE; AND, OTHER ELECTION MATTERS AS REQUIRED BY LAW**

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

WHEREAS, Measure “J-14” was passed by the citizens of Morro Bay at the election held in November 2014 and codified as Resolution No. 78-14, amending Morro Bay Municipal Code Section 2.09.010 to have the General Municipal Election held at the time of the Statewide General Election; and

WHEREAS, under the provisions of the laws relating to the general law cities in the State of California and Morro Bay Municipal Code Section 2.09.010, a General Municipal Election shall be held on Tuesday, November 6, 2018 for the purpose of the election of two (2) members of the City Council of the City of Morro Bay for the full term of four (4) years, and for the election of one (1) Mayor of the City Council of the City of Morro Bay for the full term of two (2) years; and

WHEREAS, it is desirable that said General Municipal Election be consolidated with the Statewide General Election to be held on the same date and that within the City of Morro Bay the precincts, polling places and election officers of the two elections be the same, and that the County Election Department of the County of San Luis Obispo canvass the returns of the General Municipal Election and that the election be held in all respects as if there were only one election.

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

SECTION 1. That pursuant to the requirements of the laws of the State of California and Morro Bay Municipal Code Section 2.09.010, there is called and ordered to be held in the City of Morro Bay, California, on Tuesday, November 6, 2018 a General Municipal Election for the purpose of electing two (2) members of the City Council of the City of Morro Bay for the full term of four (4) years, and for the purpose of electing one (1) Mayor of the City Council of the City of Morro Bay for the full term of two (2) years.

SECTION 2. That the ballots to be used at the election shall be in form and content as required by law.

SECTION 3. That the City Clerk is authorized, instructed and directed to coordinate with the County of San Luis Obispo Clerk-Recorder to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment and paraphernalia that may be necessary in order to properly and lawfully conduct the election.

SECTION 4. That the polls for the election shall be open at seven o'clock a.m. of the day of the election and shall remain open continuously from that time until eight o'clock p.m. of the same day when the polls shall be closed, pursuant to Election Code Section 10242, except as provided in Section 14401 of the Elections Code of the State of California.

SECTION 5. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

SECTION 6. That notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form, and manner as required by law.

SECTION 7. That pursuant to the requirements of Section 10403 of the Elections Code, the Board of Supervisors of the County of San Luis Obispo is hereby requested to consent and agree to the consolidation of a General Municipal Election with the Statewide General Election on Tuesday, November 6, 2018, for the purpose of the election of one (1) Mayor, and two (2) Members of the City Council.

SECTION 8. That the County Election Department is authorized to canvass the returns of the General Municipal Election. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used.

SECTION 9. That the Board of Supervisors is requested to issue instructions to the County Election Department to take any and all steps necessary for the holding of the consolidated election.

SECTION 10. That the City of Morro Bay recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for any costs.

SECTION 11. That the City Clerk is hereby directed to file a certified copy of this Resolution with the Board of Supervisors and the County Election Department of the County of San Luis Obispo.

SECTION 12. The City Council authorizes the City Clerk to administer said election and all reasonable and actual election expenses shall be paid by the City upon presentation of a properly submitted bill.

SECTION 13. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

SECTION 14. This Resolution is effective on the day of its adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12th day of June 2018 following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

RESOLUTION NO. 34-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ADOPTING REGULATIONS FOR CANDIDATES FOR ELECTIVE OFFICE,
PERTAINING TO, AND COSTS OF, CANDIDATE STATEMENTS SUBMITTED
TO THE VOTERS AT THE CONSOLIDATED GENERAL MUNICIPAL
ELECTION TO BE HELD ON TUESDAY, NOVEMBER 6, 2018**

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

WHEREAS, California Elections Code section 13307 provides the governing body of any local agency shall adopt regulations pertaining to materials prepared by any candidate for a municipal election, including costs of each candidate statement.

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

SECTION 1. General Provisions. Pursuant to California Elections Code section 13307, each candidate for elective office to be voted for at the Consolidated General Municipal Election to be held in the City of Morro Bay on November 6, 2018, may prepare a candidate's statement on an appropriate form provided by the City Clerk. Such statement may include the name, age, and occupation of the candidate and a brief description, not exceeding 200 words, of the candidate's education and qualifications expressed by the candidate himself/herself. Such statement shall not include party affiliation of the candidate, nor membership or activity in partisan political organizations. The statement shall be filed in the City Clerk's Office at the time the candidate's nomination papers are filed. The statement may be withdrawn, but not changed, during the period for filing nomination papers and until 5:00 p.m. of the next working day after the close of the nomination period.

SECTION 2. Foreign Language Policy.

- a. Candidates have the option to have their statement translated into another language and printed at an additional cost. Translation will be performed by the County of San Luis Obispo prior to publication.
- b. Pursuant to the Federal Voting Rights Act, candidate's statements will be translated into all languages as required by the County of San Luis Obispo.
- c. The County will mail separate sample ballots and candidates statements in non-English languages (as required by the Federal Voting Rights Act) to only those voters who are on the county voter file as having requested a sample ballot in a particular language. The County will make the sample ballots and candidates statements in the required languages available at all polling places, on the County's website, and in the Election Official's office.

SECTION 3. Payment.

- a. Each candidate is required to pay for the cost of translating and printing his/her candidate statement in English and Spanish (and any language as required by

the Federal Voting Rights Act and/or State law) in the voters' pamphlet.

- b. The City Clerk shall estimate the total cost of printing, handling, translating, and mailing each candidate statement filed pursuant to this section, including costs incurred as a result of a candidate choosing to translate a statement into another language, and including costs incurred as a result of complying with the Voting Rights Act of 1965, as amended, and require each candidate filing a statement to pay in advance to the City of Morro Bay his/her estimated pro rata share as a condition of having his/her statement included in the voters' pamphlet. The estimate is an approximation of the actual cost that varies from one election to another and the actual cost may be significantly more or less than the estimate, depending upon the actual number of candidates filing statements. Accordingly, the City Clerk is not bound by the estimate and may, on a pro rata basis, bill each candidate for additional actual expense, or refund any excess paid, depending upon the final actual cost. In the event of underpayment, the City Clerk shall require the candidate to pay the balance of the cost incurred. In the event of overpayment, within 30 days after the election, the City Clerk shall pro-rate the excess amount among the candidates and refund to each candidate his/her share of the excess amount.

SECTION 4. Additional Materials. No candidate is permitted to include additional materials in the sample ballot package.

SECTION 5. Miscellaneous.

- a. All translations shall be provided by professionally-certified translators pursuant to state and federal law.
- b. The Elections Official shall allow bold type, underlining, capitalization, indentations, bullets, and leading hyphens to the same extent and manner as allowed in previous City elections.
- c. The Elections Official shall comply with all recommendations and standards set forth by the California Secretary of State regarding occupational designations and other matters relating to elections.

SECTION 6. The City Clerk shall provide each candidate, or his/her representative, a copy of this resolution at the time nominating petitions are issued.

SECTION 7. All previous resolutions establishing City Council policy on payment for candidate statements are hereby rescinded.

SECTION 8. This resolution applies only to the election to be held on November 6, 2018, and shall then be rescinded.

SECTION 9. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

SECTION 10. Effective Date. This Resolution is effective on the day of its adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12th day of June 2018 by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

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AGENDA NO:	A-7
MEETING DATE:	June 12, 2018

Council Report

TO: Honorable Mayor and City Council

DATE: June 5, 2018

FROM: Jamie L. Irons, Mayor

SUBJECT: SLO Regional Code of Civility

RECOMMENDATION

Council review and adopt the SLO Regional Code of Civility.

FISCAL IMPACT

There is no fiscal impact to this decision.

BACKGROUND/DISCUSSION

In August of 2017, 32 San Luis Obispo County residents from various backgrounds including government staff, elected officials, leaders from Cal Poly, Cuesta and K12, as well as a diverse mix of minds from the SLO County nonprofit and business communities participated in a group trip to Denver. The purpose of the trip was to explore lessons learned in Denver in order to proactively vision and plan for the future of San Luis Obispo County.

Of the many topics explored in Colorado, perhaps the most impactful to the group was the concept of Regionalism; the idea that regions that learn to work together will do better for their citizens, their future and the quality of everyone’s lives. Regional collaboration is rooted in trusted relationships and from that, the idea of a region-wide Code of Civility was born. The idea was that each jurisdiction would adopt the same Code of Civility setting a common expectation of how all public business would be conducted in the region, at both the City Council level and at a regional level.

A core group from the Denver trip, including diverse elected officials, has approached the County Mayors’ group and the City Manager group asking each City Council to adopt the proposed Code of Civility as a promise to each other and the public to conduct themselves in a way that allows for the widest range of opinions on ideas and policies.

Mayor Irons attended the Mayors meeting where the Code of Civility was discussed and felt that Morro Bay should join other cities in adopting the Code of Civility. The City of Morro Bay has embraced the core concepts in the proposed Code of Civility as was demonstrated by the adoption of Resolution 70-15 pledging to follow best practices of civility and civil discourse in all of its meetings and, more recently, with the adoption of Resolution No. 27-18, which incorporated many of the tenets you’ll find in the attached policy.

The proposed Code of Civility is being reviewed by other jurisdictions in the County and will be unveiled and signed on Thursday, June 21, from 2:00 – 3:00 p.m. at the SLO County Library.

ATTACHMENT

- Code of Civility

Prepared By: <u> JI/DS </u>	Dept Review: <u> </u>
City Manager Review: <u> SC </u>	City Attorney Review: <u> </u>

CC 2018-06-12 Page 37 of 175

CODE OF CIVILITY

A healthy democracy respects the people's right to debate issues with passion. A healthy democracy not only tolerates disagreement but welcomes it in order to refine ideas and create policies that benefit the greater good.

The deterioration of civility across the country and within our community poses a threat to our democracy and our civic well-being. This deterioration:

- Compromises the integrity of a healthy, representative democracy
- Closes the door on depth of thought, reducing complex problems to harmful oversimplification
- Deters potential leaders from running for office or serving in government
- Poisons the civic well and discourages citizens from engaging on pressing community issues
- Casts the spotlight on poor behavior rather than shining a light on possible solutions
- Sets a poor example for our children

We have crafted this Code of Civility as a promise to each other, and to the people and institutions we serve, that we will always strive to conduct our debates - whether in person, online, or in written communication - in ways that allow for the widest range of opinions on ideas and policies, yet also respect the dignity, integrity and rights of those with whom we might disagree. With our individual and collective commitment to this code, we welcome our elected colleagues, the press and the public to hold us accountable.

In our deliberations we pledge to:

Listen First

We will make an honest effort to understand views and reasoning of others by listening to understand, not listening to find fault, allowing thoughtful discussion to lead to the best possible outcomes.

Respect Different Opinions

We will invite and consider different perspectives, allowing space for ideas to be expressed, opposed and clarified in a constructive manner.

Be Courteous

We will treat all colleagues, staff and members of the public in a professional and courteous manner whether in person, online, or in written communication, especially when we disagree.

Disagree Constructively

We strive to advance solutions to community issues; when faced with disagreement, we do more than simply share our concerns with differing positions, we work to propose a course of action of mutual benefit.

Debate the Policy Not the Person

We will focus on the issues, and not personalize debate or use other tactics that divert attention from the issue.



CITY OF MORRO BAY

CITY HALL

595 Harbor Street
Morro Bay, CA 93442

May 24, 2018

Linda Stedjee
c/o Betty Winholtz

Morro Bay, CA 93442

Re: Alleged Brown Act Violation

Dear Ms. Stedjee:

The City of Morro Bay (City) is in receipt of your letter, dated April 5, 2018, and received by the City on May 8, 2018. That letter alleges a violation of the Ralph M. Brown Act (Government Code § 54950 *et seq.*) (Brown Act) occurred at the Morro Bay City Council regular meeting held on October 24, 2017 (Meeting).

The City Council understands and supports the importance of transparent and open government. To that end, it also appreciates and acknowledges the Brown Act and follows its spirit and intent. With that fully in mind, the following is the City's legal response to your letter, as provided by our City Attorney.

Your letter alleges at the Meeting the City Council violated the Brown Act because "the Council restored the reclamation element to the City's Water Reclamation Facility (WRF) project without the legally-required noticing and public hearing." Your letter then cites to minutes of various Council meetings and related staff reports for purported support of that allegation.

The Council has concluded, after a duly noticed closed session held on May 23, 2018, no such violation of the Brown Act occurred at the Meeting. Therefore, there is no need to "cure or correct" the challenged action. Below are explanations for that conclusion.

The City Council has never adopted any motion or taken any action that directed the WRF project not include water reclamation. The Council did adopt a motion not to include relocation of the City's Corporate Yard operations as part of the WRF project. As part of its continuing efforts to explore cost reductions for the needed WRF project, the Council also adopted a motion directing staff to investigate the cost of the WRF project with and without the water reclamation function. Upon receipt and review of the results of that investigation, the Council reaffirmed one of the goals for the WRF project would be water reclamation. All the Council's actions, considerations and decisions regarding the WRF project, including the community goals for the WRF project, have been conducted at duly noticed public meetings, in full accordance with the Brown Act. To date, no action, consideration, discussion or decision of the Council required a formally noticed public hearing. Notwithstanding that, in addition to the numerous duly noticed public meetings the City Council has held over the past several years regarding the WRF project, during that same time the City has made significant public outreach efforts to share information with and gain input from all stakeholders regarding the WRF project,

including, but not limited to, conducting workshops, scheduling citizen advisory committee meetings and distributing newsletters.

As we have similarly stated in responses to other Brown Act complaints related to the WRF project, we remain hopeful the foregoing provides sufficient information for you to decide not to pursue legal action regarding your subject allegations. It would indeed be unfortunate if the community is forced to incur legal expenses to defend such an action. In that regard, if such action is taken, then the City will do what it can to protect and defend its limited public finances by seeking recovery of its attorney's fees if an unsuccessful lawsuit is filed regarding any of your allegations.

Sincerely,

Morro Bay Mayor, Mayor Pro Tem and City Council Members

By: 
Jamie L. Irons, Mayor

c: Honorable Morro Bay Mayor Pro Tem and Council Members
Scott Collins, City Manager
Rob Livick, Public Works Director
Joseph W. Pannone, City Attorney

RECEIVED
City of Morro Bay

MAY 8 2018

April 5, 2018

Ms. Dana Swanson
City Clerk, City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

City Clerk

Dear Ms. Swanson,

In accordance with California State Government Code section 54960.2, I am submitting this cease and desist letter regarding a Brown Act violation that I believe occurred at the October 24, 2017 City Council meeting, when the Council restored the reclamation element to the City's WRF project without the legally-required noticing and public hearing.

This letter is being submitted to you as "clerk or secretary of the legislative body being accused of the violation", as required by law. As indicated by the code cited below, the City has 60 days to respond in order to avoid a lawsuit.

"2) The legislative body has 60 days to respond with "an unconditional commitment to cease, desist from, and not repeat the past action." Gov Code sec 54960.2(a)(4). (If it makes such a commitment within 30 days, the government body will immunize itself against any claim, in the course of litigation, for payment of the complainant's attorney's fees or costs, Gov Code Sec. 54960.2(b))"

When a previous cease and desist letter was submitted for this Brown Act violation, the City dismissed the concerns stated in the letter, claiming that reclamation was never removed from the project. I trust that the following proof from the City's own documents is sufficient to establish reclamation WAS removed and that the City's claim was untruthful.

At its **April 25, 2017 meeting**, after a discussion during the public hearing of **item C-1 DISCUSSION OF PRELIMINARY FINDINGS FROM THE DRAFT SEWER AND WATER RATE STUDY UPDATE; (PUBLIC WORKS)**, the Council voted to remove the the reclamation element from the WRF project. Meeting minutes document the motions and votes as follows:

"*MOTION: Council Member McPherson moved the Council direct staff to assemble team of local experts to review current project, then return with two revised cost proposals for Phase 1 of the WRF project only, with cost basis analysis and user rate implications, and based on a careful examination of the Facilities Master Plan to identify cost savings. The two alternatives are: 1) full secondary treatment that at some future date could become tertiary with additional treatment; and 2) full tertiary. The proposals should also include a revised timeline that includes robust public outreach, including two public workshops and flyers/notices, and a proposed date for the Prop 218 hearing. The motion was seconded by Mayor Irons.*

*Upon request, Council member McPherson repeated the motion and clarified the two alternatives are full secondary treatment that with additional treatment in the future (so we could become reclaimable at a later date) and full tertiary (which is additional treatment now). Staff clarified the team of experts would provide direction on key aspects of the cost estimates for consultant review and assessment.
The motion carried 3-2 with Council Members Davis and Heading voting no.*

*MOTION: Council Member Heading moved the Council direct staff to focus solely on building a treatment plant at that the new site. The motion was seconded by Mayor Irons.
Staff clarified that based on the Council action, certain project goals would be considered in phase 2 and others would be removed.
The motion passed 5-0."*

The Council's decision was reported in an April 26, 2017 article in the Tribune:
<http://www.sanluisobispo.com/news/local/article147021129.html> The article says,

"Faced with public opposition to building a \$167 million proposed new sewage treatment plant and water recycling facility in Morro Bay, the City Council has opted for a less expensive project that delays water reclamation. After a four-hour discussion Tuesday — including comments from several public speakers who supported keeping costs down — the council voted 3-2 to phase in a water recycling facility in the future."

The April 25 Council decision was reflected in a Michael Nunley staff report attached to the agenda of the **May 23, 2017 Council meeting**. In his report, Mr. Nunley presents goals for the project. One of the goals is, "produce reclaimed wastewater effectively". Under "Goal status as of April 24", Mr. Nunley wrote,

"Master reclamation plan addresses this" and, "Including reclamation as early as possible reduces long-term costs"

Under "current status", Mr. Nunley wrote,

"Reviewing as a future phase. This limits the viability of the project to receive grand support through current programs"
(emphasis added)

At its **September 26, 2017 meeting**, during discussions regarding agenda item **C-2 WATER RECLAMATION FACILITY PROGRAM UPDATE; (PUBLIC WORKS)**, the Council discussed restoring the reclamation element to the project. According to the minutes,

*"Public Works Director Livick, WRF Program Manager Nunley, and WRF Deputy Program Manager Rickenbach presented the staff report and responded to Council inquiries." And, "The Council agreed sufficient information and community input had been gathered to move forward with a preferred site, and **that it was necessary to move forward quickly with a project that includes water reclamation to take advantage of WIFIA and SRF funding opportunities.** With the understanding rates would be heavily influenced by debt service, it was critical to get funding secured as quickly as possible to keep rates down. The importance of cost containment and avoiding the potential risk of litigation associated with the Righetti site was also discussed."* (emphasis added)

There was no motion and there was no vote regarding restoring the reclamation element.

At its **October 24, 2017 meeting**, during discussions regarding item **C-4 WATER RECLAMATION FACILITY (WRF) PROJECT GOAL, WITH CHANGES DEEMED APPROPRIATE, AND AUTHORIZATION TO ADVERTISE THE DESIGNBUILD REQUEST FOR QUALIFICATIONS (RFQ); (PUBLIC WORKS) 1. Refinement of the established community goals that guide the overall WRF Project 2. WRF project RFQ and approve for advertisement.** The Council and staff appeared to take the position reclamation was and always had been part of the project.

A staff report written in regard to October 24, 2017 agenda item C-4, by staff member Rob Livick, said,

"On September 26, 2017, the City Council directed staff to "revisit the goals" associated with the WRF project. The intent was to clarify those established goals so that prospective bidders on the project would base their efforts on the refined goals, to be as certain as possible bids would accurately reflect the community desires for the outcome of the project. The current goals were established in December 2013, and refined to some extent in early 2014. Those formed the basis not only for the site selection process, but various design parameters associated with the project. The currently established goals are comprised of the following:

- **Produce tertiary, disinfected wastewater in accordance with Title 22 requirements for unrestricted urban irrigation** (emphasis added)
- **Design to be able to produce reclaimed wastewater for potential users, which could include public and private landscape areas, agriculture, or groundwater recharge. A master reclamation plan should include a construction schedule and allow for bringing on customers in a cost effective manner.** (emphasis added)
- Allow for onsite composting
- Design for energy recovery
- Design to treat contaminants of emerging concern in the future
- Design to allow for other possible municipal functions
- Ensure compatibility with neighboring land uses"

There was only one motion and vote on the agenda item:

MOTION: "Mayor Irons moved the Council approve the RFQ with the recommended changes and authorizing the WRF subcommittee to have final review prior to the release of the document, and to modify the goals, as discussed. The motion was seconded by Council Member Davis and carried unanimously, 5-0"

During the October 24 meeting, and since that time, the Council has acted as though reclamation was never removed from the project. There was no public hearing on putting reclamation back into the project, and thus no opportunity for public input on the subject. Concerned residents have stated that, had the Council gone through the legally-required noticing and hearing procedures, they would have attended the hearing to voice their concerns.

I, and the concerned Morro Bay residents on behalf of whom this letter was written and submitted, believe it is clear that by denying residents the opportunity to participate in the decision regarding restoration of the reclamation element to the WRF project, the City has violated the Brown Act. We demand that the City of Morro Bay cease and desist the practice of making decisions without legally-required noticing and hearings.

Sincerely,



Linda Stedjee, (Please send response to this letter c/o Betty Winholtz,

Morro Bay, CA 93442)



CITY OF MORRO BAY

CITY HALL

595 Harbor Street
Morro Bay, CA 93442

May 24, 2018

Marla Jo Bruton-Sadowski

Morro Bay, CA 93442

Re: Alleged Brown Act Violation

Dear Ms. Bruton-Sadowski:

The City of Morro Bay (City) is in receipt of your letter, dated May 5, 2018, and received by the City on May 9, 2018. That letter alleges a violation of the Ralph M. Brown Act (Government Code § 54950 *et seq.*) (Brown Act) occurred at the Morro Bay City Council special meeting held on April 25, 2018 (Meeting).

The City Council understands and supports the importance of transparent and open government. To that end, it also appreciates and acknowledges the Brown Act and follows its spirit and intent. With that fully in mind, the following is the City's legal response to your letter, as provided by our City Attorney.

Your letter alleges the City Council violated Section 54954.3 of the Brown Act by not allowing oral public comment during the Meeting.

The Council has concluded, after a duly noticed special closed session held on May 23, 2018, no such violation of the Brown Act occurred nor was any action taken at the Meeting. Therefore, there is nothing to "cure or correct." Below are explanations for that conclusion.

As you know, the Meeting took the form of a workshop and was another effort by the City Council to seek public input and provide information regarding the Water Reclamation Facility (WRF) project. Because the workshop was scheduled by the City and all five Council Members wanted to attend that workshop and to ensure the attendance by a quorum of the Council did not violate the Brown Act, the Meeting was agendaized and noticed as a special, public Council meeting. The noticing and agenda were provided through the Notice of Special Meeting you attached to your subject letter. As noted on that agenda, the League of Women Voters would facilitate the public comment (Question & Answer) portion of the Meeting. Since the Meeting was scheduled only for two hours, including a preliminary discussion of the project history status and regulatory agency comments, the public comment period was conducted through an open and active written question process with oral responses provided by staff and consultants who also attended the Meeting. All the questions submitted to the League of Women Voters representatives that evening will be made part of the public record of the Meeting. Also, you have been provided electronic copies of all those questions submitted at the Meeting.

The Brown Act recognizes a local agency must be able to conduct the people's business in an orderly fashion and allows a local agency to limit public comment to those that address the

purpose for which a special meeting is being held. Based on that, the Brown Act did not require any particular methodology for providing the opportunity for the public to directly address the Council during the Meeting. The Brown Act allows a local agency to impose reasonable rules to govern public comment, which, depending on the nature and purpose of a meeting, could include limiting all public comment to a set method and period of time, as well as limiting the time each commenter may address that local agency. Based on that and the construct of the nature of the Meeting, by providing an opportunity for anyone to submit written questions for response during the Meeting, the Meeting was conducted in compliance with the Brown Act.

In addition, the City Council did not take any action at the Meeting. Based on that, Section 54960.2 of the Brown Act is not applicable to your allegation. Also, Section 54960.1 of the Brown Act is not applicable to your allegations, since that section provides a process for someone to challenge a City-action based an alleged violation of Section 54953, 54954.2, 54954.5, 54954.6, 54956, or 54956.5, which does not include the section your letter alleges was violated (Section 54954.3 of the Brown Act).

As we have similarly stated in responses to other Brown Act complaints related to the WRF project, we remain hopeful the foregoing provides sufficient information for you to decide not to pursue legal action regarding your subject allegations. It would indeed be unfortunate if the community is forced to incur legal expenses to defend such an action. In that regard, if such action is taken, then the City will do what it can to protect and defend its limited public finances by seeking recovery of its attorney's fees if an unsuccessful lawsuit is filed regarding your allegation.

Sincerely,

Morro Bay Mayor, Mayor Pro Tem and City Council Members

By: 
Jamie L. Irons, Mayor

- c: Honorable Morro Bay Mayor Pro Tem and Council Members
Scott Collins, City Manager
Rob Livick, Public Works Director
Joseph W. Pannone, City Attorney

RECEIVED
City of Morro Bay

MAY 9 2018

May 5, 2018

Ms. Dana Swanson
City Clerk, City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

City Clerk

Dear Ms. Swanson,

In accordance with California State Government Code section 54960.2, I am submitting this cease and desist letter regarding a Brown Act violation that occurred at the April 25, 2018 Special City Council meeting. At that meeting, the public was given no opportunity to speak on the meeting's one agenda item.

This letter is being submitted to you as "*clerk or secretary of the legislative body being accused of the violation*", as required by law. As indicated by the code cited below, the City has 60 days to respond in order to avoid a lawsuit.

"2) The legislative body has 60 days to respond with "an unconditional commitment to cease, desist from, and not repeat the past action." Gov Code sec 54960.2(a)(4). (If it makes such a commitment within 30 days, the government body will immunize itself against any claim, in the course of litigation, for payment of the complainant's attorney's fees or costs, Gov Code Sec. 54960.2(b))"

On the City's Web site, the April 25, 2018 special City Council meeting is identified as follows: "4/25/18 Special City Council Meeting – WRF Public Forum" (see attachment 1)

The meeting had one agenda item which was,

"Water Reclamation Facility (WRF) Public Forum

- *Review Project History*
- *Project Status and Next Steps*
- *Invited Regulatory Agency Presentations*
- *Question and Answer Period Facilitated by League of Women Voters"*

In violation of the Brown Act, the agenda did not provide the legally-required opportunity for the public to speak on this item. California Brown Act section 54954.3(a) says,

"Every agenda for regular meetings shall provide an opportunity for members of the public to directly address the legislative body on any item of interest to the public, before or during the legislative body's consideration of the item, that is within the subject matter jurisdiction of the legislative body, provided that no action shall be taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of Section 54954.2. However, the agenda need not provide an opportunity for members of the public to address the legislative body on any item that has already been considered by a committee, composed exclusively of members of the legislative body, at a public meeting wherein all interested members of the public were afforded the opportunity to address the committee on the item, before or during the committee's consideration of the item, unless the item has been substantially changed since the

*committee heard the item, as determined by the legislative body. **Every notice for a special meeting shall provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.*** (emphasis added)

At the April 25, 2018 special Council meeting, the public was not allowed to speak. Instead, the City required meeting attendees to submit written questions that were read aloud by an outside facilitator after the presentations were complete. I personally brought this Brown Act violation to the attention of a Council member, the City Manager, and the City Attorney. They ignored the information and allowed the meeting to proceed without any opportunity for public comment.

I am confident that we all understand that submitting written questions before a meeting and to be (possibly) read at the meeting by someone else is NOT the same thing as speaking. To add insult to injury, at the April 25 meeting, many of the written questions (including mine and those of several other residents I have spoken to) were not read and addressed, and some questions were edited by the moderator, making this Brown Act violation even more egregious. Questions received and censored by the League of Women Voters cannot substitute for the public's right to "directly address" the Mayor and City Council.

The City's serious and blatant violation of the Brown Act at the April 25, 2018 special City Council meeting not only illegally denied members of the public their right to speak and participate; it prevented those attending and remotely viewing the meeting from seeing the true nature, scope and depth of residents' opposition to the WRF project approach favored by the City. In doing so, it turned the meeting into what is essentially a City "propaganda tool" that many of us believe has been very purposefully aimed at defeating the Proposition 218 protest vote.

I demand that the City cease and desist the illegal practice of denying members of the public their legal right to speak at City of Morro Bay public meetings.

Sincerely,



Marla Jo Bruton-Sadowski

Morro Bay

Attachment 1

- City Manager's Updates
- City Goals & Objectives
- FY 2017/18 Adopted Budget
- FY 2017/18 Budget Overview
- Notify Me
- Utility Billing & Services
- Water Conservation
- Bid Postings
- Document Center
- Monthly Financial Reporting
- Financial Forecast

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City Council Agendas:

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- Most Recent Archive Item
- 4/30/18 City Council Special Closed Session Meeting
- 4/24/18 City Council Meeting - Agenda Correspondence
- 4/25/18 Special City Council Meeting - WRF Public Forum
- 4/24/18 City Council Special Meeting - GP/LCP/Zoning Update
- 4/24/18 City Council Meeting
- 4/10/18 City Council Meetings - Agenda Correspondence
- 4/10/18 City Council Special Closed Session Meeting
- 4/10/18 City Council Meeting
- 3/27/18 City Council Meeting - Agenda Correspondence
- 3/28/18 City Council Special Closed Session Meeting
- 3/27/18 City Council Meeting
- 3/21/18 City Council Special Closed Session Meeting
- 3/14/18 City Council Meeting - Agenda Correspondence
- 3/13/18 City Council Meeting - Agenda Correspondence
- 3/14/18 City Council Special Meeting

General Plan Advisory Committee Agendas:

Select an Item

General Plan Advisory Committee Minutes:

Select an Item

Harbor Board Agendas:

Select an Item

Harbor Board Minutes:

Select an Item

Harbor Newsletters:

Select an Item



**CITY OF MORRO BAY
CITY COUNCIL
Notice of Special Meeting**

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.

WATER RECLAMATION FACILITY - PUBLIC FORUM
Wednesday, April 25, 2018 – 6:30 to 8:30 p.m.
Veterans Memorial Hall
209 Surf St., Morro Bay, CA

ESTABLISH QUORUM AND CALL TO ORDER

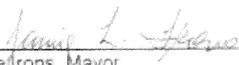
SPECIAL MEETING AGENDA ITEM

WATER RECLAMATION FACILITY ("WRF") PUBLIC FORUM

- Review Project History
- Project Status and Next Steps
- Invited Regulatory Agency Presentations
- Question & Answer Period facilitated by League of Women Voters

ADJOURNMENT

DATED: April 20, 2018



Jamie Irons, Mayor

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 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.

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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AGENDA NO: A-9

MEETING DATE: June 12, 2018

Staff Report

TO: Mayor and City Council

DATE: June 5, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Fiscal Year 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018, and Adoption of Resolution 35-18 Authorizing Staff to Proceed with Third-Quarter Budget Adjustments

RECOMMENDATION

Staff recommends that the City Council:

- A. Receive FY 2017/18 Third Quarter Budget Performance and status report and authorize budget adjustments as recommended in the attached Third Quarter Budget Performance Report;
- B. Adopt Resolution No. 35-18 authorizing staff to proceed with the third-quarter budget adjustments.

BACKGROUND

The attached Third Quarter Budget Report covers the first nine months of the fiscal year beginning July 1, 2017 and ending March 31, 2018. The report presents analysis related to the key General Fund revenues and expenditures by category as well as an analysis of the City's enterprise funds, Water Reclamation Facility (WRF) project, and other funds.

With the financial analysis of activity through March 31, 2018, staff is able to provide an update based on revenue and expenditure trends for the current fiscal year and advise on potential future revenue and expenditure challenges which may materialize during the fiscal year.

Due to the timing of the report, the third-quarter budget performance report has not been presented to the Citizen's Finance Advisory Committee (CFAC). CFAC was notified during the May Committee meeting Third Quarter Report would be presented to Council on June 12, 2018, prior to the Committee's June meeting.

DISCUSSION

FY 2017/18 Third Quarter Budget Performance and Status Report

An analysis of the FY 2017/18 General Fund revenues identified two significant revenue areas that are trending quite well. Property tax receipts are significantly higher than budgeted. Upon closer review of budget figures, it appears property tax was budgeted with no growth expectation. In light of a strong economy, property values continue to rise, and the City's actual receipts are reflective of that. Staff is proposing a budget adjustment to reconcile budget to actual receipts.

01181.0001/478967.1	
Prepared By: <u> JC </u>	Dept Review: <u> JC </u>
City Manager Review: <u> SC </u>	City Attorney Review: <u> </u>

During the mid-year budget update staff recommended a reduction to budgeted business tax revenue. During the last several months, staff prioritized internal audit and review of business tax receipts, bringing actual receipts to the highest level in the past four years. Staff continues to audit the business tax process; and considering the efforts of staff's work, a budget augmentation of \$140,000 is recommended at this time.

Staff is also proposing a budget adjustment to reduce Plan Check Fees receipts, as the timing of receipt of those fees will likely be in the next fiscal year (FY 2018/19) and is also correcting the budgeted allocation of the new SB 1 gas tax funds. The adopted budget included the new SB 1 gas tax monies being transferred to the General Fund; however, due to the requirements stipulated in SB1 and by resolution, Council directed those funds be allocated to the City's pavement management plan.

Expenditure adjustments proposed are primarily related to the solar installation program and utility usage. The City has yet to receive the solar energy credits, which in the future years will likely offset the debt principal and interest, as well as reduce overall utility charges. Also, staff is recommending expenditure adjustments to purchase four new garbage receptacles for the downtown district to replace broken containers, purchase of a new power washer, which is used to clean the public restrooms, etc. and an \$8,000 adjustment for mold remediation and repairs at the Community Center.

Enterprise fund adjustments are recommended to reimburse the Sewer Fund for water related expenditures for the Water Reclamation Facility (WRF) project. Those expenditures occurred in prior years and the budget adjustment that is recommended would reimburse the Sewer Fund for payment of these expenditures. Also, there is a budget adjustment for the Sewer Fund to formally approve the budget appropriation for the One Water Capital project. The funding was conceptually approved during the budget discussions; however, it was inadvertently left off of the Sewer Accumulation budget worksheet for capital projects.

Lastly, staff is recommending adjustments from the Facilities Maintenance Fund to support the mold remediation and repairs previously discussed at the Community Center as well as the renovation of the Del Mar Restrooms. The Fire Department is also requesting appropriation from its Fire Donation Account to support both the Local Hazard Mitigation Plan and Emergency Plan.

CONCLUSION

The available Third Quarter preliminary data for FY 2017/18 highlights the efforts that staff has taken to maximize resources and control expenditures. 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. Third Quarter FY 2017/18 Budget Performance and Status Report for period ending March 31, 2018.
2. Resolution No. 35-18 Approving Amendments to the City's Fiscal Year 2017/18 Budget to Authorize Various Additional Expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

INTRODUCTION

Purpose

This is the third quarterly budget report for the Fiscal Year 2017/18, for the nine-month period ending March 31, 2018. 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. Third, 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 various Funds for the nine-month period ending March 31, 2018, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report includes data on General Fund operating revenues and expenditures, as these represent the funds used to provide essential City services, as well as the City’s three enterprise funds: Harbor, Water and Sewer, the Water Reclamation Facility (WRF) Capital Project, the City’s District Sales Tax Measure known as Measure Q and lastly the City’s Tourism Business Improvement District (TBID).

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
FY 2017/18 Recommended Budget Adjustments....	14
Financial Summaries and Projections.....	17
General Fund by Category	17
General Fund by Department	18
Enterprise Funds	19
Water Reclamation Facility Capital Project.....	23
Other Funds.....	24
Conclusion	30

EXECUTIVE SUMMARY

Status of FY 2017/18 Adopted Budget

Overall, third quarter revenue trends are steady when compared to the third quarter of Fiscal Year 2016/17, at about 66% of budgeted levels. Of the City's most economically-sensitive revenues – property tax is up from prior year results by 9% or \$230,000. In addition, as a result of staff efforts to internally audit and enhance the business tax collections, business tax is trending high with actual receipts exceeding budget at the third quarter. Charges for Service continue to trend well, due to increased development activity.

Overall, General Fund expenditures for the third quarter continue to trend low with third quarter Supplies, Materials and Services expenditures at about 57% of budget. Overall salary and benefits are trending on target with 74% expensed as of the third quarter. Staff continues to monitor both revenues and expenditures through year-end and continue to true-up budget figures to more closely align to actual results. As such, there are a series of budget adjustments recommended for revenues and expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the third quarter, ending March 31, 2018.

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

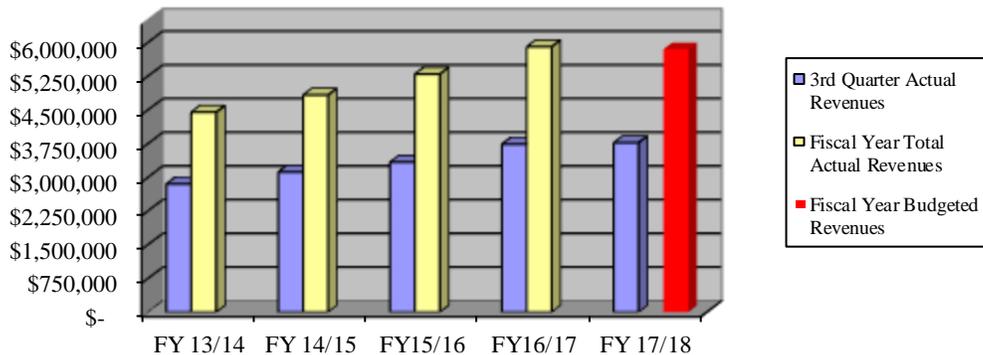
Other Taxes

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 third 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 – Third quarter receipts are trending consistent with those in prior years with a slight adjustment being recommended for Sales Tax per the City’s Sales Tax consultant, HDL’s most recent estimates. As subsets of the “other taxes” category, 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>
3rd Quarter Actual Revenues	\$ 2,851,819	\$ 3,116,393	\$ 3,336,739	\$ 3,736,915	\$ 3,769,620
Fiscal Year Total Actual Revenues	\$ 4,448,934	\$ 4,828,679	\$ 5,297,172	\$ 5,902,745	
Fiscal Year Budgeted Revenues					\$ 5,848,717
3rd Quarter Percent of Total	64.10%	64.54%	62.99%	63.31%	64.45%
Recommended Budget Revision					7,500

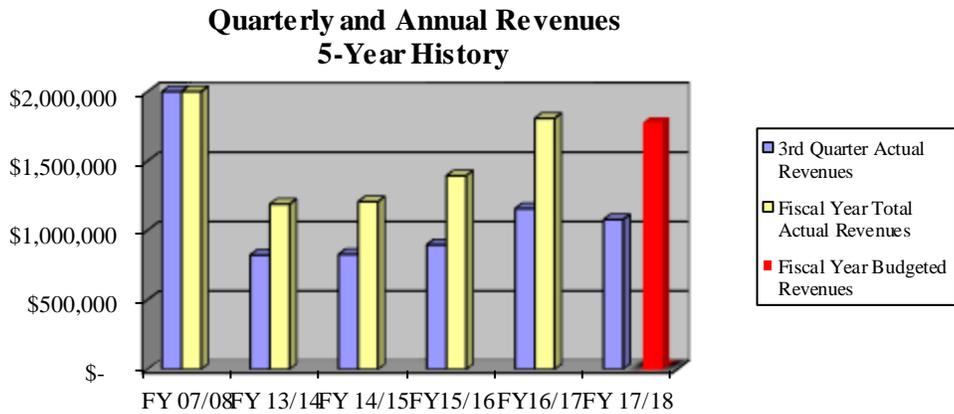
QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

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, third quarter receipts are trending in line with those in the same period in the past fiscal year. HDL, the City’s sales tax consultant, are projecting year-end receipts to total \$1.8 million and therefore a budget augmentation of \$7,500 is recommended.

Sales Tax



	<u>FY 07/08</u>	<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>
3rd Quarter Actual Revenues		\$ 823,434	\$ 827,915	\$ 896,937	\$ 1,158,014	\$ 1,078,877
Fiscal Year Total Actual Revenues		\$ 1,189,656	\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	
Fiscal Year Budgeted Revenues						\$ 1,777,664
3rd Quarter Percent of Total		69.22%	68.57%	64.34%	64.06%	60.69%

Recommended Budget Revision **7,500**

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

As depicted in the graph below, the categories of Fuel and Service Stations and Building and Construction represent the most significant increase in sales tax from the 3rd quarter of 2016 to the 3rd quarter of 2017. The most significant decrease in growth occurred in the category of food and drug due to correction of a prior year double payment. 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 Restaurants and Hotels and Construction areas, when compared to the same quarter results from the prior fiscal year.



QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

TOT Tax

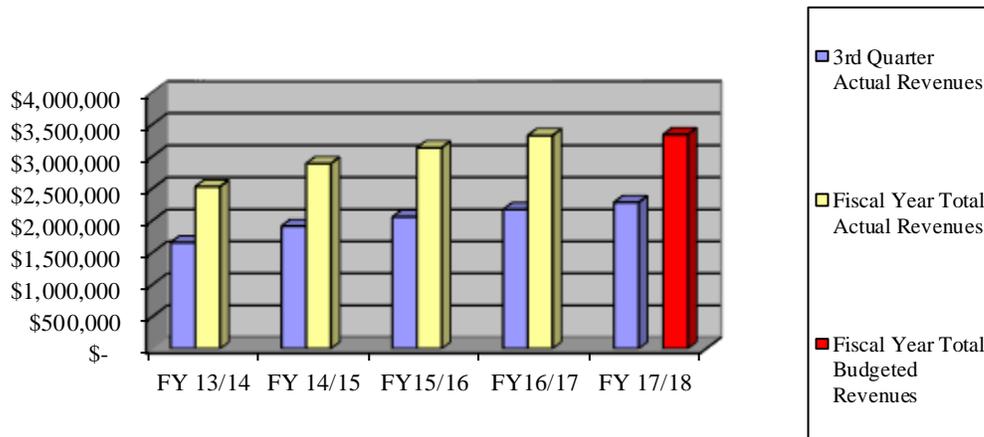
Transient Occupancy Tax (TOT) accounts for 26% of the City’s general fund revenues for FY 2017/18. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

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). Third quarter TOT revenues are trending slightly ahead of prior year third quarter results, when viewed as a percentage of budget. Staff is not recommending a budget adjustment at this time.

Transient Occupancy 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>
3rd Quarter Actual Revenues	\$ 1,655,251	\$ 1,911,525	\$ 2,054,974	\$ 2,172,520	\$ 2,283,410
Fiscal Year Total Actual Revenues	\$ 2,527,352	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	
Fiscal Year Total Budgeted Revenues					\$ 3,343,371
3rd Quarter Percent of Total	65.49%	66.17%	65.52%	65.30%	68.30%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

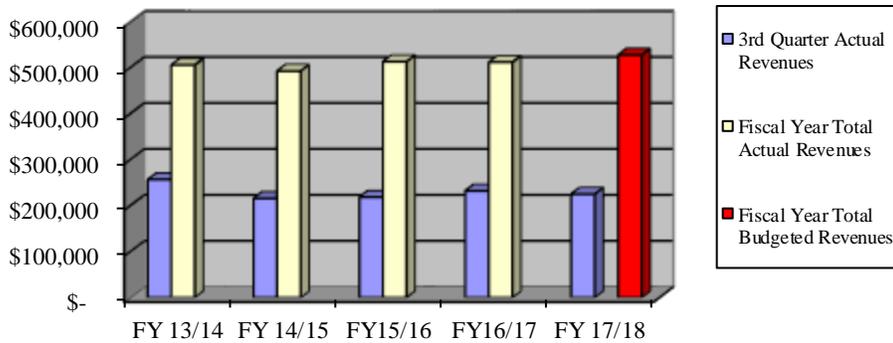
Franchise Fees

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; specifically, with Electricity Franchise Fees generally not be remitted until the third quarter. Based on the third quarter results, franchise fee revenues to date are 42.67% of budgeted total receipts, generally consistent with the prior year’s 3rd 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>
3rd Quarter Actual Revenues	\$ 256,726	\$ 215,698	\$ 218,472	\$ 232,019	\$ 225,098
Fiscal Year Total Actual Revenues	\$ 505,659	\$ 492,572	\$ 513,081	\$ 511,696	
Fiscal Year Total Budgeted Revenues					\$ 527,484
3rd Quarter Percent of Total	50.77%	43.79%	42.58%	45.34%	42.67%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

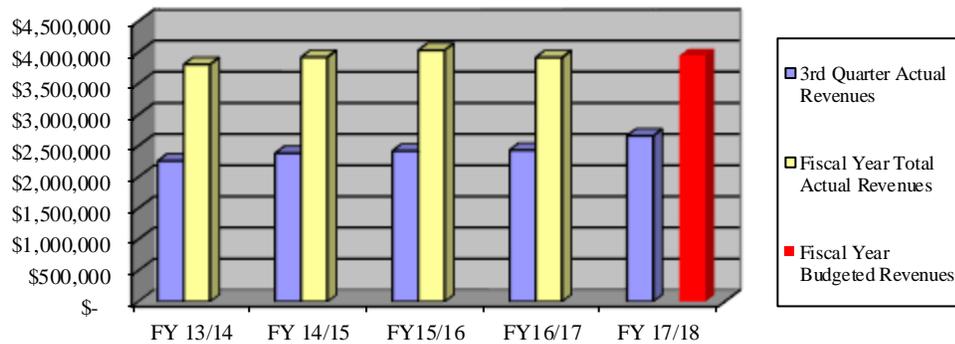
Property Tax

Property tax, including property tax in-lieu, is the third 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 10.696 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. The chart below depicts the 3rd quarter receipts for the past four years as compared to the current fiscal year. Third quarter receipts are trending slightly higher than in prior years. Property tax revenue for FY 2017/18 was budgeted consistent with previous year’s actuals projecting relatively flat real estate transactions. However, estimates provided by the San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector indicate that year-end estimates will be significantly higher than prior years actuals due to increased property values. Therefore, a budget adjustment of \$178,000 is recommended at this time.

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>
3rd Quarter Actual Revenues	\$ 2,257,067	\$ 2,381,457	\$ 2,417,925	\$ 2,431,627	\$ 2,660,638
Fiscal Year Total Actual Revenues	\$ 3,805,601	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	
Fiscal Year Budgeted Revenues					\$ 3,948,634
3rd Quarter Percent of Total	59.31%	60.73%	59.92%	62.07%	67.38%
Recommended Budget Revision					\$ 178,000

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

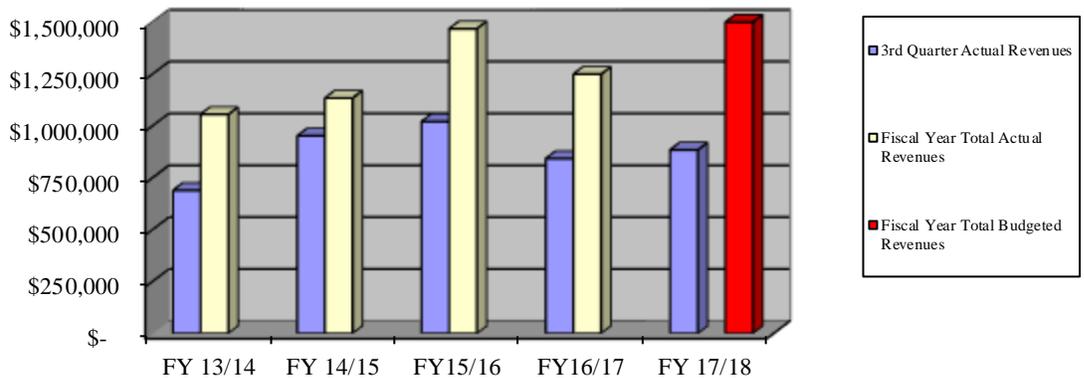
Charges for Services

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. Generally, community Development and Recreation Services account for most of these fees.

Analysis – Third quarter receipts are trending low when compared to prior years. While both Community Development and Fire Plan Check Fee revenues has surged, as well as recreation program revenues, particularly with the opening of the pool, the timing of cash receipts can delay recording expenses to the revenues. As a result staff recommends a budget reduction of \$65,000 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>
3rd Quarter Actual Revenues	\$ 689,058	\$ 952,138	\$ 1,021,195	\$ 842,420	\$ 884,579
Fiscal Year Total Actual Revenues	\$ 1,055,168	\$ 1,134,047	\$ 1,468,119	\$ 1,249,118	
Fiscal Year Total Budgeted Revenues					\$1,692,918
3rd Quarter Percent of Total	65.30%	83.96%	69.56%	67.44%	52.25%

Recommended Budget Revision	(65,000)
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

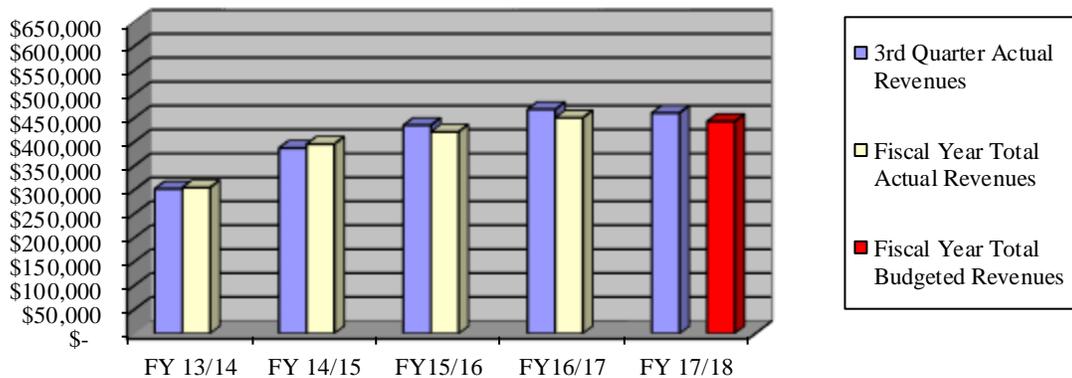
Licenses and Permits

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 – Third quarter licenses and permit revenue as an overall category is trending consistent with prior year’s third quarter results and is currently above budgeted figures. This is primarily due to staff’s efforts at collecting business licenses and internal auditing that has been happening in the department. Therefore, staff recommends a budget adjustment of \$160,000 to overall Licenses & Permit revenues, with the primary adjustment being to business licenses which is discussed in detail following.

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY15/16</u>	<u>FY16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 302,138	\$ 387,504	\$ 434,923	\$ 468,133	\$ 460,615
Fiscal Year Total Actual Revenues	\$ 305,021	\$ 395,769	\$ 421,205	\$ 450,571	
Fiscal Year Total Budgeted Revenues					\$ 442,859
3rd Quarter Percent of Total	99.05%	97.91%	103.26%	103.90%	104.01%

Recommended Budget Revision	160,000
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

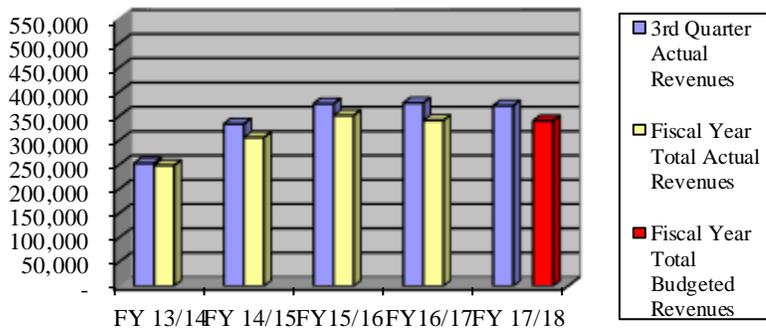
Business Tax

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. Staff recommended a significant budget adjustment at mid-year to realign budget to prior year actual receipts. In addition, during that time, with staffing transitions in the department, a concentrated effort has been made to bring past due licenses current and conduct internal audits or assessments. As a result of this diligence, a significant increase in business tax revenue has occurred and staff is recommending a budget augmentation of \$140,000.

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>
3rd Quarter Actual Revenues	252,509	333,721	375,262	376,817	371,186
Fiscal Year Total Actual Revenues	\$ 248,181	\$ 305,844	\$ 351,055	\$ 340,956	
Fiscal Year Total Budgeted Revenues					\$ 340,000
3rd Quarter Percent of Total	101.74%	109.11%	106.90%	110.52%	109.17%
Recommended Budget Revision					140,000

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the third quarter ending March 31, 2017. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

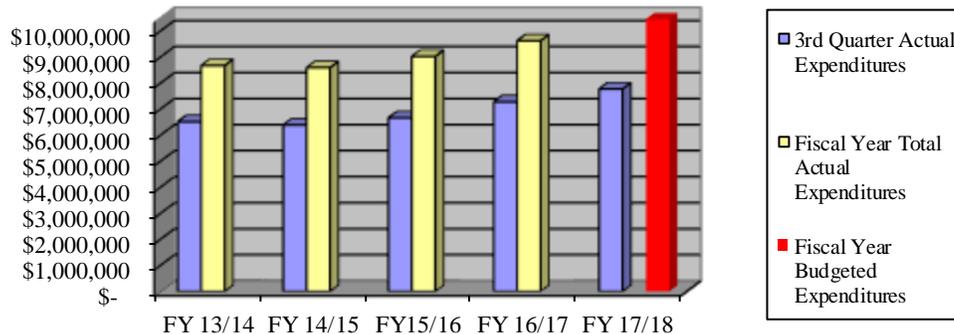
SALARIES AND BENEFITS

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 50% of total budget at the end of the third quarter.

Analysis – Third quarter results are well, at approximately 74.4% of budgeted totals. This includes substantial fire related personnel costs due to mutual aid assistance provided for the fires and landslide that occurred in late 2017, totaling \$253,000. These expenditures are reimbursed, and an offsetting revenue adjustment was recommended during the mid-year adjustment. There are no budget adjustments recommended at this time.

SALARIES AND BENEFITS

Quarterly and Annual Expenditures
5-Year History



	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
3rd Quarter Actual Expenditures	\$ 6,519,981	\$ 6,392,074	\$ 6,667,669	\$ 7,283,733	\$ 7,777,140
Fiscal Year Total Actual Expenditures	\$ 8,675,535	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	\$ 9,625,716
Fiscal Year Budgeted Expenditures					\$ 10,458,342
3rd Quarter Percent of Total	75.15%	74.37%	73.86%	75.67%	74.36%

Recommended Budget Revision

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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

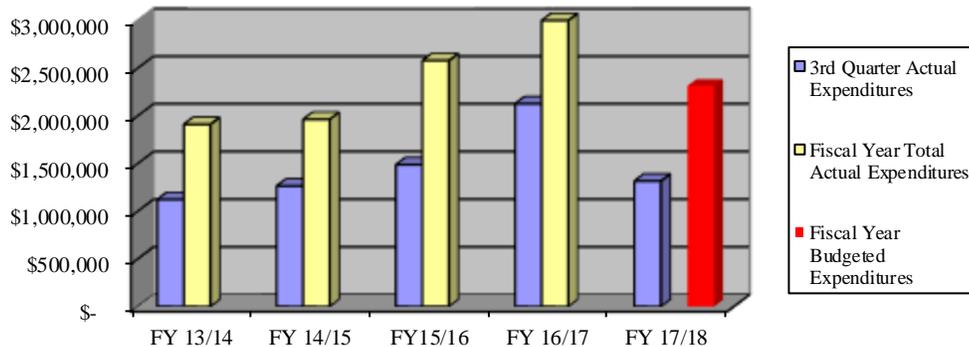
SUPPLIES, MATERIALS AND SERVICES

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 50% level for the third 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 50% amount may be explained due to these consulting and contractual services.

Analysis – Third quarter results are trending low at about 57% of budgeted totals (exclusive of transfers). Staff continues to provide services and looks towards the remainder of the fiscal year, being cognizant of operational expenditures and needs. Staff is recommending a budget adjustment to support purchase of four new garbage cans for the downtown area to replace broken receptacles as well as the purchase of a new power washer to replace a broken power washer.

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>
3rd Quarter Actual Expenditures	\$ 1,122,908	\$ 1,264,616	\$ 1,488,224	\$ 2,126,966	\$ 1,316,092
Fiscal Year Total Actual Expenditures	\$ 1,910,336	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	
Fiscal Year Budgeted Expenditures					\$ 2,313,665
3rd Quarter Percent of Total	58.78%	64.41%	57.69%	70.37%	56.88%

Recommended Budget Revision **12,200**

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following revenues as of the third quarter as described below:

GENERAL FUND					
Fund	Acct	Sub	General Fund Revenues		
001	3510	3051	Sales Tax - City Portion		7,500
001	3510	3101	Business Tax		140,000
001	3510	3730	Rental Income		(55,000)
001	4210	3426	Plan Check Fees - Fire		(40,000)
001	4210	3473	EMS Service & Transport		(25,000)
001	7105	3121	Encroachment Permits		17,400
001	7105	3127	Coastal Permit		2,600
001	3510	3011	Property Tax Current Secured		129,000
001	3510	3021	Property Tax in Lieu-VLF		44,000
001	3510	3020	Property Tax Admin Fee		5,000
001	7710	3820	Transfer from Special Revenue		(73,613)
TOTAL GENERAL FUND REVENUES					\$ 151,887
001			General Fund Expenditures		
001	7250	8110	Interest Expense		7,508
001	7250	8130	Principal Repayment		27,682
001	4210	4910	Employer Benefits		301,247
001	5215	5201	Other Expense		4,200
001	5230	5201	Other Expense		8,000
001	7250	6301	Electricity		35,000
001	5215	6300	Utilities		25,000
001	5220	6300	Utilities		3,291
001	4210	6300	Utilities		7,000
001	3515	6300	Utilities		3,000
001	TOTAL GENERAL FUND EXPENDITURES				\$ 421,927

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Sales Tax: A budget augmentation of \$7,500 is recommended due to higher forecasted receipts in the adopted FY 2017/18 budget. This recommendation aligns budget to the most recent sales tax estimates provided by HDL, the City's Sales Tax Consultant.
- Business Tax: A budget augmentation of \$140,000 is recommended due to staff efforts to bring current past due accounts and audit tax receipts.
- Plan Check Fees – Fire: A budget reduction of \$40,000 is recommended due to the timing of payment for pulled permits.
- EMS Services & Transport: A budget reduction of \$25,000 due to lower than anticipated receipts.
- Encroachment Permits: A \$17,400 budget augmentation is recommended due to increased activity.
- Coastal Permits: A \$2,600 budget increase is recommended due to activity that has occurred through the first nine months of the fiscal year.
- Property Tax Current Secured: A \$129,000 budget increase is recommended due actual receipts through the third quarter. Budgeted Property tax revenue appears to have been estimated low.
- Property Tax In-Lieu VLF: A budget augmentation of \$44,000 is recommended due to actual receipts through the third quarter.
- Property Tax Admin Fee: A \$5,000 budget adjustment is recommended due to actual charges incurred through the third quarter.
- Rental Income: A \$55,000 budget reduction is recommended due to higher than expected budgeted receipts.
- Transfers In From Special Revenue Funds: A budget reduction of \$73,613 is recommended at this time. Upon closer review of the adopted FY 2017/18 budget, staff identified that the new SB 1 gas tax funds were scheduled to transfer into the General Fund. The new SB 1 gas tax funds, by resolution, were directed to fund the pavement management plan. This budget adjustment is recommended to redirect the SB 1 funds to the pavement management plan.

Expenditures:

- Interest Expense: A budget augmentation of \$7,508 is recommended due to unbudgeted interest for the solar installation loan payment.
- Principal Repayment: A budget augmentation of \$27,682 is recommended due to unbudgeted principal repayment for the solar installation loan. Staff anticipates a energy credits will offset these payments in the future, however at this point the City has not received full credits for the energy reduction.
- Other Expense: A budget adjustment of \$4,200 is recommended to purchase four new garbage receptacles for the downtown to replace broken units.
- Other Expense: A budget adjustment of \$8,000 is recommended to purchase a new power washer to replace the existing power washer which is no longer in service.
- Electricity: Budget augmentation of \$35,000 is recommended due to higher cost of electricity. Staff anticipates that the solar energy credits will offset these costs in the future but for audit purposes staff proposed to align budget to actual expenses.
- Utilities: A total budget augmentation of \$38,291 is recommended due to higher than expected utility charges.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

- Employer Benefits: A budget increase of \$301,247 is recommended. Council previously approved the transfer of revenue from the General Fund Emergency Reserve into the General Fund to prepay the Fire Safety CalPERS Side Fund. This is a clean-up adjustment from this direction to account for the actual expense.

QUARTERLY BUDGET REPORT – 3rd 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 third quarter of FY 2017/18, and is sorted by revenue and expenditure category, which includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year, based upon the trends observed through the third quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended March 31, 2018

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 2,660,638	67%	\$ 4,126,634
Other Taxes	200,198	182,235	91%	\$ 200,198
Transient Occupancy Tax	3,343,371	2,283,410	68%	\$ 3,343,371
Sales Tax	1,777,664	1,078,877	61%	\$ 1,785,164
Franchise Fees	527,484	225,098	43%	\$ 527,484
Licenses & Permits	102,859	89,429	87%	\$ 122,859
Business Tax	340,000	371,186	109%	\$ 480,000
Charges for Services	1,692,918	884,579	52%	\$ 1,627,918
Fines & Forfeitures	12,000	15,172	126%	\$ 12,000
Intergovernmental	60,394	43,622	72%	\$ 60,394
Other Sources	39,933	44,217	111%	\$ 39,933
Use of Money & Property	443,927	267,532	60%	\$ 388,927
Fund Transfers	1,618,098	1,230,496	76%	\$ 1,544,485
Total Revenues	14,107,480	9,376,490	66%	14,259,367
Expenditures				
Salaries	5,093,885	3,441,012	68%	\$ 5,062,331
Overtime	500,527	374,430	75%	\$ 500,527
Part-time	906,245	652,347	72%	\$ 906,245
Other Salaries	336,846	255,482	76%	\$ 336,846
Labor Costs Applied	104,446	113,066	108%	\$ 136,000
Benefits	3,516,393	2,940,802	84%	\$ 3,817,640
Supplies, Materials and Services	2,313,665	1,316,092	57%	\$ 2,325,865
Utilities	357,852	316,441	88%	\$ 431,143
Insurance	142,770	107,078	75%	\$ 142,770
Debt Service	-	17,595		\$ 35,190
Payment to other Agencies	40,775	28,805	71%	\$ 40,775
Total Expenditures	\$ 13,313,403	\$ 9,563,151	72%	\$ 13,735,331
Transfers In/Out	512,822	512,822	100%	512,822
Total Operating Expenditures	\$ 13,826,225	\$ 10,075,973	73%	\$ 14,248,153
Net Surplus or (Use) of Reserves	\$ 281,255	\$ (699,483)		\$ 11,214

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the third quarter of FY 2017/18 displayed by revenue type and expenditures per department. The chart includes comparison information from the prior year and 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 trends observed through the third quarter.

City of Morro Bay Schedule of General Fund Operating Revenues vs. Operating Expenditures By Department For the period ended March 31, 2018

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 2,660,638	67%	\$ 4,126,634
Other Taxes	200,198	182,235	91%	200,198
Transient Occupancy Tax	3,343,371	2,283,410	68%	3,343,371
Sales Tax	1,777,664	1,078,877	61%	1,785,164
Franchise Fees	527,484	225,098	43%	527,484
Licenses & Permits	102,859	89,429	87%	122,859
Business Tax	340,000	371,186	109%	480,000
Charges for Services	1,692,918	884,579	52%	1,627,918
Fines & Forfeitures	12,000	15,172	126%	12,000
Intergovernmental	60,394	43,622	72%	60,394
Other Sources	39,933	44,217	111%	39,933
Use of Money & Property	443,927	267,532	60%	388,927
Fund Transfers	1,618,098	1,230,496	76%	1,544,485
Total Revenues	14,107,480	9,376,490	66%	14,259,367
Expenditures				
City Council	134,575	89,183	66%	\$ 134,575
City Manager	275,441	181,886	66%	\$ 275,441
Contract Services	768,105	403,752	53%	\$ 768,105
City Clerk/HR/Elections	439,500	297,853	68%	\$ 439,500
Deputy City Manager	43,872	38,769	88%	\$ 43,872
Accounting & Treasury	616,680	449,665	73%	\$ 619,680
Police Department	3,335,362	2,393,480	72%	\$ 3,335,362
Support Services	231,122	180,389	78%	\$ 231,122
Fire Department	2,734,285	2,434,475	89%	\$ 3,042,532
Emergency Operations Center	8,967	3,692	41%	\$ 8,967
Community Development	1,053,470	576,189	55%	\$ 1,053,470
Public Works	626,349	445,298	71%	\$ 626,349
Consolidated Maintenance	855,800	846,080	99%	\$ 885,000
Vehicle, Parks, Facilities	120,361	86,404	72%	\$ 123,652
Streets, Street Trees, Storm Drains/Creeks	864,144	320,459	37%	\$ 872,144
Street lighting	106,000	65,803	62%	\$ 106,000
Curbside Recycling	-	-	0%	\$ -
Recreation Services - Administration	308,403	198,650	64%	\$ 308,403
Recreation Services - Dance 39+	11,500	8,969	78%	\$ 11,500
Recreation Services - Sports	430,856	266,626	62%	\$ 421,394
Recreation Services - Youth Services	348,612	230,003	66%	\$ 348,612
Recreation Services - Community Pool	-	9,462		\$ 9,462
Electricity	-	36,063		\$ 70,190
Total Expenditures	\$ 13,313,403	\$ 9,563,151	72%	\$ 13,735,332
Transfers In/Out	512,822	\$ 512,822.00	100%	512,822
Total Operating Expenditures	\$ 13,826,225	\$ 10,075,973	73%	\$ 14,248,154
Net Surplus or (Use) of Reserves	\$ 281,255	\$ (699,483)		\$ 11,213

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this 3rd quarter report we have focused on the Enterprise Funds, Harbor, Water, and Sewer.

Enterprise Funds

The Enterprise Funds are Proprietary Funds used to report the same functions presented as business-type activities. The Harbor Enterprise Fund accounts for revenues received from harbor leases, rentals, moorings, and other sources, which are expended for maintenance, operation, patrolling, and improvements of the harbor. The Water Enterprise Fund accounts for revenues received primarily from water service charges, which are expended for maintenance, operations, and improvements to the water system while the sewer enterprise fund accounts for revenues received primarily from sewer service charges, which are expended for maintenance, operations and improvements to the sanitary sewer system.

A summary of each operating fund is found below:

Harbor Operating Fund - 331

	<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>
3rd Quarter Actual Revenues	\$ 1,504,390	\$ 1,258,010	\$ 1,296,883	\$ 1,306,451	\$ 1,239,366
Fiscal Year Total Actual Revenues	\$ 2,597,358	\$ 1,992,648	\$ 2,104,019	\$ 1,940,152	
Fiscal Year Total Budgeted Revenues					\$ 2,447,969
3rd Quarter Percent of Total	57.92%	63.13%	61.64%	67.34%	50.63%
3rd Quarter Actual Expenditures	\$ 1,394,147	\$ 1,361,225	\$ 1,553,721	\$ 1,480,813	\$ 1,452,012
Fiscal Year Total Actual Expenditures	\$ 2,319,373	\$ 2,096,385	\$ 2,118,296	\$ 2,166,628	
Fiscal Year Total Budgeted Expenditures					\$ 2,445,158
3rd Quarter Percent of Total	60.11%	64.93%	73.35%	68.35%	59.38%
Recommended Budget Revision Revenues					-
Recommended Budget Revision Expenditures					-

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

WATER FUND - 311

	<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>
3rd Quarter Actual Revenues	\$ 2,515,222	\$ 2,295,398	\$ 3,045,548	\$ 3,448,523	\$ 3,987,346
Fiscal Year Total Actual Revenues	\$ 5,761,587	\$ 3,657,206	\$ 4,338,311	\$ 4,928,645	
Fiscal Year Total Budgeted Revenues					\$ 5,479,700
3rd Quarter Percent of Total	43.66%	62.76%	70.20%	69.97%	72.77%
3rd Quarter Actual Expenditures	\$ 3,337,994	\$ 3,417,671	\$ 3,965,353	\$ 2,807,179	\$ 3,276,831
Fiscal Year Total Actual Expenditures	\$ 4,680,790	\$ 4,477,798	\$ 5,416,380	\$ 3,939,944	
Fiscal Year Total Budgeted Expenditures					\$ 5,404,500
3rd Quarter Percent of Total	71.31%	76.32%	73.21%	71.25%	60.63%
Recommended Budget Revision Revenues					
Recommended Budget Revision Expenditures					\$ 244,254

SEWER FUND - 321

	<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>
3rd Quarter Actual Revenues	\$ 2,921,878	\$ 3,033,246	\$ 3,460,730	\$ 4,003,519	\$ 4,506,070
Fiscal Year Total Actual Revenues	\$ 4,198,241	\$ 4,336,206	\$ 5,118,266	\$ 5,690,877	
Fiscal Year Total Budgeted Revenues					\$ 6,266,000
3rd Quarter Percent of Total	69.60%	69.95%	67.62%	70.35%	71.91%
3rd Quarter Actual Expenditures	\$ 1,395,366	\$ 2,178,088	\$ 2,306,504	\$ 1,850,648	\$ 2,668,590
Fiscal Year Total Actual Expenditures	\$ 4,112,811	\$ 4,696,610	\$ 3,814,036	\$ 3,170,631	
Fiscal Year Total Budgeted Expenditures					\$ 4,395,470
3rd Quarter Percent of Total	33.93%	46.38%	60.47%	58.37%	60.71%
Recommended Budget Revision Revenues					\$ 244,254
Recommended Budget Revision Expenditures					\$ 345,575

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following revenues and expenditures as of the third quarter as described below:

ENTERPRISE FUNDS				
<i>Enterprise Funds - Revenues</i>				
<i>Sewer Accumulation Fund</i>				
952				
952	7710	3802	Intrafund Revenue Transfers	244,254
303	TOTAL ENTERPRISE FUND REVENUES			\$ 244,254
 <i>Enterprise Funds - Expenditures</i>				
<i>Water Accumulation Fund</i>				
951				
951	7710	8501	Transfer Out (Sewer Accumulation Fund)	244,254
951				244,254
 <i>Sewer Accumulation Fund</i>				
952				
952	7710	8410	Intrafund Expense Transfers	345,575
952				345,575
TOTAL ENTERPRISE FUND EXPENDITURES				\$ 589,829

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Enterprise Funds

Revenues:

- Sewer Accumulation Fund: A budget augmentation of \$244,254 is recommended for prior year water related expenditures for the Water Reclamation Facility (WRF) project. These charges were paid for from the sewer fund and the request would support the water fund refunding the sewer accumulation fund for these expenditures.

Expenditures:

- Water Accumulation Fund: An expenditure adjustment of \$244,254 is recommended as this is the offsetting transfer out of the water accumulation fund to reimburse the sewer accumulation fund for prior years water related WRF expenditures as discussed above
- Sewer Accumulation Fund: A budget adjustment of \$345,575 is requested to align the FY 2017/18 Capital budget worksheets with the approved budget. During adoption of the FY 2017/18 budget, the Council discussed and conceptually approved a budget of \$345,575 from the Sewer Accumulation Fund to fund the Sewer portion of the One Water Capital Project. The actual budget request was inadvertently left out of the formal budget adoption pages. This is a clean-up item to align budget and expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Water Reclamation Facility Capital Project

The Water Reclamation Facility (WRF) project has been on-going for many years. As of FY 2017/18 staff established a separate capital project to account for the transactions associated with this project. Prior to that the costs had been captured through various sewer related accounts.

Below is a snapshot of expenditures, by category for the WRF project for the first nine months of FY 2017/18. Staff is working to capture all prior year costs in a similar format for the Council and Community. With 42% of budget expended through the third quarter, no budget adjustments are recommended at this time.

**City of Morro Bay
Schedule of WRF
Project Expenditures
For the period ended March 31, 2018**

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD
Expenditures			
Salaries & Benefits	75,000	65,871	88%
Laboratory Testing	25,000	-	0%
Miscellaneous Operating Supplies	5,000	6,947	139%
Engineering Services	145,000	79,392	55%
Consulting Services		90	
Program Mgmt & DB	700,000	520,646	74%
Grant Support	30,000	11,565	39%
Government Relations	57,000	45,651	80%
Postage	-	2,645	
Meetings & Conferences	-	225	
Travel Expenses	-	2,164	
Maintenance Contracts	44,776	44,776	100%
Business Equipment Expense	-	433	
Land Acquisition	-	-	
Water Reclamation Facility (WRF) - Onsite Improv	250,000	-	0%
Design Phase - Lift Station & Force	650,000	61,884	10%
Planning & Permitting	222,000	81,539	37%
Total Expenses	\$ 2,203,776	\$ 923,830	42%

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Other Funds

Other Funds can consist of internal service type funds that are used to account for various types of insurance coverage for the City, and to manage the City's information technology needs. In addition, the City has other funds that have been set-up to accumulate monies for various projects or capital and equipment needs, such as the facility maintenance fund. The report covers the Morro Bay Tourism Business Improvement District, the Measure Q fund, Risk Management Fund and Opportunity Fund. The Risk Management Fund is an internal service fund used to pay legal and insurance expenditures on behalf of the City. The Opportunity Fund was set up by the previous administration to set-aside funds for future projects or activities that the City wanted to pursue. The Opportunity fund is available for general fund purposes and is not restricted to its use. The Risk Management Fund may be appropriated for other purposes, however by City policy, a minimum fund balance of \$100,000 is required to be maintained in this fund. City staff would not recommend re-appropriating funds in the risk management fund for purposes other than insurance or litigation. Both the Measure Q and Morro Bay Tourism Business Improvement District are discussed in more detail below:

Morro Bay Tourism Business Improvement District

On April 27, 2009, Ordinance No. 546 was enacted, establishing Chapter 3.60 of the Morro Bay Municipal Code, which is entitled Tourism Business Improvement District (MTBID) Law. Lodging establishments self-assess an additional transient occupancy tax on rooms rented, which is paid to the City, then returned to the Tourism Bureau for promoting tourism in Morro Bay. For the first year, the MTBID assessment rate was 3%; ensuing years were set at 2%, per the Ordinance.

On September 13, 2010, Staff introduced Ordinance No. 562, which increased the MTBID assessment rate back to 3%. The Ordinance was passed on September 27th and became effective October 28, 2010.

Annually in May, the MTBID's annual report and budget are presented to the City Council, and a public hearing is set, which allows affected businesses the opportunity to protest the MBBID assessment. A Resolution is brought forward to confirm the results of the public hearing, renew the activities of the MTBID for the upcoming fiscal year, and approve the levy and collection of the 3% assessments from the hoteliers.

In 2013, the MTBID formed a 501c(6) corporation, Morro Bay Tourism Bureau, to carry out the marketing activities of the MTBID, as well as manage the Visitors Center.

As part of the Management Partners' 2015 Organizational Study, the recommendation to *develop a proposal for integrating Tourism Bureau activities with City operations* was explored by staff. City staff held a public workshop on September 22, 2015, to discuss this with stakeholders, presented the concept to the MTBID board at a special meeting on 12/10/15, and ultimately presented the results of the City's outreach and recommendations to the City Council on January 12, 2016, with two management scenarios. The Council adopted Resolution No. 03-16, discontinuing the City's contract with the Morro Bay Tourism Bureau, and merging operations and marketing (via Mental Marketing) efforts into the City, beginning June 2016.

For third quarter 2017/18 Revenues and expenditures are trending well. It should be noted that revenues include fund transfers in which is the General Fund's contribution towards TBID. For FY 2017/18 the general fund contribution was budgeted at \$134,928. With the mid-year reduction of \$9,500 which aligned the general fund support to FY 2016/17 actual receipts per the authorizing resolution, the total general fund contribution for FY 2017/18 totaled \$124,428. When excluding transfers, Assessments continue to trend low at 59% for the first nine

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

months of the calendar year. While no budget reduction to assessments is recommended at this time, staff has been cautioned to monitor and limit expenses until more data is available.

TBID

	<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>
3rd Quarter Actual Revenues	\$ 639,816	\$ 603,392	\$ 506,727	\$ 624,673	\$ 666,131
Fiscal Year Total Actual Revenues	\$ 862,222	\$ 882,109	\$ 841,295	\$ 935,834	
Fiscal Year Total Budgeted Revenues					\$ 1,037,291
3rd Quarter Percent of Total	74.21%	68.40%	60.23%	66.75%	64.22%
3rd Quarter Actual Expenditures	\$ 651,646	\$ 636,598	\$ 542,834	\$ 606,844	\$ 708,362
Fiscal Year Total Actual Expenditures	\$ 845,913	\$ 872,550	\$ 660,205	\$ 917,560	
Fiscal Year Total Budgeted Expenditures					\$ 1,046,791
3rd Quarter Percent of Total	77.03%	72.96%	82.22%	66.14%	67.67%
Recommended Budget Revision Revenues				\$	-
Recommended Budget Revision Expenditures				\$	-

*Revenues includes transfers in and Assessment collections

Measure Q

With the November 7, 2006 election, the citizens of Morro Bay voted in a ½ cent district sales tax, commonly known as “Measure Q.” This is a general tax and has no sunset date. The ballot measure stated: *The Morro Bay Vital Public Services Restoration and Protection Measure. To preserve Morro Bay’s safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens’ advisory committee to review annual expenditures?”*

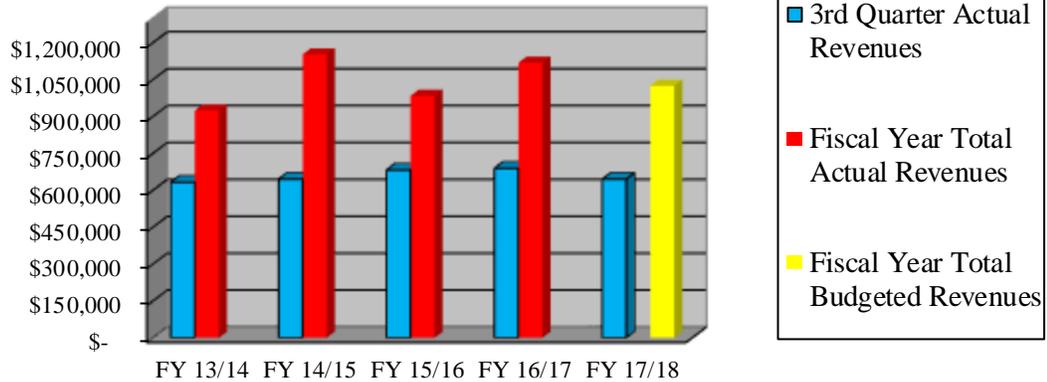
Ordinance 519 was enacted on August 14, 2006, to establish Chapter 3.22, City of Morro Bay Transactions and Use Tax. The City Council divides the annual revenue estimate between the departments, based on the language in the Measure, campaign polls, and departmental requests.

The chart below indicates that Measure Q revenues are trending consistent with prior years. A budget increase to Measure Q tax revenue of \$33,871 is recommended per the most recent year-end estimates provided by HDL, the City’s sales tax consultant.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Measure Q Revenues

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>
3rd Quarter Actual Revenues	\$ 632,745	\$ 645,366	\$ 682,498	\$ 689,350	\$ 644,822
Fiscal Year Total Actual Revenues	\$ 923,776	\$ 1,151,549	\$ 983,602	\$ 1,118,270	
Fiscal Year Total Budgeted Revenues					\$1,024,129
3rd Quarter Percent of Total	68.50%	56.04%	69.39%	61.64%	62.96%

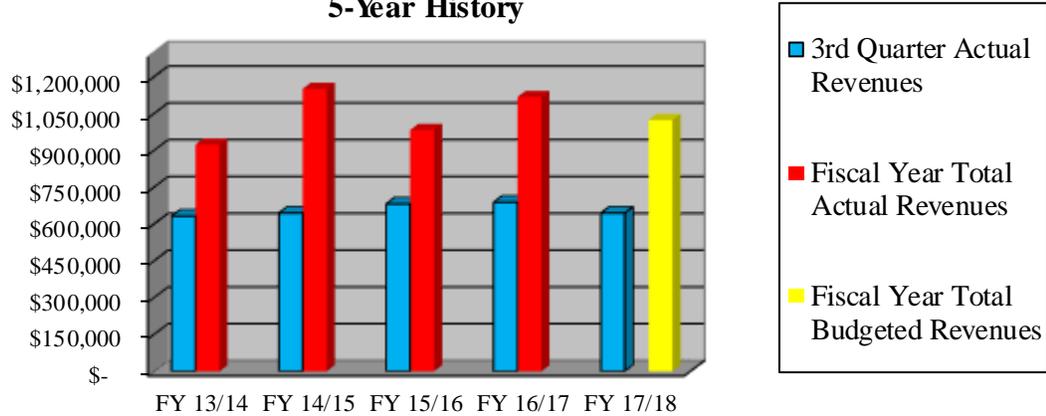
Recommended Budget Revision	33,871
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Measure Q Expenditures are trending well as the City has made progress on the pavement management plan. There are no recommended adjustments at this time.

Measure Q Expenditures

**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>
3rd Quarter Actual Expenditures	\$ 370,227	\$ 793,506	\$458,325	\$ 178,665	\$ 877,979
Fiscal Year Total Actual Expenditures	\$1,306,450	\$1,408,279	\$582,073	\$1,544,827	
Fiscal Year Total Budgeted Expenditures					\$1,089,542
3rd Quarter Percent of Total	28.34%	56.35%	78.74%	11.57%	80.58%

The Measure Q third quarter update has not yet been presented to the Citizen's Finance Advisory Committee (CFAC).

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following expenditures as of the third quarter as described below:

OTHER FUNDS

<i>Other Funds Revenues</i>			
			<i>Measure Q</i>
003			
003	1111	3051	Sales Tax- City Portion
			33,871
			33,871
			<i>Facilities Maintenance Fund</i>
052			
052	3510	3730	Rental Income
			29,250
003			TOTAL OTHER FUNDS REVENUES
			\$ 63,121
			<i>Facilities Maintenance Fund</i>
052			
052	6150	5199	Miscellaneous Operating Supplies
			21,000
052	6150	5502	Building Maintenance Supplies
			1,200
052	6150	6106	Contract Services
			7,000
052	6150	6810	Equipment Rental
			4,500
			33,700
515			<i>Fire Donation Account</i>
515	2305		Local Hazard Mitigation Plan
			5,500
515	2305		Emergency Plan
			6,000
			11,500
			TOTAL OTHER FUNDS EXPENDITURES
			\$ 45,200

CAPITAL PROJECTS

<i>Pavement Management Plan</i>			
915			
915	9614	3215	SB 1 RMRA 2032(h)(2)
			61,378
915	9614	3216	SB1 GF Loan Repay
			12,235
915			TOTAL Pavement Management Plan
			\$ 73,613

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Other Funds

Revenues:

- Sales Tax: City Portion – Measure Q: Staff recommends a budget augmentation of \$33,871 to align budget with the most recent sales tax estimates provided by HDL.
- Rental Income – Facilities Maintenance: Staff recommends a budget augmentation of \$29,250 due to the lessee occupying the property for longer than originally anticipated. This adjustment will align budget to actual receipts.
- Pavement Management Plan: A budget augmentation of \$73,613 is recommended to redirect the SB 1 new gas tax revenue to the pavement management plan as directed by resolution.

Expenditures:

- Miscellaneous Operating Supplies – Facilities Maintenance: A \$21,000 budget adjustment is recommended to support purchase of supplies to complete the Del Mar Restroom Reconstruction and supplies for mold remediation at the Community Center.
- Miscellaneous Maintenance Supplies – Facilities Maintenance: To support previously unbudgeted costs such as an appraisal of the now vacant Market plaza building previously occupied by Distasio's.
- Contract Services – Facilities Maintenance: A budget adjustment of \$7,000 is recommended for mold remediation services and repairs at the community center.
- Equipment Rental – Facilities Maintenance: A budget adjustment of \$4,500 is recommended to support rental of equipment used for the renovation of the Del Mar Restrooms.
- Local Hazard Mitigation Plan: Fire Donation Account – A budget adjustment of \$5,500 is recommended to support funding of the local hazard mitigation plan through the Fire Department.
- Emergency Plan: Fire Donation Account – A budget adjustment of \$6,000 is recommended for final payment towards the City's updated Emergency Plan.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

CONCLUSION

The financial results from the FY 2017/18 third quarter data highlighted areas where budget expectations exceeded actual receipts and areas where the City is in good position. The third quarter report highlights that the City's proactive measures of limiting expenditures, defunding positions through attrition, and staff efforts to maximize resources, has positioned the City well for year-end, with some excess revenues over expenditures forecasted at this time. As staff works to close out the fiscal year and year-end excess figures are refined, staff will bring forth options for the Council to consider in directing allocation of any year-end excess revenues.

RESOLUTION NO. 35-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 17/18 BUDGET
TO AUTHORIZE VARIOUS ADDITIONAL EXPENDITURES**

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

WHEREAS, third-quarter adjustments were discussed and approved during the June 12, 2018 Council meeting; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, the operating budgets of the City are amended by the additional revenues and expenditures, as shown on the attached Exhibit 1, as presented and discussed at the June 12, 2018 Council Meeting.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12th day of June 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

General Fund Revenues				
Fund	Prog	Acct	Description	Adjustment
001	3510	3051	Sales Tax - City Portion	7,500
001	3510	3101	Business Tax	140,000
001	3510	3730	Rental Income	(55,000)
001	4210	3426	Plan Check Fees - Fire	(40,000)
001	4210	3473	EMS Service & Transport	(25,000)
001	7105	3121	Encroachment Permits	17,400
001	7105	3127	Coastal Permit	2,600
001	3510	3011	Property Tax Current Secured	129,000
001	3510	3021	Property Tax in Lieu-VLF	44,000
001	3510	3020	Property Tax Admin Fee	5,000
001	7710	3820	Transfer from Special Revenue	(73,613)
Total General Fund				151,887

Enterprise Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
952	7710	3802	Transfer Out (Sewer Accumulation Fund)	244,254
Total Other Funds				244,254

Other Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
003	1111	3051	Sales Tax- City Portion	33,871
052	3510	3730	Rental Income	29,250
Total Other Funds				63,121

Capital Projects Revenues				
Fund	Prog	Acct	Description	Adjustment
				-
Total Other Funds				-

Grand Total: Revenues 459,262.14

General Fund Expenditures				
Fund	Prog	Acct	Description	Adjustment
001	7250	8110	Interest Expense	7,508
001	7250	8130	Principal Repayment	27,682
001	4210	4910	Employer Benefits	301,247
001	5215	5201	Other Expense	4,200
001	5230	5201	Other Expense	8,000
001	7250	6301	Electricity	35,000
001	5215	6300	Utilities	25,000
001	5220	6300	Utilities	3,291
001	4210	6300	Utilities	7,000
001	3515	6300	Utilities	3,000
Total General Fund				421,927

Enterprise Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
951	7710	8501	Transfer Out (Sewer Accumulation Fund)	244,254
952	7710	8410	Intrafund Expense Transfers	345,575
Total Other Funds				589,829

Other Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
052	6150	5199	Miscellaneous Operating Supplies	21,000
052	6150	5502	Building Maintenance Supplies	1,200
052	6150	6106	Contract Services	7,000
052	6150	6810	Equipment Rental	4,500
515	2305		Local Hazard Mitigation Plan	5,500
515	2305		Emergency Plan	6,000
Total Other Funds				45,200

Capital Projects Expenditures				
Fund	Prog	Acct	Description	Adjustment
915	9614	3215	SB 1 RMRA 2032(h)(2)	61,378
915	9614	3216	SB1 GF Loan Repay	12,235
Total Other Funds				73,613

Grand Total: Expenditures 1,130,569.52



AGENDA NO: B-1

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and Council Members

DATE: May 31, 2018

FROM: Jennifer Little, Tourism Manager

SUBJECT: Adoption of Resolution No. 36-18 Continuing the Program and Levying the Assessments for the 2018/19 Fiscal Year for the Morro Bay Tourism Business Improvement District (MBTBID)

RECOMMENDATION

Staff recommends the City Council conduct the public hearing, consider public comments and adopt Resolution No. 36-18 continuing the MBTBID activities and assessments for Fiscal Year (FY) 2018/19.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

Preliminary revenue estimates from assessments for FY 2018/19 are \$997,135 which includes \$836,135 from MBTBID assessment revenue, estimated \$157,000 General Fund contribution, and \$4,000 advertising revenue. The FY 2018-19 proposed budgeted expenditures are \$997,135, which includes \$21,653 unassigned.

BACKGROUND

This is the last of two Council meetings that will take place in the annual MBTBID renewal process (1989 Law) and reauthorization of the 3% assessments, as required by State law – Streets and Highway Code (SHC) sections 36530 to 36537 (*see steps below*).

The 1989 Law – Annual Improvement District Renewal Process:

1. Completed in two City Council sessions:
 - a. Step 1: The Annual Report (CA Code 36533) is produced by the MBTBID and filed with the City Clerk for Council consideration and approval. At the first Council session, the Council may approve or modify the annual report. The Council shall also adopt a resolution of intention to continue the program and levy assessments for FY 2018-19. That Resolution shall state the date and time of the public hearing (CA code 36534). The public hearing must not be held less than 10 days after the adoption of the resolution of intention. The resolution of intention must be published once in the newspaper of general circulation in the City, and not less than 7 days before the public hearing. That resolution was adopted at the Council meeting of May 8, 2018 (Resolution No. 25-18).
 - b. Step 2: The second Council session is a public hearing, which follows the negative

Prepared By: ___JL

Dept Review: _____

City Manager Review: ___SC

City Attorney Review: JWP__

protest procedure and is held pursuant to SHC sections 36524 and 36525. If hoteliers who will pay 50 percent or more of the assessments proposed to be levied do not protest prior to the conclusion of the public hearing, then at the conclusion of the hearing, the Council may adopt the resolution to continue the MBTBID program and assessments as currently levied.

If hoteliers who will pay 50 percent or more of the assessments proposed to be levied protest prior to the conclusion of the public hearing, then no further proceedings to renew the improvement district shall be taken for a period of one year term from the date of the protest at the public hearing.

As of the date of this Staff Report, the City has not received any protest regarding the assessment. At the meeting the City Clerk will announce if any protests were received, and if so, whether they constitute the 50% threshold.

The MBTBID assessment is a crucial, protected revenue stream that allows the City to market Morro Bay to tourists. Morro Bay Municipal Code (MBMC) Chapter 3.60 outlines the creation of the MBTBID, the assessment, and the way assessment funds can be used.

The use of funds is designed to enhance tourism to the community, which should increase overall Transient Occupancy Tax revenues that are utilized in the City's General Fund, and directly benefit the community's hotels, which will see an increase in overnight stays.

The City Council adopted MBMC Chapter 3.60 to provide explicit uses for the funding as follows:

- A. The general promotion of tourism within the district is to include costs as specified in the business plan to be adopted annually;
- B. The marketing of conference, group, and film business that benefits local tourism and the local hotel industry in the district; and
- C. The marketing of the district to the travel industry in order to benefit local tourism and the local hotel industry in the district.

The MBTBID Advisory Board unanimously recommended approval of the assessment report, as well as the continuation of the 3% assessment for FY 2018/19. At its meeting of May 8, 2018, the City Council unanimously adopted a Resolution of Intention (Resolution No. 25-18), which approved the assessment report, and set the required public hearing for the June 12, 2018, Council meeting.

DISCUSSION

For the MBTBID assessment to continue, State law requires the City Council approve and renew business improvement district assessments each fiscal year.

This funding source is crucial to marketing Morro Bay to tourists and has greatly enhanced revenue collections to the community from Transient Occupancy Taxes. Retaining a protected revenue stream to be used specifically for tourism promotions and marketing gives Morro Bay the best opportunity to maximize its potential as a tourist destination that will benefit the local hoteliers along with the rest of the community.

The scheduled public hearing is another opportunity to hear from the community and hotelier stakeholders regarding this crucial protected revenue source for tourism marketing and operations.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 36-18 continuing the MBTBID activities and assessments for FY 2018/19.

ATTACHMENTS

1. Resolution No. 25-18
2. Resolution No. 36-18

RESOLUTION NO. 25-18

**RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MORRO BAY, CALIFORNIA,
DECLARING THE INTENTION TO CONTINUE THE PROGRAM AND LEVY
ASSESSMENTS FOR THE 2018/19 FISCAL YEAR FOR THE
MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID);
AND SETTING A DATE FOR A PUBLIC HEARING TO RECEIVE
PROTESTS TO THAT ASSESSMENT**

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

WHEREAS, the Parking and Business Improvement Area Law of 1989, Sections 36500 *et seq.*, of the California Streets and Highway Code, authorizes cities to establish and review business improvement areas for the purpose of promoting tourism; and

WHEREAS, on April 13, 2009, City Council held a public hearing for the introduction and first reading of Ordinance 546 amending the Morro Bay Municipal Code (MBMC) to add a new Chapter 3.60 to establish the Morro Bay Tourism Business Improvement District ("MBTBID"), and adopted Ordinance 546 at its April 27, 2009 meeting, which set the MBTBID assessments at 3% from June 1, 2009 to May 31, 2010, and 2% from June 1, 2010 and thereafter; and

WHEREAS, on June 1, 2010, the MBTBID assessments returned to the 2% level, as established by Ordinance 546; and

WHEREAS, on September 13, 2010, the City Council held a public hearing and first reading of Ordinance 562 to amend MBMC section 3.60.050, changing the assessment percentage to 3%, and adopted Ordinance 562 at its September 27, 2010, meeting; and

WHEREAS, on April 19, 2018, at a duly noticed public meeting, the advisory board, formed pursuant to MBMC, section 3.60.100, recommended the renewal of the TBID for Fiscal Year (FY) 2018-19 to continue its activities, and the City Council has approved that renewal for the past eight years; and

WHEREAS, all other findings of Ordinances 546 and 562 remain unchanged; and

WHEREAS, on May 8, 2018, City Council conducted a public meeting where staff presented the annual assessment report, which provides a full and detailed description of the activities to be provided during the FY 2018-19, as provided in the proposed budget for that Fiscal Year, which are attached to this Resolution as Exhibit A and available for review in the City Clerk's office; and

WHEREAS, the budget generally describes the funded activities to be marketed, which attract and extend overnight stays in Morro Bay hotels, and are consistent with the authorized uses for the assessment revenue set forth in MBMC, section 3.60.030; and

WHEREAS, it is the intention of the City Council to levy and collect 3% assessments from the hoteliers within the TBID for the FY 2018-19; and

WHEREAS, at the public meeting held on May 8, 2018, City Council additionally set the

public hearing, for the intent to levy the TBID assessment for Fiscal Year 2018/19, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36534 and 36535.

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

1. The above recitations are true and correct, and incorporated herein by reference.
2. The City Council approves the attached Annual Assessment Report and declares its intention to renew the Morro Bay Tourism Business Improvement District for the 2018/19 Fiscal Year, and to levy and collect 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050.
3. The City Council sets the date of the public hearing to adopt a Resolution to reaffirm the MBTBID, and levy and collect the 3% assessments from hoteliers as Tuesday, June 12, 2018. Before or at this public hearing written protests to the continuation of the MBTBID and the levy of the assessment may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 8th day of May 2018, by the following vote:

AYES: Irons, Davis, Headding, Makowetski, McPherson
NOES: None
ABSENT: None
ABSTAIN: None



JAMIE L. IRONS, Mayor



DANA SWANSON, City Clerk

Morro Bay Business Improvement District Annual Report for FY 2018-2019

Presented to the Morro Bay City Council by the Morro Bay Tourism
Business Improvement District Advisory Board

The City of Morro Bay's Tourism Business Improvement District at its regularly scheduled meeting on April 19, 2018, completed its review of the Annual Report as required by Section 3.60.060 of the Morro Bay Municipal Code (MBMC).

The six requirements for the Annual Report, as stated in Section 36533 of the California Streets and Highways Code, are addressed as follows:

1. The Morro Bay Tourism Business Improvement District (MTBID) Advisory Board did not propose any changes in the Boundaries of the TBID, which were established in MBMC Section 3.60.040 to be the boundaries of the City of Morro Bay.
2. The improvements and activities to be provided for in Fiscal Year FY 2018-19 are those services and activities permitted under Section 3.60.030 of the Morro Bay Municipal Code, which include:
 - A. The general promotion of tourism within the district to include costs as specified in the business plan to be adopted annually;
 - B. The marketing of conference, group, and film business that benefits local tourism and the local hotel industry in the district; and
 - C. The marketing of the district to the travel industry in order to benefit local tourism and the local hotel industry in the district;

GOALS & OBJECTIVES

1. Increase overall occupancy & hotel/motel revenues, especially during midweek and shoulder season
2. Midweek – be more aggressive through digital media to increase stays
3. Extend the number of average hotel/motel room nights beyond 1.5
4. Help incrementally increase the hotel/motel Average Daily Rate (ADR)
5. Bring exposure to Morro Bay as a viable domestic and international destination for individuals and groups
6. Assist with the development and growth of competitions and events that attract overnight guests
7. Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay

8. Positively impact transient occupancy tax (TOT) for the City of Morro Bay
3. An estimate of the cost of providing the improvements and the activities for that fiscal year (as described below).

FY 2017-18 Projected Totals

Sources: The FY 2017-18 projected actual sources include total sources of \$ 949,088, made up of \$819,660 from TBID assessment revenues, \$ 125,428 from the City's General Fund and \$4,000 from advertising revenue. The beginning fund balance was \$283,021.

Uses: The FY 2017-18 projected actual expenditures are \$ 949,087, netting no change to the fund balance.

The following table (on the next page) shows FY 2017-18 revised budget, projected actuals, and the variance of the projected actuals compared to the revised budget.

City of Morro Bay
Schedule of TBID FY 2017/18 Projected Year-End Budget Results
Operating Revenues vs. Operating Expenditures

	FY17/18 Revised Budget	FY17/18 Projected Actuals	Variance (Projected - Actuals)
Beginning Cash Balance	\$ 283,021	\$ 283,021	\$ (0)
Revenues			
Advertising -Guides and Magazines	\$ 4,000	\$ 4,000	\$ -
Transient Occupancy Tax(TBID Assessment)	907,863	819,660	88,203
Interest	-	-	-
Transfers In - General Fund Contribution	125,428	125,428	-
Total Revenues	\$ 1,037,291	\$ 949,088	\$ 88,203
Expenditures			
Salaries & Benefits	\$ 193,801	\$ 193,801	\$ -
General Office Supplies	3,200	3,200	-
Promotion & Advertising	245,000	245,000	-
Event Support	-	-	-
Sponsorships	-	-	-
Marketing Consulting	39,000	13,259	25,741
Advertising Sponsorships	50,000	43,500	6,500
Promotional Printing	-	-	-
Promotion - Other (Visiting Journalist)	25,000	18,000	7,000
Promotion Media	93,500	93,101	399
Trade Shows - Trans Flight/Taxi	2,425	1,425	1,000
Trade Shows - Space Rent or Fees	9,000	7,500	1,500
Community Event Support - Grants	90,000	90,000	-
Professional Development	1,500	-	1,500
Other Professional Services	17,000	14,400	2,600
Postage	5,000	5,000	-
Utilities	1,589	-	1,589
Mileage Reimbursement	1,500	100	1,400
Meetings & Conferences	4,850	2,350	2,500
Meals & Lodging	6,000	4,500	1,500
Travel Expense	2,619	619	2,000
Association Memberships	3,500	1,500	2,000
Workers Comp Insurance	1,156	1,156	-
Unemployment Insurance	790	790	-
Consulting Services	26,500	21,500	5,000
Contractual Services	165,000	165,000	-
Print Ads	-	3,650	(3,650)
Total Operating Expenditures	\$ 987,930	\$ 929,351	\$ 58,579
Transfer to Accumulation Fund	35,954	-	35,954
Transfer Out	22,907	19,736	3,171
Total Operating Expenditures Including Transfers	\$ 1,046,791	\$ 949,087	\$ 97,704
Net Operating Revenues over Expenditures & Carryforwards	\$ (9,500)	\$ 0	\$ (9,500)
Ending Cash Balance	\$ 273,521	\$ 283,021	\$ 9,501

FY 2018-19 Proposed Budget

Sources: The FY 2018-19 proposed budgeted sources includes total sources of \$997,135 made up of \$ 836,135 from TBID assessment revenue, and estimated \$ 157,000 General Fund contribution, and \$4,000 advertising revenue.

Uses: The FY 2018-19 proposed budgeted expenditures are \$ 997,135 which includes \$21,653 unassigned.

The following table (on the next page) shows the FY 2018-19 proposed budget and summarizes the total uses.

City of Morro Bay
FY 2018/19 TBID Proposed Budget
Operating Revenues vs. Operating Expenditures

	FY18/19 Proposed Budget
Revenues	
Advertising -Guides and Magazines	\$ 4,000
Transient Occupancy Tax (TBID Assessment)	836,135
Interest	
Transfers In - General Fund Contribution	157,000
Total Revenues	\$ 997,135
Expenditures	
Salaries & Benefits	\$ 195,814
General Office Supplies	3,500
Forms Printing	2,000
Consulting Services	15,000
Contractual Services	165,000
Promotion & Advertising	8,000
Digital Media	270,000
Out of Home	13,000
Digital Services	40,000
Digital Assets	15,000
Marketing Consulting	29,000
Community Event Support	100,000
Promotion Media	18,000
Promotion Other	15,000
Promotion Visiting Journalist	25,000
Trade Shows - Space Rent	4,000
Trade Shows - Trans	1,500
Advertising Sponsorships	15,000
Professional Development	1,500
Other Professional Services	2,000
Postage	4,000
Utilities	-
Workers Comp Insurance	1,191
Unemployment Insurance	814
Meetings and Conferences	2,500
Mileage Reimbursement	500
Meals & Lodging	4,500
Travel Expense	2,000
Association Memberships	1,500
Total Operating Expenditures	\$ 955,319
Transfer to Accumulation Fund	21,653
Transfer Out	20,163
Total Operating Expenditures Including Transfers	\$ 997,135
Net Operating Revenues over Expenditures	\$ (0)

4. No change in the TBID method or basis of levying the assessment was proposed for FY 2018-19. More specifically, the Morro Bay TBID Advisory Board approved a motion to recommend to the Morro Bay City Council that the 3% Assessment be continued in FY 2018-19.
5. The TBID budget for FY 2017-18 is projected to include \$ -0- surplus left over for carryover into FY 2018-19.
6. The proposed budget for FY 18/19 includes \$157,000 in General Fund Contributions and estimated \$4,000 in income from Visitor Guide sales.

RESOLUTION NO. 36-18

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
CONTINUING THE PROGRAM AND LEVYING THE ASSESSMENTS FOR THE
2018/19 FISCAL YEAR FOR THE MORRO BAY
TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID)**

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

WHEREAS, the Parking and Business Improvement Area Law of 1989, Sections 36500 *et seq.*, of the California Streets and Highway Code, authorizes cities to establish and review business improvement areas of the purpose of promoting tourism; and

WHEREAS, on April 13, 2009, the City Council held a public hearing and first reading of Ordinance 546 amending the Morro Bay Municipal Code (MBMC) to add a new Chapter 3.60 to establish the Morro Bay Tourism Business Improvement District (MBTBID), and adopted Ordinance 546 at its April 27, 2009 meeting, which set the MBTBID assessments at 3% from June 1, 2009 to May 31, 2010, and 2% from June 1, 2010 and thereafter;

WHEREAS, Ordinance 546 added Chapter 3.60 to the Morro Bay Municipal Code (MBMC); and

WHEREAS, on June 1, 2010, the MBTBID assessments returned to the 2% level, as established by then MBMC section 3.60.050; and

WHEREAS, on September 13, 2010, the City Council held a public hearing and first reading of Ordinance 562 to amend MBMC section 3.60.050, changing the assessment percentage to 3%, and adopted Ordinance 562 at its September 27, 2010 meeting; and

WHEREAS, on April 19, 2018, the advisory board requested the renewal of the TBID for the 2018/19 fiscal year to continue its activities, and the City Council has approved this renewal for the past five years; and

WHEREAS, all other findings of Ordinances 546 and 562 remain unchanged; and

WHEREAS, on May 8, 2018, staff presented the annual assessment report for Fiscal Year 2018/19, which provides a full and detailed description of the activities to be provided during the 2018/19 fiscal year, as provided in the proposed budget for that Fiscal Year, which are attached to this Resolution as Exhibit A; and

WHEREAS, the budget plan generally describes the funded activities to be marketed, which attracts and extends overnight stays in Morro Bay hotels, and are consistent with the authorized uses for the assessment revenue set forth in MBMC, section 3.60.030; and

WHEREAS, it is the intention of the City Council to levy and collect 3% assessments from the hoteliers within the TBID for the 2018/19 fiscal year; and

WHEREAS, Resolution No. 25-18 declaring the intention to continue the program and levy assessments from the hoteliers and notifying them of the June 12, 2018, public hearing

was adopted by the Council at the May 8, 2018, meeting and published in the New Times on May 17, 2018; and

WHEREAS, that public hearing was held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California for the final public hearing to consider testimony for and against renewal of the TBID assessment, in accordance with the California Streets and Highway Code sections 36534 and 36535; and

WHEREAS, at that public hearing regarding the renewal of the TBID for the 2018/19 fiscal year affected businesses had the opportunity to protest the TBID renewal, with the following results:

FOR:

AGAINST:

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

1. The above recitations are true and correct, and incorporated herein by reference.
2. The City Council, having affirmed the annual report and proposed budgets at its regular meeting held on May 8, 2018, and considered all testimony, reports and opinions presented at the June 12, 2018, public hearing, hereby declares the renewal of the Morro Bay Tourism Business Improvement District for the 2017/18 fiscal year, and instructs the hoteliers to levy and collect 3% assessments for overnight stays of 30 days or less.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 12th day of June 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk



AGENDA NO: B-2

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: May 30, 2018

FROM: Scot Graham, Community Development Director

SUBJECT: Public Hearing and Adoption of Resolution No. 37-18, which Amends the FY 2018/19 Master Fee Schedule Adopted by Resolution 17-18 Adding a Commercial Medical Cannabis Operations Permit Application Fee

RECOMMENDATION

Staff recommends the City Council:

- A. Conduct the formally noticed public hearing, review the proposed addition of a Commercial Medical Cannabis Operations Permit Application Fee to the adopted FY 2018/19 Master Fee Schedule, Amending Resolution 17-18 and adopting Resolution No. 37-18, which updates the City Master Fee Schedule for Fiscal Year (FY) 2018/19.

BACKGROUND/DISCUSSION

Annually, the City reviews and revises the adopted Master Fee Schedule, which dictates what charges are approved for various City provided services. "Fee" activities are services and functions provided by the City to individuals who receive some direct material benefit above and beyond services offered to residents at general taxpayer expense.

The Morro Bay Municipal Code Chapter 3.34, Master Fee Schedule, stipulates how the City shall move forward with amending the Master Fee Schedule. Relevant sections of that chapter are included below for reference.

3.34.010 – Established

The City Master Fee Schedule is established, which shall set forth a consolidated listing of fees as fixed and adopted by the City Council, in accordance with all applicable provisions of state and city laws.

3.34.020 – Fee Revisions and Reviews

Any fees included in the Master Fee Schedule may be reviewed and revised annually by the City Council. The city's cost of providing the services shall be computed and reflected in these fees. The fees shall then be enumerated, and the revised Master Fee Schedule adopted by resolution of the City Council.

The City Council adopted the City of Morro Bay Master Fee Schedule for FY 18/19 on April 10, 2018. The methodology used in calculating fees is typically staff time multiplied by the Fully Loaded Hourly Rate to provide the service. The Fully Loaded Hourly Rate includes wages, benefits and overhead.

Prepared By: SG

Dept Review: SG

City Manager Review: SC

City Attorney Review: _____

Proposed Cannabis Application Fee

The City Council, on November 14, 2017, Adopted Ordinance No. 612 adding Chapter 5.50 (Commercial Medical Cannabis Operations Regulatory Program) to the Morro Bay Municipal Code (MBMC). Chapter 5.50 of the MBMC establishes regulations for the licensing and operation of two Commercial Medical Cannabis Operations in the City. The Ordinance identifies July 1, 2018 as the date when the City will begin accepting applications for the two available licenses.

Issuance of a Commercial Cannabis Operations Permit is governed by a three-step process:

1. Upon receipt of a completed application and payment of the application fee, the Community Development Director (“Director”) will determine whether an applicant meets the minimum qualifications for issuance of a Commercial Cannabis Operation Permit.
2. If the Director makes a positive determination, then the application will be deemed compliant. The application will then be eligible for review by the Cannabis Permit Committee of the thoroughness of applicant’s adherence to Merit List criteria specified in MBMC Section 5.50.090(C). Upon conclusion of this review, the Cannabis Permit Committee shall make a recommendation to the City Manager as to whether or not a permit should be issued.
3. The City Manager will then decide whether a permit will issue based upon adherence to Merit List criteria specified in MBMC Section 5.50.090(C).

The City does not currently have a fee for the licensing process and staff has therefore developed a proposed deposit-based fee that includes the following:

- Fully Loaded Hourly Rates for all staff involved in review of applications and issuance of the licenses
- Cost reimbursement for use of an outside consultant, HdL, for assistance in the initial application review process to determine compliance with MBMC Chapter 5.50 (\$2,500 per application)
- Cost reimbursement for use of HdL in background check services for all applications (\$300 per background check for Owners, Managers, and Supervisors and \$150 for Non-Management staff).
- Cost reimbursement for City Attorney services

Staff intends to utilize HdL to assist in the initial application review process as they have extensive experience providing similar services to over 100 California based agencies on cannabis related consulting projects. HdL staff has specifically processed over 1,200 cannabis business applications for similar jurisdictions over the last three years and they will work with staff to develop a check list matrix of ordinance requirements and Scoring Convention to be utilized in the review, vetting and ranking process for each application. The intent is to also utilize HdL services for the background checks associated with the application process.

DISCUSSION

Staff proposes the addition of the following deposit-based fee to the adopted FY 18/19 Master Fee Schedule:

PLANNIG DIVISION	
FEE NAME	ADOPTED FEE

Cannabis License	
Commercial Medical Cannabis Operation License application	\$18,000.00 Deposit meant to cover staff and consultant costs associated with processing of the application (Amount is a deposit and will be drawn down based on Staff Fully Loaded hourly rates, plus any 3 rd party Consultant cost). Applicant is responsible for 100% of the costs associated with processing the application. Additional deposit fees may be requested once deposit amount is drawn down below \$5,000.00. Any unused funds will be returned to the applicant.

The new fee would reside at the end of the Community Development Department fee section of the FY 2018/19 Master Fee Schedule on page 12. See Attachment 2 for a red-lined version of the updated FY 2018/19 Master Fee Schedule.

ALTERNATIVES

Council may direct alteration of the proposed fee to an amount different than proposed. The fee is proposed as a deposit, therefore any amount that goes unused would be refunded to the applicant. Also, the applicant would be required to submit additional fees, in excess of the initial \$18,000.00 deposit, if actual costs exceed the deposit amount. Staff would evaluate the need for additional fees when the deposit amount drops to \$5,000.00.

FINANCIAL IMPACT

Fees are maintained to provide for the recovery of costs associated with City services. The proposed amendment of the FY 18/19 Master Fee Schedule adds a new fee to address the cost associated with processing license applications for Commercial Medical Cannabis Operations. Staff will incorporate the fee addition into the City’s FY 2018/19 Master Fee Schedule.

CONCLUSION

Staff recommends the City Council review and adopt Resolution 37-18 adding a Commercial Medical Cannabis Operation Permit application fee to the Fiscal Year 2018/19 Master Fee Schedule adopted by Resolution 17-18.

ATTACHMENTS

1. Resolution No. 37-18
2. Amended FY 2018/19 Updated Master Fee Schedule (red-lined)

RESOLUTION NO. 37-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
AMENDING THE FISCAL YEAR 2018/19 MASTER FEE SCHEDULE ADOPTED BY
RESOLUTION 17-18 TO INCLUDE A COMMERCIAL MEDICAL CANNABIS LICENSE
APPLICATION FEE**

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

WHEREAS, the City Council finds fees and charges for City services are annually in need of review for possible updating to reflect changes in the cost of providing those services; and

WHEREAS, pursuant to the California Constitution, with certain expectations, if a City Fee exceeds the City's cost for providing the service covered by that fee, that fee is considered a tax; and

WHEREAS, the City has reviewed the new Commercial Medical Cannabis Operation License fee, and finds it does not exceed the actual costs of providing related services; and

WHEREAS, the City Council, November 14, 2017 adopted Ordinance No. 612 adding a Commercial Medical Cannabis Operation Regulatory Program to the Morro Bay Municipal Code; and

WHEREAS, the establishment of a new Commercial Medical Cannabis Operation License Fee is necessary to cover the cost of City administration of new regulatory program; and

WHEREAS, pursuant to government Code section 66016, et seq., specific fees to be charged for services must be adopted by City Council resolution or ordinance, after providing notice and holding a public hearing; and

WHEREAS, the City's Municipal Code Section 3.34.020 Fee revisions and reviews, states: *Any fees, included in the Master Fee Schedule, may be reviewed and revised annually by the city council. The City's cost of providing the services shall be completed and reflected in these fees. The fees shall then be enumerated, and the revised Master Fee Schedule adopted by resolution of the City Council;* and

WHEREAS, on April 10, 2018, City Council adopted Resolution No. 17-18, adopting the FY 18/19 Master Fee Schedule.

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

SECTION 1. the Fiscal Year 2018/19 Master Fee Schedule, adopted by Resolution No. 17-18 is amended to incorporate a new Commercial Medical Cannabis Operation License Fee.

SECTION 2. the Amended Fiscal Year 2018/19 Master Fee Schedule, attached hereto and incorporated herein, shall be adopted.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12th day of June 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

CITY OF MORRO BAY FEE SCHEDULE FOR THE FISCAL YEAR 2018/19

All fees adjust annually by either the December Consumer Price Index (CPI = 2.9%) or Construction Cost Index (ENR = 3.5%). The CPI used is for the San Francisco-Oakland-San Jose area.

Table of Contents

Category	Page Number
General	2
Finance	3
Community Development	4
Public Works	13
Police	17
Fire	19
Harbor	24
Recreation	28
Transit	32

GENERAL FEES	
FEE NAME	ADOPTED FEE
Photocopies (unless otherwise defined)	\$0.40 per page \$0.70 per 11 x 17" page
Print material mailed	Cost of copying/printing and postage
Refundable appeal fee for non-land use administrative decisions	\$250 per appeal*
Elections filing fee - Notice of intention to circulate petition; this amount is refundable under Elections Code Section 9202(b), with conditions	\$200

*Estimated Cost of Appeal is \$1,000. The \$250 appeal fee denotes 25% cost recovery.

FINANCE	
FEE NAME	ADOPTED FEE
Budget document, per copy	Per page cost for photocopying
City audit document, per copy	Per page cost for photocopying
Master Fee Schedule	Per page cost for photocopying
Business Tax Schedule	Per page cost for photocopying
Returned check charge, per CA Civil Code Section 1719	\$25 for the first check \$35 for each subsequent check
UTILITY BILLING	
Water service application fee	\$29
Physical posting of shut-off notice at customer location	\$62.27
Refundable/transferable deposit - residential tenants only on signup (MC 13.04.220)	\$100
Deposit required for service termination for delinquent non-payment (residential tenants only, if a deposit has not previously been collected)	\$100
Reconnection (MC 13.040.310)	\$52.48

COMMUNITY DEVELOPMENT

BUILDING DIVISION

FEE NAME	ADOPTED FEE
Valuation of from 0 - \$3,000 (including electrical service less than 600 amp, and minor plumbing alternatives)	\$94
\$3,001 and up	.025 x total valuation as determined by the Building Official (50% submittal/50% at issuance)
Construction Operation After Hours	\$36
Building Re-Address Processing	\$35
Demo Commercial	\$514
Demo Residential	\$309
In-lieu Housing Fee (if unit not affordable housing) - per square foot	\$0.37
General Plan Maintenance	6% surcharge on all Building Permits
I.T. Service Fee	.0075 x valuation
SMIP Category I (Residential)	.00013 x valuation
SMIP Category II (Commercial)	.00028 x valuation
Unsafe Building repair, demolition or moving structure	Charged at cost
Inspection Fees - outside of normal work hours - per hour, 2 hour minimum	\$173
Re-Inspection Fees - per hour	\$129
Property condition report for Condominium Conversions (Review/Inspection)	\$206
Inspection for which no fee is otherwise indicated - per hour, 1 hour minimum – Use for Certificate of Occupancy	\$129

Additional Plan Review required by changes, additions, revisions to the approved plans - per hour, 1hour minimum	\$129
Use of outside consultants for special plan checking and inspection	Charged at cost + 25% Administration Fee
Permits – Change Ownership/Add Contractor	\$129
Permit Extension of Time	\$129
Residential Solar Permit 1kW to 15 kW	\$360
Residential Solar over 15kW	\$360 + \$15 per kW above 15kW
Commercial Solar Permit below 50kW	\$772
Commercial Solar Permit 50kW – 250kW	\$772 + 5\$ per kW above 50kW

SPECIAL INSPECTION & PLAN REVIEW FEES

Penalty for commencing construction without permit(s). This is in addition to the standard building permit fees.	\$120 + 2 times the permit fee

DEVELOPMENT IMPACT FEES

Building fees per square foot, including garages (enclosed spaces). Single family residential additions of 500 square feet or less are exempt. Water and Wastewater fees are additional. An increase in meter size resulting from the need to comply with the hydraulic demand associated with Fire Sprinklers is exempt.

Residential, Single Family	\$4.43
Residential, Multi-family	\$7.10
Accessory Dwelling Unit	\$1.08
Non-residential, commercial	\$4.50
Non-residential, office	\$3.17
Non-residential, industrial	\$1.63

Park fees for residential in-fill lots, per square foot	
Single-family	\$1.38
Single-Family, Detached Accessory Structure	\$0.34
Accessory Dwelling Unit	\$0.34
Multi-family	\$2.29
Public Facilities Fees, per square foot.	
Single-family residential:	
General Government	\$1.32
Police	\$0.44
Parks	\$1.38
Fire	\$0.48
Storm Drain	\$0.06
Traffic	\$2.13

DEVELOPMENT IMPACT FEES (continued)	
Multi-family residential:	
General Government	\$2.18
Police	\$0.72
Parks	\$2.29
Fire	\$0.81
Storm Drain	\$0.07
Traffic	\$3.31
Public Facilities Fees, per square foot	
Non-residential, commercial:	
General Government	\$0.28
Police	\$0.07
Parks	\$0.02
Fire	\$0.25
Storm Drain	\$0.04
Traffic	\$3.78
Non-residential, office:	
General Government	\$0.36
Police	\$0.09
Parks	\$0.02
Fire	\$0.35
Storm Drain	\$0.04
Traffic	\$2.30
Non-residential, industrial:	
General Government	\$0.10
Police	\$0.04
Parks	\$0.02
Fire	\$0.09

Public Facilities Fees, per square foot (continued)	
Storm Drain	\$0.04
Traffic	\$1.33
PLANNING DIVISION	
Affordable Housing In-Lieu:	
Funding assistance application fee	\$620
Reasonable Accommodation (ADA) fee (no fee required if in conjunction with other discretionary permit)	\$120
Coastal Permits (may be billed at direct cost):	
Coastal Permit in combination with Conditional Use Permit	No fee
Coastal Permit (Administrative)	\$806
Regular CDP Without CUP - New single family and single family additions over 25%, Multiple Dwelling, Office, Commercial, Convention, Industrial & Institutional	\$5,653
Additions between 10% and 25% to a Single Family Dwelling in Coastal Appeals area (Planning Commission)	\$2,174
Emergency Permit (excluding required regular CDP)	\$726
Other administrative – Tree Removal, private	\$277
Environmental (may be billed at direct cost):	
Categorical Exemption	\$98
Negative Declaration	\$1,575
Mitigated Negative Declaration If contracted = contract amount + 25% administrative fee	\$3,844, if done in house or as a deposit for outside consultant
Filing Fee - for environmental document	\$200
Environmental Impact Report - Contract Amount + 25% administrative fee	\$5,000 deposit

Archaeology Research Fee – Santa Barbara Central Coast Information Services	\$100
Miscellaneous:	
Letter regarding land use confirmation or other research – per hour cost	\$98
Development Agreement – charged at fully allocated hourly rates for all personnel involved, plus any outside costs	\$10,000 deposit
Applicant Requested Continuance	\$127
Fine, in addition to permit fee	\$100 + two times the permit fee + plus \$50 per day – after notice.
Appeal of City decision, excluding Coastal Permits in the appeal jurisdiction – refundable if appellant prevails	\$250*
Copy of Planning Commission DVD	\$13
Street name/Rename Processing	\$461
Conceptual Review Fee – Fee is credited toward any future discretionary permit application	\$1,543
Notification fees:	
Planning Commission Hearing	\$326
Administrative Permit Noticing	\$163
Special Events	Actual staff cost
Sign Permits:	
Sign Permit	\$217
Sign Exception (CUP)	\$979
Pole Sign (CUP)	\$979
Fines – Temporary, beyond time allowed by Ordinance – per day after notice given	\$55
Fines – Permanently attached sign w/o permit – per day after notice	\$55

*Estimated Cost of Appeal is \$1,000. The \$250 appeal fee denotes 25% cost recovery.

Subdivisions: all Subdivisions may be billed at direct cost	
Tentative Parcel Map Application	\$7066
Tentative Tract Map 0 to 10 lots, add \$100.00 per lot over 10 lots	\$7066
Amendments to Existing Tract or Parcel Maps	\$3,261
Lot Line Adjustment	\$1,088
Certificate of compliance (legal determination) – initial fee covers up to 4 lots. Add \$250 per lot over 4 lots	\$2,130 + \$250 per lot for every lot over 4
Lot Mergers	\$1,088
Text Amendments & Annexations (May be billed at direct cost)	
<p>Zone Ord. Changes/LCP</p> <ul style="list-style-type: none"> - Minor (single section revisions/additions) - Major (multiple sections revised/added) <p>If contracted – contract amount + 25% administrative fee. Fee amount becomes an initial deposit.</p>	<p>Minor = \$7,610</p> <p>Major = \$10,871</p>
<p>Specific Plan</p> <p>(Billed as deposit with charges at the fully allocated hourly rates for all personnel involved + any outside costs). If contracted = cost + 25% administration fee. Fee amount becomes an initial deposit.</p>	\$5,000 deposit
<p>General Plan/Local Coastal Plan Amendment:</p> <ul style="list-style-type: none"> - Minor (single section revisions/additions) - Major (multiple sections revised/added) <p>If contracted – cost + 25% administrative fee. Fee amount becomes an initial deposit.</p>	<p>\$7,610</p> <p>\$10,871</p>
<p>Annexations – Deposit to be determined by staff. Billed at fully allocated staff cost. If contracted – contract amount + 25% administrative fee.</p>	\$5,355
Time Extensions	
Time extension for CUP, regular Coastal Permits and variance (Planning Commission)	\$979
Time Extensions for Tract Maps and Parcel Maps	\$979

Time Extension - Administrative	\$272
Use Permits <ul style="list-style-type: none"> - All use permits may be billed at direct cost at the discretion of the Community Development Manager and the scheduled fee would then be deemed as a deposit. - All Projects in the Planned Development Overlay require a Use Permit 	
Conditional Use Permit (CUP)	\$5,653
CUP Concept Plan	\$8,697
CUP Precise Plan	\$3,261
CUP Combined Concept/Precise Plan	\$8,697
Conditional Use Permit for an SFR addition of 25% or less of the existing floor area. (appeals area only)	\$2,174
One SFR in a Planned Development Zone or Bluff Area	\$1,6315
Occupancy Change in Commercial/Industrial Zones	\$871
Additions to non-conforming structures, not adding units or new uses	\$2,130
Minor Use Permit (Residential & Industrial Uses)	\$619
Temporary Use Permit – Longer than 10 days	\$1,088
Outdoor display and sales and outdoor dining	\$988
Administrative Temporary Use Permit – 7 consecutive days or 10 non-consecutive days	\$163
Amendments to Existing Permits (Planning Commission)	\$2,827
Major modification while processing	\$1,672
Minor amendments to existing permits (Administrative)	\$211
Special Use Permit (Minor – PC Review)	\$2,174
Special Use Permit (Major – PC Review)	\$5,653

Variances	
Variance	\$2,174
Variance processed with other permits	\$830
Minor Variance	\$457
Parking Exception (will always be accompanied by a Conditional Use Permit, Minor Use Permit or Coastal Development Permit)	\$213
Laserfiche Applies to all Planning and Building Permits	
Laserfiche of planning and building documents, including scanning and storage. Fee based on plan set pages only.	\$15 for first page of plan set, and \$7 for each additional page.
Cannabis License	
Commercial Medical Cannabis Operation License application	\$18,000.00 Deposit meant to cover staff and consultant costs associated with processing of the application (Amount is a deposit and will be drawn down based on Staff Fully Loaded hourly rates, plus any 3rd party Consultant cost). Applicant is responsible for 100% of the costs associated with processing the application. Additional deposit fees may be requested once deposit amount is drawn down below \$5,000.00. Any unused funds will be returned to the applicant.

PUBLIC WORKS	
FEE NAME	AMOUNT
IMPACT FEES	
Water Impact fee (Capacity Credit is given for existing meter) Based on Water & Wastewater Impact Fee Update, Bartle Wells Associates, 3/17/15	
Less than 1-inch meter	\$5,581
1 inch meter	\$7,487
1-1/2 inch meter	\$14,972
2 inch meter	\$23,956
3 inch meter	\$44,918
Wastewater fee (Capacity Credit is given based on existing water meter size) Based on Water & Wastewater Impact Fee Update, Bartle Wells Associates, 3/17/15	
Less than 1-inch meter	\$5,636
1 inch meter	\$7,514
1-1/2 inch meter	\$15,062
2 inch meter	\$24,047
3 inch meter	\$45,087
ENGINEERING DEVELOPMENT REVIEW FEES	
Flood Hazard Development Permit (MC 14.72.040) - time and materials costs may be added to minimum, when actual cost exceeds the minimum fee (PW):	
Permit, minimum fee	\$219
Flood plain letter	\$110
City Engineer Map Review Fees Subdivisions - (PW):	
Final Map - Tract, minimum fee (MC 16.24.040J)	\$5,167
Final Map – Tract, Per lot for every lot over 4 lots	\$136
Final Parcel Maps	\$5,167

Final Maps Amendment Review, minimum fee	\$1,176
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Public Improvement Plans Inspections/Plan Review - time and materials costs may be added to minimum, when actual cost exceeds the minimum fee:	
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Public/Subdivision Improvement Plan Check, and Inspection as a Percentage of the Engineer's estimate for Subdivision Improvements	5 - Percent
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Abandonment Process:	
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Street/R-O-W Abandonment Process	\$6,359
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Encroachment Permits (MC 13.16.140) - time and materials costs may be added to minimum, when actual cost exceeds the minimum fee (PW):	
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Regular – Surface Improvements	\$201
Regular – Underground Improvements	\$440
Special - Private Encroachments into the Public R/W, Landscaping plant materials and exempt.	\$1,542
Traffic Control Plan Review, in Addition to Encroachment Permit.	\$114
Annual Utility Encroachment Permit	\$1,922
Wide Load Permit with Traffic Control Plans - Per Year (Set by State of California)	\$90
Wide Load Permit with Traffic Control Plans - One Time (Set by State of California)	\$16

Street & Sidewalks:	
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Exception Application Exception Application (Sidewalk Deferral)	\$184
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PLANNING AND ENGINEERING DEVELOPMENT REVIEW FEES	
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Storm Water Fees (PW):	
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Single Family; Other than Single Family (per 6,000 square foot lot area, or fraction thereof):	
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Planning review of preliminary stormwater plan	\$165
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Building permit review of stormwater plan	\$215
Inspection of stormwater facility/erosion control	\$115
Trees (PW):	
Removal Permit (to trim, brace or remove, MC 12.08.110)	\$297

WATER	
Water Service:	
Application (MC 13.04.07)	\$29
Connection - Outside City), only by Council Resolution (MC 13.04.100)	2 x Fee
Meter Installations/Connections:	
3/4 inch Meter/Service (Only installed where Fire sprinklers are not required)	\$1,565
1 inch meter Meter/Service	\$2,099
1" Meter/1-1/2" Service (for residential fire sprinklers)	\$2,656
1" Meter/2" Service (for residential fire sprinklers)	\$3,323
1-1/2" inch meter and above	T&M (\$3,625 deposit)
Meter Box Installation	\$253
Water Meter Re-Read	\$53
Reconnection (MC 13.04.310)	\$53
After - Hours Water Meter Turn Off/On	\$226

"Drop in" meter fee, up to 2 inches	0.75 x Reg Meter Fee
Relocation of water meter for customer convenience	0.5 x Reg Meter Fee
Water meter lock and any other damage. Subject to Police investigation and potential prosecution for theft of water and tampering with City Property	T&M (\$53 minimum)

Meter Installations/Connections (continued):	
Water Meter Testing (Remove, test and replace meter); fee refunded if meter test indicates an overage of greater than 2%	\$165
Water Equivalency Unit (WEU) "In-Lieu" Fee - per WEU required. In-lieu fee is an alternative for an applicant that does not provide the WEU offset, as required and set by Council Resolution	2 x \$3,139/WEU required = \$6,278
Fire Hydrants/Non-Potable - Meter Installation and Removal for Contractor Use (MC 13.04.360):	\$53 Installation; \$53 Removal
Hydrant Meter Rental, per day plus cost of water at current rate structure.	\$5 + \$1,500 Refundable Deposit, will be read and billed on a monthly basis
Certificate of Compliance – Water Retrofit	\$28
Water Service Refundable Deposit - residential tenants only	\$104
WASTEWATER	
Connection Permit - This is in addition to an Encroachment Permit.	\$88
Discharge Fee - Recreational Vehicles and Campers	\$26 + 0.25/gal or fraction there of
Discharge Fee - Tank Trucks and Commercial per truck, for gallon. No septage allowed	\$104 + \$0.25/gal or fraction there of
Raising Manhole to Grade	T&M (\$776 min)
Sewage Spill Cleanup - cost of providing service Sewage spill clean up	T&M (\$776 min)
OTHER FEES	
Dedication 15 Gallon Tree and Plaque	Actual cost plus time & materials
Dedication Bench and 1 Plaque Space	Actual cost plus time & materials
Dedication Whole Bench with 3 Plaque Spaces	Actual cost plus time & materials
Other Park Amenity Dedication	To Be Determined on an individual basis

POLICE SERVICES	
FEE NAME	ADOPTED FEE
Permits and Licenses:	
Tow/Taxi Service Provider Application Fee	\$673
Taxi Operator Permit Application Fee	\$428
Taxi Operator Permit Application Renewal Fee	\$71
Second Hand Dealer Permit - City Application Fee (does not include Department of Justice fee) (MBMC 5.40.330)	\$358
Second Hand Dealer Permit renewal - City Application Fee (does not include Department of Justice fee) (MBMC 5.40.330)	\$178
Massage Therapist/Parlor Permit Application Fee (MBMC 5.40.330)	\$149
Support Services Activity:	
Digital Photo Reproduction to CD - per hour, 1 hour minimum	\$60
Audio/Video Tape Reproduction - per hour, 1 hour minimum	\$60
Record Searches/Reviews/Clearance/Responses - per hour, 1 hour minimum	\$60
Officer Activity:	
Equipment Citation Sign Off	\$17
Vehicle Impound Fee Administrative Costs (CVD 22850.5)	\$178
Abandoned Vehicle Removal (junk vehicles/parts)	\$358
Other Police Services:	
Firearms-seizure/storage (PC 33880)	\$60

State Mandated Costs	
Concealed Weapons Permit (does not include DOJ or other fees (PC25455))	\$119
Renewal of Concealed Weapons Permit (does not include cost of ID card)	\$29
Subpoena Duces Tecum (does not include costs of report, etc) (EC 1563(b)(1))	\$17
Delinquent Parking Citation Copy (VC 40206.5)	\$2
Repossessed Vehicle (GC 41612)	\$17
Booking Fees (current cost-cost is dependent on charges by County) (GC 53150) & (GC 29550.1)	\$130
Live scan Fingerprint Fees (PC 13300(e))	\$23
Criminal History Review (PC13322)	\$29
Cost Recovery:	
DUI Emergency Response (MBMC 3.40.030)	Actual Cost
False Alarm Response (after 3 rd false alarm in a year) (MBMC 9.22.020)	\$239

FIRE	
FEE NAME	ADOPTED FEE
Permits:	
Permit Inspection Fees:	
Any single permit identified in Title 24 CFC and not specifically addressed in the Master Fee Schedule	\$146
Any combination of permits shall not exceed	\$438
Special Occurrence or Use Permit (equipment & personnel charges additional)	\$146
Special Permits:	
Marine Welding Permit: Vessel, Pier, Wharf, Waterfront	\$73
Aircraft Landing Permit, per occurrence (required Fire standby equipment & personnel charges additional)	\$146
Equipment & Personnel Charges:	
Engine or Truck: per hour, per vehicle (personnel charges additional)	\$129
Squad/Rescue: per hour, per vehicle (personnel charges additional)	\$94
Utility/Command Vehicle: per hour, per vehicle (personnel charges additional)	\$45
Personnel charges	Per hour, per person - 2 hour minimum, unless otherwise specified, at current productive hourly rate

Plan Review Fees:	
Fire Plan Concept Review	Personnel charges, as specified in Equipment and Personnel Charges
Plan Review	0.9% of total valuation plus use of outside consultant for Plan Review & Inspection is based on actual cost plus \$67 fee
Additional Plan Review required by changes, additions or revisions to approved plans	Personnel charges, as specified in Equipment & Personnel Charges, on an hourly basis, plus actual cost of outside consultant for Plan Review
Fire Protection:	
System & Equipment Fees:	
Fire Sprinkler System Installation Inspection - (above ground):	
Residential	\$146 + \$0.55 per head
Commercial	\$219 + \$0.55 per head
Commercial projects or tenant improvements under 1,000 sq. ft.	\$146 + \$0.55 per head
Underground water line inspection	\$146
Fire Alarm System Installation Inspection:	
0 - 15 devices	\$146
16 - 50 devices	\$219
51 - 100 devices	\$292
101 - 500 devices	\$365
501 and up	\$365 + \$292 for each additional 100 devices or portion thereof
Specialized Fire Protection System Inspection, e.g., Halon, Dry Chemical Commercial Kitchen Hood System	\$146
Flammable or Combustible Tank Installation Inspection	\$73
On-site Hydrant System Installation Inspection	\$146
Use of Outside Consultants for Plan Review & and/or Inspection	\$146 + actual cost
Request for Building Fire Flow Calculations	\$73
Request for Hydrant Flow Information	\$73

Fire Protection (continued):	
Request for Hydrant Flow Test	\$73 fee plus personnel & equipment as specified in Personnel and Equipment Charges, 1 hr min
Engine company business inspection:	
1st and 2nd inspections	No charge
3rd and subsequent inspections	\$219
Fire Prevention:	
New and annual business/facility inspection fees:	
1st and 2nd inspections	No charge
3rd and subsequent inspections	\$146
Administrative citation for failure to correct a violation shall be charged per 1.03.050 of the Municipal Code	\$146
Administrative citation for second violation of the same ordinance in the same year shall be charged per 1.03.050 of the Municipal Code	\$292
Administrative citation for third and each additional violation of the same ordinance in the same year shall be charged per 1.03.050 of the Municipal Code	\$584
Annual weed and hazard abatement inspection fees:	
1st inspection for compliance	No charge
2nd and subsequent inspections	\$146
Administrative citation for failure to correct a violation shall be charged per 1.03.050 of the Municipal Code	\$146
Administrative citation for second violation of the same ordinance in the same year shall be charged per 1.03.050 of the Municipal Code	\$292
Administrative citation for third and each additional violation of the same ordinance in the same year shall be charged per 1.03.050 of the Municipal Code	\$584

Incident Response Fees:	
Hazardous Material/Chemical Incident	No charge first half-hour (excluding negligent/intentional acts) Each additional hour, or fraction thereof, will be charged as specified in the Personnel and Equipment Charges plus the cost of any materials and contract services used
Negligent Incidents	Response due to negligent/malicious act (e.g., DUI traffic accident, climber on Morro Rock, incendiary fire, negligent hazardous material incident, negligent confined space incident, etc.) Two hour minimum to be charged as specified by Personnel & Equipment Charges plus any material costs and contract services used.
Excessive or Malicious False Alarms	Emergency response due to "Failure to Notify" when working on or testing fire/alarm system 0.5 hours minimum to be charged as specified by Personnel & Equipment Charges.
Malicious False Alarms	.5 hour minimum to be charged as specified by Personnel & Equipment Charges plus any material costs.
Alarm system malfunction resulting in 2 in 30 days or 3 in 12 months	Charged as specified by Personnel & Equipment Charges plus any material costs
Other Fire Services:	
Copy of response report, per report	\$28
Additional copies, per page	See General Fees for copy charges
Cause & Origin investigation reports, per report	\$116
Non-renewal of required annual permit	Charge double permit fee rate
Failure to obtain permit	Charge double permit fee rate
Missed site inspection appointment	\$73
Failure to meet permit requirements/requiring re-inspection	\$73

Permits - California Fire Code:	
See operational and construction permits identified in the California Fire Code, Section 105	
Special Occurrence or Use Permit includes 1 inspection	
Plan Review Fees:	
Plan Review Fees	Total valuation to recover the cost of providing service
Use of outside consultant for Plan Review and/or Inspection	\$73 plus actual cost of consultant
All Plan Review Fees shown are minimum amounts, based on average processing. Large or complex projects may be subject to increased fees based upon time, costs, or equipment costs as shown per Equipment & Personnel Charges.	

HARBOR DEPARTMENT

1. All fees are due in advance. At the Harbor Department's discretion, billing in arrears for qualified and registered vessels with current account status may be allowed.

2. Any account past due over 10 days will be charged a \$35 late fee on a monthly basis. Accounts are due and payable by the 10th of every month.

VESSEL FEES

1. All vessel fees based on the length of the vessel or the length of the slip, whichever is greater, with a 36-foot minimum.

2. The Harbor Director may waive dockage fees for "tall ships" visiting Morro Bay Harbor for any period less than 30 days with written notice.

3. Transient Slip fees will be charged by the day or by the month, whichever is less.

4. Transient Slip monthly subleases shall be limited to 3 months in any slip as long as there are vessels appropriate to the slip size on the sublease waiting list.

5. Floating Dock and Anchorage stay limited to 30 days in any 6 month period.

6. A 10% discount is available for assigned Commercial Fishing Vessel slips when paid one full year in advance during the first month of the fiscal year after adoption of the Master Fee Schedule for that fiscal year.

Commercial Fishing Slips – monthly rate per foot	\$5.10
Commercial Fishing Slip Waiting List Deposit	\$435
Head Float Berth – monthly rate	\$205
Transient Slips – monthly sublease rate per foot	\$10
Transient Slips – daily rate per foot	\$1
T-Piers – daily rate per foot	\$0.30
Floating Dock	\$0.30
A1-5 Anchorage Area – first 5 days	\$0.00
A1-5 Anchorage Area – daily rate/foot over 5 days	\$0.25

Vessel Fees (continued)	
Temporary Moorage – large vessels or equipment requiring special accommodation – daily rate	\$182
Impound Fee	\$213
Impounded Vessels – daily storage rate per foot	\$1.50
MOORING FEES	
<p>1. A 10% discount is available for Private and City mooring fees when paid one full year in advance during the first month of the fiscal year after adoption of the Master Fee Schedule for that fiscal year.</p> <p>2. Guest Mooring stay limited to 30 days in any 6 month period without prior approval of the Harbor Department.</p>	
City Moorings – monthly rate	\$260
Private Moorings – monthly rate	\$90
Guest Moorings – daily rate per foot	\$0.30
Mooring Ownership Transfer – private moorings	\$1,205
SERVICE FEES	
<p>1. South T-Pier Hoist may only be used for fish unloading in certain cases; see Harbor Department Rules and Regulations.</p> <p>2. Dry Storage fee for use of each designated approximate 9-foot by 20-foot space, minimum monthly increments.</p>	
T-Pier Electrical – daily rate	\$2.85
South T-Pier Hoist – rate per use	\$15.40
South T-Pier Hoist Fish Unloading – per hour	\$80.50
Wharfage – rate per ton	\$1.05
Loaned Electric Cord or Adaptor Replacement	\$175
Dry Storage – monthly rate	\$97

LIVEABOARD FEES

1. Liveaboard permits are valid for 2 fiscal years. Any Liveaboard application, submitted during the period January 1 through June 30, is valid only for that fiscal year and the following fiscal year, but will be prorated by reducing the Liveaboard application fee, stated herein, by 25%. Any Liveaboard application, submitted July 1 through December 31, will not be prorated.

2. Liveaboard Permit Inspections may be conducted by the Harbor Patrol or by a qualified Marine Surveyor acceptable to the City.

Liveaboard Permit Administration - biennial	\$184
Liveaboard Permit Inspection – biennial (if done by Harbor Patrol)	\$88
Service Fee, Moorings - monthly	\$17.40
Service Fee, City Slips - monthly	\$35.80

EQUIPMENT & PERSONNEL CHARGES

1. Vessels requiring non-emergency assistance more than once in any 12-month period may be charged at the rates established herein.

2. Officers and vessels charged on an hourly basis with a 1-hour minimum.

3. Officers and vehicles charged on an hourly basis with a 1-hour minimum.

One Patrol Officer + Patrol Vessel – per hour	\$213
Each Additional Patrol Officer – per hour	\$88
One Patrol Officer + Vehicle – per hour	\$130
Lifeguard	\$25

LAUNCH RAMP PARKING FEES

1. Launch Ramp Parking fees apply to the extended yellow-striped truck and trailer parking spaces at the Launch Ramp parking lot and Tidelands Park.

2. Annual Parking Permits are valid for one calendar year and may be prorated to the nearest month.

Daily (or any part thereof)	\$5
Annual Permit	\$115
Failure to Pay Established Fee	\$60

Failure to Visibly Display Receipt	\$60
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LEASE ADMINISTRATION FEES	
Master Lease Approval	\$2,200
Actions Requiring City Council Approval	\$700
Actions Requiring Administrative Approval	\$265

RECREATION

FACILITY RENTALS:

COMMUNITY CENTER

	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
Auditorium – Per Hour	\$82	\$121
Auditorium, one-half – Per Hour	\$50	\$72
Multi-Purpose Room – Per Hour	\$45	\$67
Lounge – Per Hour	\$36	\$54
Studio – Per Hour	\$28	\$41
Kitchen – Per Hour Note: Kitchen only rentals permitted Monday – Friday; weekend rentals must be combined with room rental.	\$22	\$27
Kitchen – 8 Hours	\$109	\$136

VETERAN'S MEMORIAL BUILDING

	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
Assembly, w/o kitchen – Per Hour	\$36	\$48
Complete, w/o kitchen – Per Hour	\$41	\$54
Meeting, w/o kitchen – Per Hour	\$30	\$40
Kitchen & barbeque – Per Hour Note: Kitchen only rentals permitted Monday – Friday; weekend rentals must be combined with room rental.	\$22	\$27
Kitchen – 8 hours	\$109	\$136

RECREATION FACILITY RENTALS (continued)		
TEEN CENTER		
	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
Per hour – up to 50 participants, includes one staff	\$75	\$75
Per hour - over 50 participants, includes two staff	\$90	\$90
ADDITIONAL FEES		
Processing Fee: \$10, non-refundable Public Special Event/Festival Processing Fee: \$30, non-refundable		
Security Deposit: \$150, no alcohol or live music \$500, alcohol and/or live music \$750, alcohol and/or live music over 200 people The City reserves the right to require additional security deposit limits at its discretion.	Facility Impact fee, non-refundable, per event based on group size: 100-200 participants: \$153 201 or more participants: \$306	
Event set-up: \$50 per hour Event breakdown: \$50per hour Veteran’s Memorial Building stage use, set-up and breakdown: \$100 flat rate	Facility Attendant(s): \$16 per hour each Security Guard(s): \$31 per hour each (Required for events with alcohol and/or dancing) Unscheduled overtime: \$75 per hour	
Insurance: cost based on event size/type	Cancellations: 20% charge of invoiced costs	
PARK and OPEN SPACE RENTALS		
	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups

<p>Anchor Memorial Park Open Area Bayshore Bluffs Open Area Centennial Parkway Open Area City Park Open Area Cloisters Park Open Area General Open Area Monte Young Open Area Morro Rock Open Area Tidelands Park Open Area</p>	<p>Single Area: \$54 Rental Fee/Area Multi-Area, Entire Park, Multi-Day Event: \$107/Day + Rental Fee</p>	<p>Single Area: \$80 Rental Fee/Area Multi-Area, Entire Park, Multi-Day Event: \$160/Day + Rental Fee</p>
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Park and Open Space Rentals (continued)		
	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
City Park Basketball Courts Coleman Park Coleman Basketball Courts Del Mar Park Hillside or Meadow Del Mar Park Basketball Courts Del Mar Pickleball Courts Del Mar Tennis Courts Lila Keiser Park BBQ (Excluding Tournament Use) Monte Young Tennis Courts North Point Overlook	Single Area: \$54 Rental Fee/Area Multi-Area, Entire Park, Multi-Day Event: \$213/Day + Rental Fee Note: See courts/rink hourly rental charges below, which are in addition to area rental fee.	Single Area: \$80 Rental Fee/Area Multi-Area, Entire Park, Multi-Day Event: \$319/Day + Rental Fee
Lila Keiser Park Tournament Use (does not include field prep, or hourly use rates)	\$533	\$1,066
Public Special Event/Festival	\$533	\$1,066
HOURLY and PARK USE FEES		
	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
Giant Chessboard – Wooden Pieces	\$43	\$116
Giant Chessboard – Plastic Pieces	\$12	\$14
Basketball Courts, Pickleball Court & Tennis Court Hourly	\$7	\$8

HOURLY and PARK USE FEES (continued)		
Lila Keiser hourly field rental w/o lights	\$7	\$8
Lila Keiser hourly field rental w/ lights	\$19	\$21
Lila Keiser field preparation	\$30	\$33
City Park Banner Placement	\$107/wk	\$159/wk
ADDITIONAL FEES		
Processing Fee: \$10, non-refundable Public Special Event/Festival Processing Fee: \$30, non-refundable		
Security Deposit: \$50, Bounce House \$150, no alcohol or live music \$500, alcohol and/or live music \$500 Organized Sporting Event (tournaments) \$500 Public Special Event/Festival The City reserves the right to require additional security deposit limits at its discretion	Lila Keiser Support Services: \$27 per hour Insurance: cost based on event size/type Cancellations: 20% of invoiced costs	
MISCELLANEOUS PROPERTY USE		
	Resident/Non-Profit Groups	Non-Resident/For-Profit Groups
Recreation equipment rental, per bag Includes one: Horseshoes, Badminton, Volleyball, Bocce Ball	\$12	\$14
Skate Park - Per Hour (2 hour minimum)	\$115	\$172
Photography/Filming – Per Day	\$533	\$1,065
ADDITIONAL FEES		
Equipment Rental Deposit: \$50 Photography/Filming Deposit: \$1,000		

MORRO BAY TRANSIT AND TROLLEY	
Morro Bay Transit - Fixed Route	
Regular fare, per ride	\$1.50
Discount fare, per ride	\$0.75
Regular punch pass (11 rides for the price of 10)	\$15
Discount punch pass (11 rides for the price of 10)	\$7.50
Regular day pass	\$4
Discount day pass	\$2
Morro Bay Transit - Call-a-Ride:	
Fare, per ride	\$2.50
Call-A-Ride punch pass (11 rides for the price of 10)	\$25
Morro Bay Trolley Fares (Ages 12 and up):	
Per ride (Children, under 12 years old ride free, but must be accompanied by a fare-paying adult)	\$1
All day pass	\$3
Morro Bay Trolley Advertising:	
Exterior Side of Trolley (approx. 36"x20") - with supplied sign	\$401
Exterior Side of Trolley (approx. 36"x20") - MB Community Foundation supplied sign	\$468
Exterior Rear of Trolley (approx. 24"x20") - with supplied sign	\$365
Exterior Rear of Trolley (approx. 24"x20") - MB Community Foundation supplied sign	\$401
Interior (approx. 26"x12") - with supplied sign	\$172
Interior (approx. 26"x12") - MB Community Foundation supplied sign	\$208

Morro Bay Trolley Rental Rates:

Hourly rate includes driver, fuel, cleaning, standby mechanic and administration, unless otherwise noted.

One day, within City Limits, per hour (2 hour minimum):

Transportation of passengers to and from one location to another or continuous loop with multiple stops; plus cost of fuel	\$114
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One day, outside City limits, per hour (3 hour minimum)

Transportation of passengers to and from one location to another or continuous loop with multiple stops; plus cost of fuel	\$114
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AGENDA NO: C-1

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: June 1, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Approval of Amendment No. 3 to Contract Services Agreement with Aleshire & Wynder, LLP for City Attorney Services

RECOMMENDATION

City Council approve Amendment No. 3 to the contract services agreement with Aleshire & Wynder, LLP for City Attorney services, as presented.

FISCAL IMPACT

The proposed FY 2018/19 budget for legal services supports the hourly rate increase as recommended.

BACKGROUND

In March 2014 the City Council selected and entered into a contract with the law firm of Aleshire & Wynder, LLP (A&W) to provide interim city attorney services for the City. That contract was amended in December 2014 to continue to retain the legal services of A&W and remove the title of "Interim." The contract provided for semi-annual evaluations in March and September of each year, commencing September 2014. On June 9, 2015 the City council approved amendment No. 2 to the contract services agreement to reduce the evaluation meetings to once annually, in March of each year.

DISCUSSION

The fees the City currently pays for City Attorney services with A&W have been in effect since January 1, 2015. As such, A&W is requesting a \$10 per hour increase, for each billing category identified below, effective July 1, 2018.

First 50 hours of general services ¹	\$175.00/hour
Hours over 50 for general services	\$195.00/hour
Special services ²	\$215.00/hour
Insurance defense	\$160.00/hour
Private party reimbursement	\$260.00/hour
Paralegals/Law Clerks	\$130.00/hour
Document Clerks	\$ 70.00/hour

¹ General services are everything other than special services, insurance defense, private party reimbursement and public financing

² Special services are litigation, (other than insurance defense), labor negotiations, housing, cable television, toxics, refuse, franchising, administrative hearings and legislative matters, personnel, enterprise activities (not including water, wastewater or harbor) and major contract negotiations exceed 10 hours (with City Manager approval).

Prepared By: JC

Dept Review: _____

City Manager Review: SC

City Attorney Review: _____

In addition, A&W is requesting in the proposed Amendment No. 3 an additional \$10 increase effective July 1, 2020 and 2022, identified below.

2. Effective July 1, 2020, Section 5. of the Amended Agreement shall be amended to modify the compensation as follows:

First 50 hours of general services ¹	\$185.00/hour
Hours over 50 for general services	\$205.00/hour
Special services ²	\$225.00/hour
Insurance defense	\$170.00/hour
Private party reimbursement	\$270.00/hour
Paralegals/Law Clerks	\$140.00/hour
Document Clerks	\$ 80.00/hour

3. Effective July 1, 2022, Section 5. of the Amended Agreement shall be amended to modify the compensation as follows:

First 50 hours of general services ¹	\$195.00/hour
Hours over 50 for general services	\$215.00/hour
Special services ²	\$235.00/hour
Insurance defense	\$180.00/hour
Private party reimbursement	\$280.00/hour
Paralegals/Law Clerks	\$150.00/hour
Document Clerks	\$ 90.00/hour

The requests equate to approximately a 3% annual increase every year over the next five years. These rates are competitive with other contract legal service cities which range between \$150 - \$321 per hour for general legal services. Staffed surveyed California Cities/Agencies and of the ten responses obtained, the average hourly legal service rates for senior attorney contract general legal services was \$244 per hour. One agency responded with a flat monthly rate structure rather than an hourly rate structure.

The proposed FY 2018/19 budget includes a total of \$434,376 for legal services with the previously discussed (during the budget study sessions) addition of \$25,000 for legal services related to the Water Reclamation Facility Project. Based on hours billed in 2017, the proposed budget would adequately fund the \$10 per hour addition given the same number of billable hours. If approved, FY 2020/21 and FY 2022/23 requests would be included in future years proposed budgets.

CONCLUSION

Staff recommends that the City Council approve Amendment No. 3 to Contract Services Agreement with Aleshire & Wynder, LLP for City Attorney Services.

ATTACHMENT

1. Amendment No. 3 to Contract Services Agreement with Aleshire & Wynder, LLP

CITY OF MORRO BAY
AMENDMENT NO. 3 TO CONTRACT SERVICES AGREEMENT

ALESHIRE & WYNDER, LLP
City Attorney Services

This Amendment No. 3 is made and entered into by and between the CITY OF MORRO BAY, a municipal corporation, hereinafter referred to as "City," and ALESHIRE & WYNDER, LLP, a California limited liability partnership, hereinafter referred to as "Firm."

WHEREAS, as of March 1, 2014, the parties entered into a contract for the provision of city attorney legal services, which was amended effective December 9, 2014, to delete the references to "Interim" and amended effective June 9, 2015, to reduce evaluations to once annually (the "Amended Agreement"); and

WHEREAS, the Firm has provided those legal services since January 1, 2015, without any increase in hourly rates; and

WHEREAS, it is financially beneficial for both parties to provide for budgetary certainty for legal costs for the next six years.

NOW THEREFORE, in consideration of the foregoing, City and Firm mutually agree as follows:

1. Effective July 1, 2018, Section 5. of the Amended Agreement is amended to modify the compensation as follows:

First 50 hours of general services ¹	\$175.00/hour
Hours over 50 for general services	\$195.00/hour
Special services ²	\$215.00/hour
Insurance defense	\$160.00/hour
Private party reimbursement	\$260.00/hour
Paralegals/Law Clerks	\$130.00/hour
Document Clerks	\$ 70.00/hour

¹ General services are everything other than special services, insurance defense, private party reimbursement and public financing

² Special services are litigation, (other than insurance defense), labor negotiations, housing, cable television, toxics, refuse, franchising, administrative hearings and legislative matters, personnel, enterprise activities (not including water, wastewater or harbor) and major contract negotiations exceed 10 hours (with City Manager approval).

2. Effective July 1, 2020, Section 5. of the Amended Agreement shall be amended to modify the compensation as follows:

First 50 hours of general services ¹	\$185.00/hour
Hours over 50 for general services	\$205.00/hour
Special services ²	\$225.00/hour
Insurance defense	\$170.00/hour
Private party reimbursement	\$270.00/hour
Paralegals/Law Clerks	\$140.00/hour
Document Clerks	\$ 80.00/hour

3. Effective July 1, 2022, Section 5. of the Amended Agreement shall be amended to modify the compensation as follows:

First 50 hours of general services ¹	\$195.00/hour
Hours over 50 for general services	\$215.00/hour
Special services ²	\$235.00/hour
Insurance defense	\$180.00/hour
Private party reimbursement	\$280.00/hour
Paralegals/Law Clerks	\$150.00/hour
Document Clerks	\$ 90.00/hour

4. Except as expressly set forth herein, all terms and conditions of the Amended Agreement shall remain in full force and effect.

4. This Amendment No. 3 shall be effective on June 30, 2018.

ALESHIRE & WYNDER, LLP

Dated: _____, 2018

By _____

Joseph W. Pannone
Equity Partner

CITY OF MORRO BAY

Dated: _____, 2018

By _____

Jamie L. Irons,
Mayor



AGENDA NO: C-2

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: June 4, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Resolution No. 41-18 Adopting the Fiscal Year 2018/19 Operating and Capital Budgets

RECOMMENDATION

City Council adopt Resolution No. 41-18, authorizing the Fiscal Year 2018/19 Operating and Capital Budgets, including any amendments approved by the City Council, prior to the adoption of that Resolution.

FISCAL IMPACT

The fiscal impact is presented in the summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budgets for FY 2018/19 (page B-1). The FY 2018/19 budget is a balance budget with total City expenditures totaling \$51.18 million, a \$7 million increase from FY 2017/18 Adopted budget, notably due to the planned progression of the Water Reclamation Facility project.

BACKGROUND/DISCUSSION

The City Council conducted three budget study sessions, May 8, 9, and 22, 2018. During these discussions, the Council directed staff to include funding for two new capital projects, the City Park playground structure and ADA Improvements for sidewalk repair. In addition, Council directed staff to not fund the Surf Street Stair replacement project.

Council further discussed and directed staff to include \$30,000 to fund a contract with the Chamber of Commerce for the Economic Development Strategic Plan, allocated \$16,500 in bequests to the Economic Vitality Coalition, Score, Community Resources Center, and Senior Center. Council also approved staff's request to fund \$10,000 from existing fund balance within the facilities maintenance fund for unpredictable items that may come up in the fiscal year and to add \$25,000 in legal fees for the Water Reclamation Facility Capital Project.

After completion of the budget study sessions, staff realized that the draft proposed budget did not include a Water Capital Projects fund page. This portion has been added to the proposed budget for adoption. All other budget direction from Council has been incorporated into the attached proposed FY 2018/19 Operating and Capital Budgets for Council consideration and approval.

CONCLUSION

Pending further Council discussion, staff is recommending adoption of Resolution No. 41-18, which

Prepared By: JC

Dept Review: _____

City Manager Review: SC

City Attorney Review: _____

authorizes the Fiscal Year 2018/19 Operating and Capital Budgets. Any amendments made during the Council meeting will be incorporated into the final budget document.

FISCAL IMPACT

The fiscal impact is presented in the summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budgets for FY 2018/19 (page B-1). The total proposed budget is \$50.2 million for all City Funds and including transfers, a \$7.8 million increase from the FY 2017/18 Adopted Budget, notably due to the planned progression of the WRF project.

ATTACHMENT

1. Resolution No. 41-18 Adopting the Fiscal Year 2018/19 Operating and Capital Budgets.
 - a. Proposed FY 2018/19 City of Morro Bay Operating and Capital Budgets.

Link to Draft Budget:

<http://www.morrobayca.gov/DocumentCenter/View/11871/Draft-Budget-FY-2018-19-061218>

RESOLUTION NO. 41-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ADOPTING THE FY 2018/19 FISCAL YEAR OPEARTING AND CAPITAL BUDGETS**

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

WHEREAS, the City of Morro Bay is required to appropriate and expend funds, to conduct the day-to-day business activity of the City; and

WHEREAS, the Morro Bay City Council finds and determines those appropriations and expenditures are necessary for continued efficiency, economy, and effectiveness of the City government operations; and

WHEREAS, the City Council recognized Capital Improvement Projects, authorizes and approved in the current and prior fiscal years, may not be completed by June 12, 2018; and

WHEREAS, the continuing efforts of staff to operate the business of the City, within an approved budget, and to create savings, wherever feasible, are acknowledged by the City Council.

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

1. The Fiscal Year 2018/19 Operating and Capital Budgets are adopted, including any amendments made during the City Council meeting dated June 12, 2018, which will be attached to this Resolution; and
2. Staff is directed to prepare and publish a final budget document, with approved amendments; and
3. Subject to paragraph 4., below, the City Manager is authorized to transfer appropriations within the adopted budget, including from and to capital projects or capital outlay items, so long as those changes do not significantly and negatively prevent implementation of any City Council direction or policy, and total appropriations are not exceeded; and
4. City Council approval is required to transfer appropriations between funds and may approve amendments to adopted budget by adoption of one or more resolutions; and
5. City Council authorizes and directs the transfer of balances for capital projects, approved in the current and prior fiscal years, but not completed by June 30, 2018, to the Capital Improvement Project Fund(s) for the FY 2018/19 fiscal year; and
6. City Council approval is required for any proposed increase to the number of CalPERS benefited, budgeted positions, hired; and
7. In the FY 09/10, the City Council deferred Management's 3% COLA. The Management Employees thank the City Council for returning ½% of that deferral in FY 2013/14. In FY 2014/15, the Management Employees agreed to waive 1 ½% of the deferral, retaining 1% for future City Council consideration. For FY 2018/19, the Management Employees will receive a 2% COLA; and
8. Per City Council minute order May 24, 2004, any expenditures, in excess of the assessments received for the Cloister Assessment District, will be subsidized by the General Fund, without additional request made to the City Council; and

9. The City Council is committed to supporting Tourism and Marketing efforts within the City, and will continue to do so with the FY 2018/19 budget, per Resolution No. 36-18.

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 12th day of June 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: C-3

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: May 29, 2018

FROM: Chris F. Neumeyer, Assistant City Attorney

SUBJECT: Consideration of Approving Three Election Resolutions to Place before City Voters, at the November 6, 2018 General Municipal Election, a Cannabis Tax Ballot Measure to add Chapter 3.70 (Cannabis Tax) to Title 3 of the Morro Bay Municipal Code for Taxation of Commercial Cannabis Operations

RECOMMENDATION

Staff recommends Council consider approval of three election resolutions to place a proposed cannabis tax ordinance on the ballot for City voter consideration at the November 6, 2018 general municipal election.

FISCAL IMPACT

The proposed ordinance will generate tax revenue for the City from commercial cannabis operations. Rough estimates on tax revenue to be generated from *currently authorized* commercial cannabis operations are anywhere from \$25,000 to \$225,000. Morro Bay Municipal Code (MBMC) Chapter 5.50 authorizes in the City two medical cannabis retail operations, (wholesale) medical cannabis distribution operations, and medical cannabis deliveries. The revenue will be deposited in the general fund and will be available for general City purposes.

Estimated costs for adding the cannabis tax measure to the November 6, 2018 ballot is \$13,000-\$14,000 payable to the County of San Luis Obispo County Clerk-Recorder (who will be conducting the consolidated election). These funds likely would be disbursed from the City Clerk's budget, though there may be the need for a budget amendment. Typically, the County will bill the City with the exact amount owed in January or February following a November election.

BACKGROUND

The City Council at the regular meeting of November 14, 2017 adopted an ordinance to establish a commercial cannabis operations regulatory program. The ordinance added Chapter 5.50 to Title 5 of the MBMC to permit and regulate (with applications accepted no sooner than July 1, 2018) two medical cannabis retail operations, wholesale medical cannabis distribution operations, and medical cannabis deliveries, while prohibiting all other commercial cannabis operations.

The City Council directed staff to prepare a commercial cannabis tax ordinance for consideration to send to the voters for approval at the regular election to be held on November 6, 2018. The California Constitution requires that new taxes be approved by voters. (Cal Const art XIIC, XIII.A.)

At the regular City Council meeting of April 24, 2018, two ordinances to tax cannabis were presented for Council consideration. The first ordinance was to tax only currently allowed operations in the City, while the second ordinance was to tax both existing *and* prospective operations in the City.

01181.0001/478298.1 CFN Prepared By: <u>CFN</u>	
City Manager Review: <u>SC</u>	City Attorney Review: _____

Consideration of Cannabis Tax Ballot Measure

June 12, 2018

Page 2 of 6

Council directed staff to bring back the second ordinance (to tax both existing and prospective operations in the City) with necessary election resolutions for timely placement on the November 6, 2018 election ballot. Council also requested the Council Cannabis Subcommittee councilmembers (Councilmember Robert Davis and Mayor Pro Tem Marlys McPherson) to provide review of the proposed ordinance for possible revisions.

The deadline for Council to place such a measure on the ballot is August 10, 2018 (with the last regularly scheduled Council meeting before the deadline being July 10, 2018).

DISCUSSION

1. Three Election Resolutions

Three election resolutions concerning the proposed cannabis tax ordinance are presented for consideration by the City Council.

The first resolution orders the submission of the proposed cannabis tax ordinance to the voters at the November 6, 2018 election (see below for details and background on the proposed cannabis tax ordinance). (See Attachment No. 1.)

The second resolution is concerned with written arguments (both pro and con) about the cannabis tax ballot measure, as well as directing the City Attorney to prepare an impartial analysis of the proposed cannabis tax ordinance. (See Attachment No. 2.) The second resolution establishes priorities under state law for choosing among multiple arguments. In consultation with the City Clerk the second resolution sets a deadline for written arguments (pro and con) of Friday, July 27, 2018 at the close of business.

The third resolution provides for the filing of rebuttal arguments to the primary written arguments. (See Attachment No. 3.) The rebuttal arguments are prepared by the opposite authors of the primary written arguments. In consultation with the City Clerk the third resolution sets a deadline for rebuttals of Monday, August 6, 2018 at the close of business.

2. Issues Concerning Three Election Resolutions

- A. Ballot Label. The first resolution includes a “ballot label” which describes the proposed ordinance and which is the question actually presented to the voters. Ballot labels are limited to 75 words or less. The Council may revise the language used for the ballot label within the following state law restrictions:
 - a. “If the proposed measure imposes a tax or raises the rate of a tax, the ballot shall include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied.” (Election Code section 13119(b).)
 - b. “The statement of the measure shall be a true and impartial synopsis of the purpose of the proposed measure and shall be in language that is neither argumentative nor likely to create prejudice for or against the measure.” (Election Code section 13119(c).)

Consideration of Cannabis Tax Ballot Measure

June 12, 2018

Page 3 of 6

One item to consider is whether the ballot label should include references to possible uses of the revenue. While the cannabis tax is a general tax and the revenue will be deposited into the general fund and may be spent for unrestricted general revenue purposes, the ballot label may make reference to possible uses (while not committing the revenue to those uses). For example, the ballot label could reference that revenue is *available* to offset water and sewer rates for low-income residents.

- B. **Argument Authorization.** The second resolution authorizes one or two councilmembers to write a pro argument concerning the ballot measure. If three or more Councilmembers jointly write a ballot argument, then the Brown Act will require the collaboration to occur at a noticed public meeting. As such, staff suggests the Council appoint one or two councilmembers to write an authorized pro argument.
- C. **Rebuttals.** Rebuttal arguments are optional under state law and are allowed at the discretion of the City Council. Disallowing rebuttal arguments will result in lowering the total cost for placing the cannabis tax measure on the ballot (as extra pages in the voter books cost more money). The exact amount of cost savings is unknown at the present. If the City Council does not desire to authorize rebuttal arguments, then Council should not approve this third election resolution.

3. Procedures

A two-thirds (*i.e.*, 4 Councilmembers) vote of all members of the City Council (Gov't Code § 53724(b)) will be required to pass the resolution to order the submission of the proposed cannabis tax ordinance to the voters.

Passage of the cannabis tax measure will require approval by a majority of the voters. (The proposed taxes will generate revenue, deposited in the general fund, available for any general governmental purpose. Thus the taxes are considered "general taxes." Under Proposition 218, the levy of a new general tax must be approved by a majority of voters. (Cal. Const. art. 13C, § 2(b).))

4. Proposed Ordinance

A. Council Cannabis Subcommittee Recommendations

The Council Cannabis Subcommittee members Councilmember Robert Davis and Mayor Pro Tem Marlys McPherson reviewed the proposed ordinance (presented to the Council at its April 24, 2018 regular meeting) to tax both existing and potential commercial cannabis uses in the City.

Revisions suggested to the proposed ordinance as presented on April 24, 2018 are as follows and are incorporated into the attached cannabis tax ordinance. (See Exhibit A to Attachment No. 1.)

- i. **Tax Rates.** Expressly provide that the tax rates shall be no more than the maximum rate provided, by adding to Sections 3.70.020(A-B) the phrase "no more than" and deleting the phrase "or fractional part thereof" as follows (new text in ***bold italics***, deleted text in ~~strikethrough~~):
 - Section 3.70.020(A) - "Commercial Cannabis Operations Tax. Every person engaged in conducting a commercial cannabis operation, regardless of whether such operation has a valid permit pursuant to the Morro Bay Municipal Code, shall pay a maximum cannabis tax of ***no more than ten percent*** (10%) of proceeds of

01181.0001/478298.1 CFN

Consideration of Cannabis Tax Ballot Measure

June 12, 2018

Page 4 of 6

~~fractional part thereof.”~~

- Section 3.70.020(B) – “Commercial Cannabis Cultivation Tax. Every person commercially cultivating cannabis in the City, regardless of whether such commercial operation has a valid permit pursuant to the Morro Bay Municipal Code, shall pay an annual maximum tax of ***no more than*** twenty-five dollars (\$25) per square foot for space utilized as cultivation area...”
- ii. **Penalties and Interest for Late Payments.** Levy a single penalty for late tax payments, rather than having a new penalty accrue every month late; and, expressly provide that Council can set both a lower penalty fee as well as a lower interest rate for late payments, with defaults set at the maximum penalty and interest rate, by making the following revisions (new text in ***bold italics***, deleted text in ~~strikethrough~~):
- Section 3.70.050(A) – “A penalty equal to ***of no more than*** twenty-five percent (25%) of the amount of the tax (in addition to the amount of the tax), plus interest on the unpaid tax calculated from the due date of the tax at a rate ***not to exceed ten percent (10%) and these penalties and rates will be set at the maximum amounts unless established otherwise*** of ~~ten percent (10%) or at a rate as established by resolution of the city council;~~ and, ~~an additional penalty for each month thereafter of unpaid tax, equal to twenty-five percent (25%) of the amount of the tax if the tax remains unpaid for a period exceeding one month beyond the due date, plus interest on the unpaid tax and interest on the unpaid penalties calculated at a rate of ten percent (10%) or at a rate as established by resolution of the city council.”~~

B. Rate

The proposed ordinance taxes both existing and potential commercial cannabis uses in the City through imposing a *maximum* 10% tax on the gross receipts of all commercial cannabis businesses, and a *maximum* \$25 per square foot tax on commercial cannabis cultivation (with annual adjustment upwards based on the Consumer Price Index).

If the voters approve the maximum tax rates, the Council will have the authority to set the tax rates anywhere on a scale up to the maximum. For example, the Council could decide to set the tax rate at 5% initially to encourage new business operations, and then later in time raise the rate.

A maximum rate for voter approval is suggested so as to provide flexibility to the Council without having to incur the expense of sending another tax measure to the voters for approval (if later in time there is a desire to raise the tax rate).

C. Operation

The proposed ordinance provides for tax remittance from commercial cannabis operations for each term as established by the Finance Director (e.g., monthly, quarterly).

The ordinance provides penalties and interest for late payments, with a maximum penalty of 25% of the tax due for late payments, and a maximum 10% interest rate on late payments.

While the penalty and interest rates are by default set at the maximums, the Council may lower the rates by future action.

01181.0001/478298.1 CFN

The Finance Director is authorized to implement and administer the ordinance.

D. Future Amendments

Upon voter approval, the maximum tax rates cannot be increased, and the methods of taxation (and what is taxed) cannot be altered, unless there is further voter approval of such changes.

However, pursuant to Section 3.70.090 (Amendment) of the proposed ordinance, the administrative and operational aspects of the ordinance are subject to amendment by the Council to further the purposes and intent of the ordinance.

E. Survey

Attachment No. 4 to this report is a survey of cannabis taxes imposed by various jurisdictions throughout the State.

CONCLUSION

Staff recommends Council consider approval of three election resolutions to place a proposed cannabis tax ordinance on the ballot for City voter consideration at the November 6, 2018 general municipal election.

ATTACHMENTS

- 1) Resolution No. 38-18
- 2) Resolution No. 39-18
- 3) Resolution No. 40-18
- 4) Survey of Cannabis Taxes Imposed by Communities Statewide

RESOLUTION NO. 38-18

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ORDERING THE SUBMISSION TO THE QUALIFIED ELECTORS OF THE CITY
OF A CERTAIN MEASURE, ENTITLED THE CANNABIS TAX MEASURE, AT
THE GENERAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 6, 2018**

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

WHEREAS, the City Council of the City of Morro Bay has called a General Municipal Election to be held on Tuesday, November 6, 2018, by Resolution No. 33-18 adopted on June 12, 2018; and

WHEREAS, the City Council of the City of Morro Bay also desires to submit to the voters at the General Municipal Election on November 6, 2018 a proposed ordinance for the taxation of commercial cannabis operations and commercial cannabis cultivation.

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

Section 1. That the City Council of the City of Morro Bay, pursuant to its right and authority, hereby orders submitted to the voters at the General Municipal Election to be held on Tuesday, November 6, 2018 the following question:

Shall the measure, known as the CANNABIS TAX , imposing maximum tax of ten cents per \$1 of proceeds of commercial cannabis operations, annual maximum tax of \$25 per square foot of commercial cultivation area (CPI adjustments), no sunset clause, estimated \$25,000 to \$225,000 annual collections on currently allowed operations, revenue available for unrestricted general revenue purposes, be adopted?	YES
	NO

Section 2. That the text of Ordinance No. 615 to be submitted to the voters as a proposed measure is attached as Exhibit "A" to this resolution.

Section 3. The method of tax collection and all aspects of the application and operation of any tax levied pursuant to the adoption of the ordinance known as the "Cannabis Tax" shall be as provided for in the ordinance and/or as authorized in the ordinance to be conducted and determined by the City Council, and any such tax shall become effective only upon approval of a majority of the votes cast by the voters voting upon the ballot measure.

Section 4. The ordinance shall not take effect, and no tax authorized by the ordinance shall be levied, unless and until the ordinance receives the approval of a majority of the votes cast by the voters of the City voting upon the ballot measure on the proposed ordinance at the November 6, 2018 General Municipal Election.

Section 5. That the vote requirement for the ballot measure to pass is a majority (50% +1) of the votes cast.

Section 6. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

Section 7. That notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

Section 8. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay, California, at a regular meeting held on the 12th day of June, 2018.

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney

ORDINANCE NO. 615

**ORDINANCE OF THE PEOPLE OF THE CITY OF MORRO BAY,
CALIFORNIA APPROVING A TAX ON CANNABIS
COMMERCIAL ACTIVITIES BY ADDING CHAPTER 3.70
(CANNABIS TAX) TO TITLE 3 (REVENUE AND FINANCE) OF
THE MORRO BAY MUNICIPAL CODE**

WHEREAS, pursuant to subdivision (b) of Section 2 of Article XIII C of the California Constitution and Section 53720 et. seq. of the Government Code the city council is authorized to impose a general tax upon submission of such general tax to the voters of the City and approval by a majority of the voters voting on the issue, at an election consolidated with a regularly scheduled general election for members of the governing body of the local government; and

WHEREAS, in 1996 the California voters approved Proposition 215, the Compassionate Use Act, codified as Health and Safety Code Section 11362.5, to exempt certain patients and their primary caregivers from criminal liability under state law for the possession and cultivation of cannabis for medical purposes; and

WHEREAS, in 2003 the State of California adopted Senate Bill 420, the Medical Marijuana Program Act, codified as Health and Safety Code Section 11362.7, *et seq.*, and as later amended, to clarify the scope of the Compassionate Use Act of 1996 relating to the possession and cultivation of cannabis for medical purpose, and to authorize local governing bodies to adopt and enforce laws consistent with its provisions; and

WHEREAS, in October 2015, the State of California adopted AB 266, AB 243, and SB 643, collectively referred to as the Medical Cannabis Regulation and Safety Act (“MCRSA”), which established a comprehensive regulatory and licensing scheme for commercial medical cannabis operations; and

WHEREAS, at the November 8, 2016 general election, the Control, Regulate and Tax Adult Use of Marijuana Act (“AUMA”) was approved by California voters as Proposition 64, which established a comprehensive regulatory and licensing scheme for commercial adult-use cannabis operations, and which also legalized limited adult-use personal cannabis use, possession, and cultivation; and

WHEREAS, on June 27, 2017 Governor Brown signed Senate Bill 94, the Medicinal and Adult Use Cannabis Regulation and Safety Act (“MAUCRSA”), which merged the regulatory regimes of MCRSA and AUMA; and

WHEREAS, Chapter 5.50 of Title 5 of the Morro Bay Municipal Code provides for a commercial cannabis regulatory program for the City, which presently authorizes applications to be accepted starting July 1, 2018 for two medical cannabis retail permits (MBMC § 5.50.120(D)) and medical cannabis distributor permits; and

WHEREAS, presently the City has no local tax on either medical cannabis commercial operations or adult-use commercial cannabis operations; and

WHEREAS, MAUCRSA and AUMA do not preempt local taxation of cannabis operations; and

WHEREAS, presently the City of Morro Bay pursuant to Chapter 5.50 of Title 5 of the Morro Bay Municipal Code permits only limited commercial cannabis operations (being two medical cannabis retail operations, (wholesale) medical cannabis distribution operations, and medical cannabis deliveries), and prohibits all other commercial cannabis operations; and

WHEREAS, while the city council does not desire nor does it intend by this ordinance to allow any other commercial cannabis uses in the City other than the currently allowed uses, the city council does desire to seek voter approval for a broad cannabis tax that is applicable to both existing allowed commercial cannabis uses and any potential commercial cannabis uses that may be allowed in the future; and

WHEREAS, the city council desires that a cannabis tax be submitted to the voters for approval so that every person engaged in conducting a commercial cannabis operation, regardless of whether such operation has a valid permit pursuant to the Morro Bay Municipal Code, shall pay a maximum cannabis tax of no more than 10% of proceeds; and, that every person commercially cultivating cannabis in the City, regardless of whether such operation has a valid permit pursuant to the Morro Bay Municipal Code, shall pay an annual maximum tax of no more than twenty-five dollars (\$25) per square foot for space utilized as commercial cultivation area, and that taxes imposed on commercial cultivation area shall be adjusted annually based on the Consumer Price Index (while no such adjustment shall decrease any tax imposed, unless approved by the city council); and

WHEREAS, the city council desires that revenue generated from said cannabis taxes can be spent for unrestricted general revenue purposes; and

WHEREAS, the city council finds that tax revenue from cannabis operations can provide funds for additional City services to promote and protect the general health and welfare of the citizens of the City of Morro Bay.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF MORRO BAY, CALIFORNIA DO HEREBY ORDAIN AS FOLLOWS:

SECTION 1. CHAPTER 3.70 (CANNABIS TAX) IS HEREBY ADDED TO TITLE 3 (REVENUE AND FINANCE) OF THE MORRO BAY MUNICIPAL CODE AS FOLLOWS:

CHAPTER 3.70 CANNABIS TAX

Section 3.70.010. Definitions.

Section 3.70.020. Tax.

Section 3.70.030. Operation.

Section 3.70.040. Returns and Remittances.

Section 3.70.050. Failure to Pay Tax.

Section 3.70.060. Refunds.

Section 3.70.070. Enforcement.

Section 3.70.080. Debts; Deficiencies; Determinations; Hearings.

Section 3.70.080. City Council Authority to Amend

Section 3.70.010. Definitions.

The following definitions apply to this chapter unless the context clearly denotes otherwise.

- A. "Adult use" (i.e., "recreational" or "non-medical") refers to activity involving cannabis or cannabis products, which is restricted to adults 21 years of age and older and who do not possess a physician's recommendation, in contrast to an activity involving medical cannabis or medical cannabis products.
- B. "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. 'Cannabis' also means the separated resin, whether crude or purified, obtained from cannabis. 'Cannabis' does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.
- C. "Cannabis products" means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.
- D. "Commercial cannabis operation" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale (including retail and wholesale) of cannabis and cannabis products; except, as applicable, as set forth in Chapter 9.06 ("Personal Cultivation of Cannabis") of this Code or as preempted by state law.
- E. "Commercial cannabis operation permit" shall mean a City of Morro Bay permit issued pursuant to the procedures provided for in Chapter 5.50 of Title 5 of the Morro Bay Municipal Code and which shall allow the permit holder to operate a specific type of commercial cannabis operation in the City of Morro Bay subject to the requirements of that chapter, state law, and the specific permit.
- F. "Cultivation" means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.
- G. "Cultivation site" means any facility or location where cannabis is planted, grown,

harvested, dried, cured, graded, or trimmed, or that does all or any combination of those activities.

- H. "Delivery" means the commercial transfer of cannabis or cannabis products to a customer, and includes the use of any technology platform owned and controlled by the same person making such use.
- I. "Director" means the City of Morro Bay Community Development Director, and includes his/her designee(s).
- J. "Distribution" means the procurement, sale, and transport of cannabis and cannabis products between entities licensed for and/or engaged in commercial cannabis activities.
- K. "Distributor" means a person engaged in distribution.
- L. "Edible" means cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.
- M. "Extraction" means the process of obtaining cannabis concentrates from cannabis plants, including but not limited to through the use of solvents like butane, alcohol or carbon dioxide.
- N. "Finance Director" means the City of Morro Bay Finance Director, and includes his/her designee(s).
- O. "Location" means any parcel of land, whether vacant or occupied by a building, group of buildings, or accessory buildings, and includes the buildings, structures, yards, open spaces, lot width, and lot area.
- P. "Manufacture" or "manufacturing" means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product; includes the activities of a manufacturer.
- Q. "Manufacturer" means a person that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or relabels its container; includes the activity of manufacturing.
- R. "Marijuana" has the same definition as provided for "cannabis" in this chapter.
- S. "Medical" refers to activity involving medical cannabis or medical cannabis products, in contrast to an activity involving adult-use cannabis or adult-use cannabis products.
- T. "Medical cannabis" or "medical cannabis product" means cannabis or a cannabis

product used in compliance with state law for medical purposes, pursuant to the Compassionate Use Act (Health and Safety Code § 11362.5), the Medical Marijuana Program Act (Health and Safety Code §§ 11362.7, *et seq.*), and the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Business and Professions Code §§ 26000, *et seq.*).

- U. "Operation" means a "commercial cannabis operation" as defined by this chapter.
- V. "Permit" means a "commercial cannabis operation permit" as defined by this chapter.
- W. "Person" means any individual, firm, co-partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit.
- X. "Proceeds" means total revenue and/or money received through the sale of goods and/or services before any deductions or allowances (e.g., rent, cost of goods sold, taxes).
- Y. "Retailer" means a person engaged in the retail sale or delivery of cannabis or cannabis products to a customer.
- Z. "Space utilized as cultivation area" shall mean any space or ground, floor or other surface area (whether horizontal or vertical) which is used during the cannabis germination, seedling, vegetative, pre-flowering, flowering and harvesting phases, including without limitation any space used for activities such as growing, planting, seeding, germinating, lighting, warming, cooling, aerating, fertilizing, watering, irrigating, topping, pinching, cropping, curing or drying cannabis or any such space used for storing any products, supplies or equipment related to any such activities, no matter where such storage may take place or such storage space may be located.
- AA. "Term" means a calendar month in regards to the monthly taxation of proceeds from a commercial cannabis operation (or a defined set term, as determined by resolution of the city council, in regards to the taxation of proceeds from a commercial cannabis operation); and, means the fiscal year in regards to the annual taxation of the space utilized as cultivation area for cannabis.
- BB. "Testing laboratory" or "testing" refers to a laboratory, facility, or entity that offers or performs tests on cannabis or cannabis products; includes the activity of laboratory testing.

Section 3.70.020. Tax.

- A. Commercial Cannabis Operations Tax. Every person engaged in conducting a commercial cannabis operation, regardless of whether such operation has a valid permit pursuant to the Morro Bay Municipal Code, shall pay a maximum cannabis tax of no more than ten percent (10%) of proceeds.
- B. Commercial Cannabis Cultivation Tax. Every person commercially cultivating cannabis in the City, regardless of whether such commercial operation has a valid permit pursuant

to the Morro Bay Municipal Code, shall pay an annual maximum tax of no more than twenty-five dollars (\$25) per square foot for space utilized as cultivation area. Taxes imposed on commercial cultivation area shall be adjusted annually on July 1 after the date of imposition, and then July 1 of each succeeding year based on the Consumer Price Index ("CPI") for all urban consumers in the San Francisco-Oakland-San Jose areas as published by the United States Government Bureau of Labor Statistics; however, no adjustment shall decrease any tax imposed by this chapter, unless approved by the city council.

- C. Purpose of Cannabis Taxes. The revenue generated by the commercial cannabis operations tax and the commercial cannabis cultivation tax may be spent for unrestricted general revenue purposes.
- D. Intent of Cannabis Taxes. The cannabis taxes provided herein do not authorize any commercial cannabis operation or use that is not otherwise expressly allowed by Chapter 5.50 of Title 5 of the Morro Bay Municipal Code. The cannabis taxes provided herein are intended to allow the City to levy cannabis taxes on both existing commercial cannabis operations and uses, as well as provide the City with the ability to levy cannabis taxes on potential future commercial cannabis operations that later in time may be allowed in the City by local ordinance. The taxes imposed by this chapter are in addition to all other applicable taxes imposed by this Code, including, but not limited to, the business taxes imposed by Chapter 5.08 of Title 5.

Section 3.70.030. Operation.

- A. Failure to pay the taxes set forth in this chapter shall be subject to penalties, interest charges, and determinations of tax due as the city council may establish and the City may use any or all other enforcement remedies provided for in this Code, or pursuant to state law.
- B. The city council may impose the tax authorized by this chapter at a lower rate and may establish exemptions, incentives, or other reductions, and penalties and interest charges or determinations of tax due for failure to pay the tax in a timely manner, as otherwise allowed by Code or California law. No action by the Council under this Section shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction, and restoring the maximum tax specified in this chapter.
- C. The payment of the tax required pursuant to this chapter shall not be construed as authorizing the conduct or continuance of any illegal business or of a legal business in an illegal manner. Nothing in this chapter shall be construed to authorize commercial cannabis operations.
- D. Taxes provided for hereunder are not sales or use taxes and shall not be calculated or assessed as such. The taxes shall not be separately identified or otherwise specifically assessed or charged to any individual, consumer or customer; rather, the taxes are imposed upon the commercial cannabis operation.

- E. The Finance Director shall promulgate rules, regulations, and procedures to implement and administer this chapter to ensure the efficient and timely collection of the tax imposed by this chapter, including without limitation, formulation and implementation of penalties and interest to be assessed for failure to pay the tax as provided.

Section 3.70.040. Returns and Remittances.

The tax shall be due and payable as follows:

- A. Each person owing tax, on or before the last business day of each term as established by the Finance Director, shall prepare a tax return to the Finance Director of the total proceeds, and the amount of tax owed for the preceding term. At the time the tax return is filed, the full amount of the tax owed for the preceding term shall be remitted to the City.
- B. All tax returns shall be completed on forms provided by the Finance Director.
- C. Tax returns and payments for all outstanding taxes owed the city are immediately due the Finance Director upon cessation of business for any reason.
- D. Whenever any payment, statement, report, request or other communication received by the Finance Director is received after the time prescribed by this section for the receipt thereof, but is in an envelope bearing a postmark showing that it was mailed on or prior to the date prescribed in this section for the receipt thereof, or whenever the Finance Director is furnished substantial proof that the payment, statement, report, request, or other communication was in fact deposited in the United States mail on or prior to the date prescribed for receipt thereof, the Finance Director may regard such payment, statement, report, request, or other communication as having been timely received. If the due day falls on Friday, Saturday, Sunday, or a federal holiday, the due day shall be the last regular business day on which the City Hall is open to the public prior to the due date.
- E. Unless otherwise specifically provided under other provisions of this chapter, the taxes required to be paid pursuant to this chapter shall be deemed delinquent if not paid on or before the due date specified by this section.
- F. The Finance Director is not required to send a delinquency or other notice or bill to any person subject to the provisions of this chapter and failure to send such notice or bill shall not affect the validity of any tax or penalty due under the provisions of this chapter.

Section 3.70.050. Failure to Pay Tax.

Any person who fails or refuses to pay any tax required to be paid pursuant to this chapter on or before the due date shall pay penalties and interest as follows:

- A. A penalty of no more than twenty-five percent (25%) of the amount of the tax (in addition to the amount of the tax), plus interest on the unpaid tax calculated from the due date of the tax at a rate not to exceed ten percent (10%) and these penalties and rates will be

set at the maximum amounts unless established otherwise by resolution of the city council.

- B. Whenever a check is submitted in payment of a tax and the check is subsequently returned unpaid by the bank upon which the check is drawn, and the check is not redeemed prior to the due date, the taxpayer will be liable for the tax amount due plus penalties and interest as provided for in this section plus any amount allowed under state law.
- C. The tax due shall be that amount due and payable from the operative date of this chapter.
- D. The Finance Director may waive the penalties of twenty-five percent (25%) each imposed upon any person if:
 - 1. The person provides evidence satisfactory to the Finance Director that failure to pay timely was due to circumstances beyond the control of the person and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect, and the person paid the delinquent business tax and accrued interest owed the city prior to applying to the Finance Director for a waiver.
 - 2. The waiver provisions specified in this subsection shall not apply to interest accrued on the delinquent tax and a waiver shall be granted only once during any twenty-four month period for taxation of proceeds, and only once during any five (5) year period for taxation of space utilized as cultivation area for cultivation of cannabis.

Section 3.70.060. Refunds.

- A. No refund shall be made of any tax collected pursuant to this chapter, except as provided in this Section.
- B. No refund of any tax collected pursuant to this chapter shall be made because of the discontinuation, dissolution, or other termination of an operation.
- C. Any person entitled to a refund of taxes paid pursuant to this chapter may elect in writing to have such refund applied as a credit against cannabis taxes for the next term.
- D. Whenever the amount of any tax, penalty, or interest has been overpaid, paid more than once, or has been erroneously or illegally collected or received by the city under this chapter, such amount may be refunded to the claimant who paid the tax provided that a written claim for refund is filed with the Finance Director.
- E. The Finance Director shall have the right to examine and audit all the books and business records of the claimant in order to determine the eligibility of the claimant to the claimed refund. No claim for refund shall be allowed if the claimant therefor refuses to allow such examination of claimant's books and business records after request by the Finance Director to do so.

- F. In the event that the tax was erroneously paid and the error is attributable to the city, the entire amount of the tax erroneously paid shall be refunded to the claimant. If the error is attributable to the claimant, the city shall retain the amount set forth in this chapter from the amount to be refunded to cover expenses.
- G. The Finance Director shall initiate a refund of any tax which has been overpaid or erroneously collected whenever the overpayment or erroneous collection is uncovered by a city audit of tax receipts. In the event that the tax was erroneously paid and the error is attributable to the city, the entire amount of the tax erroneously paid shall be refunded to the claimant. If the error is attributable to the claimant, the city shall retain the amount set forth in this chapter from the amount to be refunded to cover expenses.

Section 3.70.070. Enforcement.

- A. It shall be the duty of the Finance Director to enforce each and all of the provisions of this chapter.
- B. For purposes of administration and enforcement of this chapter generally, the Finance Director, with the assistance of the City Attorney, may from time to time promulgate administrative rules and regulations.
- C. The Finance Director shall have the power to audit and examine all books and records of operations as well as persons engaged in the conducting of an operation, including both state and federal income tax returns, California sales tax returns, logs, receipts, bank records, or other evidence documenting the gross receipts of the operation, or persons engaged in the conduct of an operation, for the purpose of ascertaining the amount of tax, if any, required to be paid by the provisions of this chapter, and for the purpose of verifying any statements or any item thereof when filed by any person pursuant to the provisions of this chapter. If such operations or person, after written demand by the Finance Director, refuses to make available for audit, examination or verification such books, records, or equipment as the Finance Director requests, the Finance Director may, after full consideration of all information within the Finance Director's knowledge concerning the operation and activities of the person so refusing, make a determination of tax due in the manner provided in Section 3.70.080 of this chapter.
- D. The conviction and punishment of any person for failure to pay the required tax shall not excuse or exempt such person from any civil action for the tax debt unpaid at the time of such conviction. No civil action shall prevent a criminal prosecution for any violation of the provisions of this chapter or of any state law requiring the payment of all taxes.
- E. Any person violating any of the provisions of this chapter or any regulation or rule passed in accordance herewith, or knowingly or intentionally misrepresenting to any officer or employee of the City any material fact, either concerning the operation and administration of this chapter, or as provided for in this chapter, shall be deemed guilty of a misdemeanor.

Section 3.70.080. Debts; Deficiencies; Determinations; Hearings.

- A. The amount of any tax, penalties, and interest imposed by the provisions of this chapter

shall be deemed a debt to the city and any person conducting an operation without also making payment to the city of the taxes imposed by this chapter shall be liable in an action in the name of the city in any court of competent jurisdiction for the amount of the tax, and penalties and interest imposed on such operation.

- B. If the Finance Director is not satisfied that any statement filed as required under the provisions of this chapter is correct, or that the amount of tax is correctly computed, the Finance Director may compute and determine the amount to be paid and make a deficiency determination upon the basis of the facts contained in the statement or upon the basis of any information in his or her possession or that may come into his or her possession. One or more deficiency determinations of the amount of tax due for a period or periods may be made. When a person discontinues engaging in an operation, a deficiency determination may be made at any time within three years thereafter as to any liability arising from engaging in such business whether or not a deficiency determination is issued prior to the date the tax would otherwise be due.
- C. Under any of the following circumstances, the Finance Director may make and give notice of a determination of the amount of tax owed by a person under this chapter:
1. If the person has not filed any statement or return required under the provisions of this chapter.
 2. If the person has not paid any tax due under the provisions of this chapter.
 3. If the person has not, after demand by the Finance Director, filed a corrected statement or return, or furnished to the Finance Director adequate substantiation of the information contained in a statement or return already filed, or paid any additional amount of tax due under the provisions of this chapter.
 4. If the Finance Director determines that the nonpayment of any tax due under this chapter is due to fraud, a penalty of twenty-five percent (25%) of the amount of the tax shall be added thereto in addition to penalties and interest otherwise stated in this chapter.
 5. The notice of determination shall separately set forth the amount of any tax known by the Finance Director to be due or estimated by the Finance Director, after consideration of all information within the Finance Director's knowledge concerning the business and activities of the person assessed, to be due under each applicable section of this chapter, and shall include the amount of any penalties or interest accrued on each amount to the date of the notice of determination.
 6. The notice of determination shall be served upon the person either by handing it to him or her personally, or by a deposit of the notice in the United States mail, postage prepaid thereon, addressed to the person at the address of the location of the business appearing on the face of the business tax certificate issued under this Code or to such other address as he or she shall register with the Finance Director for the purpose of receiving notices provided under this chapter; or, should the person have no business tax certificate issued and should the person have no address registered with the Finance Director for such purpose, then to such person's last known

address. For the purposes of this section, a service by mail is complete at the time of deposit in the United States mail.

- D. Within ten days after the date of service of a determination of the amount of tax owed by a person under this chapter, the person may apply in writing to the Finance Director for a hearing on the determination. If application for a hearing before the City is not timely made, the tax assessed by the Finance Director shall become final. The procedures for such a hearing shall be conducted as required by law and as follows:
1. The city council delegates its authority to conduct such a hearing on the determination to an independent hearing officer. The compensation of the hearing officer shall not depend on any particular outcome of the appeal. The hearing officer shall have full authority and duty to preside over the hearing on the determination in the manner set forth herein and as required by law.
 2. Within 30 days of the receipt of any such application for hearing, the Finance Director shall cause the matter to be set for hearing before the independent hearing officer, unless a later date is agreed to by the Finance Director and the person requesting the hearing.
 3. Notice of the hearing shall be given by the Finance Director to the person requesting the hearing not later than five days prior to the date of the hearing. For good cause, the hearing officer may continue the administrative hearing from time to time. At the hearing the applicant may appear and offer evidence to show why the determination as made by the Finance Director should not be confirmed and fixed as the tax due. In conducting the hearing, the hearing officer shall not be limited by the technical rules of evidence. Failure of the person who applied for a hearing on the determination to appear shall not affect the validity of the proceedings or order issued thereon.
 4. Upon conclusion of the hearing, or no later than 10 days after the conclusion of the hearing, the hearing officer shall determine and reassess the proper tax to be charged and shall give written notice to the person in the manner prescribed in this chapter for giving notice of determination, and the hearing officer shall submit its decision and the record to the City Clerk. The decision of the hearing officer shall be final.

3.70.090. Amendment.

The city council has the right and authority to amend this chapter, to further its purposes and intent (including but not limited to amendment for more efficient administration as determined by the city council), in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution, pursuant to Section 9217 of the California Elections Code.

SECTION 2. EFFECTIVE DATE.

If a majority of the voters of the City of Morro Bay voting at the General Municipal Election of November 6, 2018 vote in favor of this Ordinance, then this Ordinance shall become a valid and

binding ordinance of the City of Morro Bay, and shall be considered as adopted upon the date that the vote is declared by the City Council of the City of Morro Bay, and this Ordinance shall go into effect ten (10) days after that date, pursuant to Election Code section 9217.

SECTION 3. CITY COUNCIL AUTHORITY TO AMEND

This is a city council sponsored initiative Ordinance which otherwise would only be subject to amendment by the voters of the City of Morro Bay. However, pursuant to Section 9217 of the California Elections Code, the city council expressly reserves the right and authority to amend the Ordinance to further the purposes and intent of the Ordinance (including but not limited to amendment for more efficient administration as determined by the city council) in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution.

SECTION 4. SEVERABILITY.

If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this Ordinance shall nonetheless remain in full force and effect. The People hereby declare that they would have adopted each section, subsection, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable.

SECTION 5. EXECUTION.

The Mayor of the City of Morro Bay is hereby authorized and ordered to attest to the adoption of the Ordinance by the voters of the City of Morro Bay by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Morro Bay, California voting on the 6th day of November, 2018.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

RESOLUTION NUMBER 39-18

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA, SETTING
PRIORITIES FOR FILING WRITTEN ARGUMENT(S) AND
DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL
ANALYSIS, REGARDING THE CANNABIS TAX MEASURE

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, a General Municipal Election is to be held in the City of Morro Bay, California, on November 6, 2018, at which there will be submitted to the voters a ballot measure to consider adopting a proposed ordinance for the taxation of commercial cannabis operations and commercial cannabis cultivation;

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

Section 1. That pursuant to Election Code § 9282, the City Council hereby authorizes the following Councilmember(s) to prepare a written argument for the foregoing measure:

1. _____
2. _____

Section 2. That in the event that more than one argument for or against the foregoing measure is timely submitted, the City's elections official shall give preference and priority first, to arguments submitted by member(s) of the City Council, as authorized by this Resolution, and second, to individual voters, bona fide associations, or a combination thereof, in the order set forth at California Elections Code § 9287.

Section 3. That in accordance with the requirements of Division 9, Chapter 3, Article 4 of the California Elections Code, all written arguments for or against the foregoing measure: (1) shall not exceed three hundred (300) words in length; (2) shall be filed with the City's elections official; (3) shall be accompanied by the printed name(s) and signature(s) of the person(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of the principal officers who is the author of the argument; and (4) shall be accompanied by the Form of Statement to be Filed by Author(s) of Argument as provided for in California Elections Code § 9600. **All written arguments may be changed or withdrawn until and including the date fixed by the City's elections official, being the close of business on Friday, July 27, 2018, after which time no arguments for or against the foregoing measure may be submitted to the elections official.**

Section 4. That the City Council hereby directs the City's elections official to transmit a copy of the foregoing measure to the City Attorney. In accordance with California Elections Code § 9280, the City Attorney is hereby directed to prepare an impartial analysis of the

measure, not to exceed five hundred (500) words in length, showing the effect of the measure on the existing law and the operation of the measure. The analysis shall include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city. In the event the entire text of the measure is not printed on the ballot, nor in the voter information portion of the sample ballot, there shall be printed immediately below the impartial analysis, in no less than 10-point bold type, a legend substantially as follows: "The above statement is an impartial analysis of Ordinance or Measure _____. If you desire a copy of the ordinance or measure, please call the elections official's office at (insert telephone number) and a copy will be mailed at no cost to you." The impartial analysis shall be filed by the date set by the City's elections official for the filing of primary arguments.

Section 6. That the City's elections official shall cause the City Attorney's Impartial Analysis, and duly selected arguments, to be printed and distributed to voters in accordance with State law regarding same.

Section 7. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions. This Resolution shall be effective immediately upon passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay, California, at a regular meeting held on the 12th day of June 2018.

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney

RESOLUTION NUMBER 40-18

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
PROVIDING FOR THE FILING OF REBUTTAL ARGUMENTS
REGARDING THE CANNABIS TAX MEASURE**

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

WHEREAS, a General Municipal Election is to be held in the City of Morro Bay, California, on November 6, 2018, at which there will be submitted to the voters a ballot measure to consider adopting a proposed ordinance for the taxation of commercial cannabis operations and commercial cannabis cultivation; and

WHEREAS, California Elections Code § 9285 authorizes the City Council, by majority vote, to adopt provisions to provide for the filing of rebuttal arguments regarding city measures submitted at municipal election;

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

Section 1. That pursuant to Elections Code § 9285, when the City's elections official has selected the arguments for and against the foregoing measure which will be printed and distributed to the voters, the City's elections official shall send copies of the argument in favor of the measure to the authors of the argument against, and copies of the argument against to the authors of the argument in favor. The author or a majority of the authors of an argument relating to the foregoing city measure may prepare and submit a rebuttal argument not to exceed two hundred and fifty (250) words in length. A rebuttal argument may not be signed by more than five (5) authors. The rebuttal arguments shall be filed with the City Clerk not more than ten (10) days after the final date for filing direct arguments. The final date for filing direct arguments is July 27, 2018, and as **such rebuttal arguments shall be filed with the City Clerk no later than the close of business on Monday, August 6, 2018**. The rebuttal arguments shall be accompanied by the Form of Statement to be Filed by Author(s) of Argument as provided for in California Elections Code § 9600. Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

Section 2. That all previous resolutions providing for the filing of rebuttal arguments for city measures are repealed.

Section 3. That the provisions of Section 1 of this Resolution shall apply only to the General Municipal Election to be held on November 6, 2018, and shall then be repealed.

Section 4. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions. This Resolution shall be effective immediately upon passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay, California, at a regular meeting held on the 12th day of June, 2018.

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney

Survey of Cannabis Taxes from Various California Jurisdictions

City	Gross Receipts Tax	Square Footage Tax	Comments
City of Santa Barbara	Proposed gross receipts tax: 6% retail dispensary; 3% manufacturing; 4% cultivation; 1% nurseries;	N/A	City Council proposed direction for upcoming tax ordinance
City of Santa Maria	N/A	N/A	Ban on Commercial
City of Atascadero	5% gross receipts tax on all commercial cannabis activities	\$5 per square foot of cultivation facility	Cultivators can choose to pay gross receipts or per sq. ft.; tax approved 2016
City of Grover Beach	5% on gross receipts of medical related sales and 10% on non-medical	\$25 per sq. ft. on nurseries and cultivation for the first 5,000 sq. ft., then \$10 per sq. ft. for addtl. sq. ft.	Future increases tied to the Consumer Price Index (CPI)
City of Paso Robles	N/A	N/A	Considering tax measure for November, 2018
City of Pismo Beach	N/A	N/A	Ban on Commercial
City of San Luis Obispo	N/A	N/A	Considering tax measure for 2018
City of Coalinga	10% gross receipts on dispensaries	\$25 per sq. ft. on other cannabis businesses for the first 3,000 sq. ft. then \$10 per sq. ft. for addtl. sq. ft.	Tax approved 2016
City of Costa Mesa	6% gross receipts tax on all cannabis businesses	N/A	
City of Fillmore	15% gross receipts tax on retail dispensaries	Cultivation \$30 per sq. ft. first 3,000 sq. ft., \$15 per sq. ft. on remainder	Cultivation tax subject to CPI; tax approved 2016
City of Gonzales	5% gross receipts tax on manufacturers capped at 15%	\$15 per sq. ft. cultivation tax capped at \$25	Tax Approved 2016
City of Greenfield	10% gross receipts tax on non-cultivation activities	\$25 per sq. ft. cultivation tax with CPI	Tax approved 2016
City of Monterey	N/A	N/A	Ban on Commercial
City of Santa Cruz	7% gross receipts with increases up to 10% on cannabis businesses	N/A	
City of Seaside	Up to 10% gross receipts on cannabis businesses	N/A	
City of Watsonville	2.5% gross receipts tax on manufactured product, 10% retail	\$20 per sq. ft. on cultivation	Tax approved 2016

County	Gross Receipts Tax	Square Footage Tax	Comments
Santa Barbara County	Proposed gross receipts tax – 6% retail dispensaries, 4% cultivation, 3% manufacturers;	N/A	Tax measure planned for June, 2018 ballot
San Luis Obispo County	Proposed – 4% initial rate with annual automatic increases of 2% max rate of 10% on gross receipts, 0% for testing laboratories	Proposed sq. ft. fee (non- tax) to cover direct costs – \$.50 to \$1.00	Square foot charge depends on number licenses and size of the grow
Humboldt County	N/A	\$1.00 to \$3.00 per sq. ft. outdoor/indoor, annually	Treasurer-Tax Collector states approx. 10,000 growers in Humboldt County – 4 months ago, 3,500 had applied for licenses
Lake County	\$1 per sq. ft. outdoor cultivation, \$2 per sq. ft. mixed light, \$3 per sq. ft. indoor	N/A	Subject to annual CPI
Mendocino County	2.5% on cultivation, capped at 10% on gross receipts, with minimum determined by square feet of cultivation; 5% on retail; Board considers annual increases, of 2.5% per year, 10% max.	N/A	Annual flat \$2,500 tax, with CPI every year after 7/1/2020 on other cannabis businesses
Monterey County	5% to 10% tax on gross receipts	\$25 sq. ft. for cultivation; \$5 sq. ft. nurseries	These are the maximum amounts that are reached by 2021
Santa Cruz County	7% up to 10% on gross receipts	N/A	Initial rate of 7% capped at 10% gross receipts

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AGENDA NO: C-4

MEETING DATE: June 12, 2018

Staff Report

TO: Honorable Mayor and City Council DATE: May 31, 2018

FROM: Dana Swanson, City Clerk

SUBJECT: Introduction and First Reading of Ordinance No. 614 Amending Section 2.08.090 and Subdivision 3.22.120 B. of the Morro Municipal Code relating to Council Meeting Minutes and Terms of the Citizens Oversight Committee, respectively

RECOMMENDATION

Staff recommends the City Council review Ordinance No. 614, accept public comment, and make a motion introducing through first reading Ordinance No. 614, by number and title only, amending Section 2.08.090 and Subdivision 3.22.120 B. of the Morro Municipal Code (MBMC) relating to Council timing for preparation of Council meeting minutes and terms of the Citizens Oversight Committee, respectively.

BACKGROUND/DISCUSSION

At the May 8, 2018 City Council meeting, the Council amended its Policies and Procedures Manual to change the timing for preparation of the minutes for Council meetings and the terms of the Oversight Board Members (also known as the Citizen Finance Advisory Committee). Those changes require similar changes to two provisions of the MBMC that deal with those same matters, in order to maintain consistency of policy.

Regarding preparation of minutes for Council meetings, the Council directed the following language be incorporated as Section 1.4.7 of the Council Policies & Procedures:

“As soon as reasonably possible following each Council meeting, but not later than the second regular meeting after, the City Clerk shall include a copy of the minutes, thereof, as a Consent Item for the agenda of a regular Council meeting.”

The proposed language in Ordinance No. 614 for MBMC Section 2.08.090 is somewhat less prescriptive, thereby allowing this and future Councils to set expectations with policy language adopted by Resolution in the Council Policies & Procedures.

Ordinance No. 614 makes those changes to codify the revisions the Council made to its Policies and Procedures Manual. The changes to the MBMC are set forth below, with additions being double underlined and deletions being ~~stricken~~.

2.08.090 – Copy of minutes.

As soon as reasonably possible ~~Immediately~~ following each council meeting, the city clerk shall include a copy of the minutes, thereof, as a Consent Item for the ~~to each member of the city council in their agenda packets for~~ of a regular council ~~the following~~ meeting. Thereafter, the

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

reading of those such minutes by the city clerk at that the following meeting may be dispensed with by a majority vote of the members present, as evidenced by the council's approval of those minutes

3.22.120 B. Committee Membership. The committee shall have seven citizen-members appointed by the city council for staggered four six-year terms ~~with initially three members serving three years, and four members serving six years~~. Appointees shall be residents of the city; however, no member of the committee shall be an elected official. Each unanticipated vacancy shall be filled only for the duration of the unexpired term for that vacancy.

CONCLUSION

Staff recommends the City Council introduce Ordinance No. 614, by reading the number and title only.

ATTACHMENT

1. Draft Ordinance No. 614

ORDINANCE NO. 614

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, AMENDING SECTION 2.08.090 OF THE MORRO BAY MUNICIPAL CODE (MBMC) REGARDING THE PREPARATION OF MINUTES FOR COUNCIL MEETINGS AND SUBDIVISION 3.22.120 B OF THE MBMC REGARDING TERMS OF THE CITIZENS OVERSIGHT COMMITTEE

THE CITY COUNCIL
City of Morro Bay, California

NOW, THEREFORE, the City Council of the City of Morro Bay does ordain as follows:

SECTION 1: Section 2.08.090 of the Morro Bay Municipal Code (MBMC) is hereby amended, in its entirety, to read, as follows:

2.08.090 – Copy of minutes.

As soon as reasonably possible ~~Immediately~~ following each council meeting, the city clerk shall include a copy of the minutes, thereof, as a Consent Item for the to each member of the city council in their agenda packets for of a regular council the following meeting. Thereafter, the reading of those such minutes by the city clerk at that the following meeting may be dispensed with by a majority vote of the members present, as evidenced by the council's approval of those minutes.

SECTION 2: Subdivision 3.22.120 B. of the MBMC is hereby amended, in its entirety, to read, as follows:

3.22.120 B. Committee Membership. The committee shall have seven citizen-members appointed by the city council for staggered four ~~six~~-year terms ~~with initially three members serving three years, and four members serving six years.~~ Appointees shall be residents of the city; however, no member of the committee shall be an elected official. Each unanticipated vacancy shall be filled only for the duration of the unexpired term for that vacancy.

SECTION 3. This Ordinance shall take effect 30 days after its adoption. The City Clerk, or her duly appointed deputy, shall attest to the adoption of this Ordinance and shall cause this Ordinance to be published and posted in the manner required by law.

INTRODUCED at a regular meeting the of the City Council of Morro Bay, held on the 12th day of June 2018, by motion of Council Member _____, seconded by Council Member _____.

PASSED AND ADOPTED on the ___ day of _____, 2018, by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney