



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.

AMENDED Agenda
Wednesday, June 13, 2018
Veterans Memorial Hall – 5:00 P.M.
209 Surf Street, Morro Bay, CA

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

SPECIAL MEETING AGENDA ITEMS:

I. ADVISORY BODY INTERVIEWS

- a. Water Reclamation Facility Citizen Advisory Committee (WRFCAC)
 - One (1) current vacancy – Single purpose committee with no set term
- b. Tourism Business Improvement District (TBID) Advisory Board
 - One (1) current vacancy for a term ending January 31, 2020 (preference given for hotelier with 22 rooms or less)

II. WATER RECLAMATION FACILITY PROGRAM UPDATE, SELECTION OF A PREFERRED PROPOSER FOR WRF ONSITE IMPROVEMENTS AND DIRECTION REGARDING RELATED POLICIES

RECOMMENDATION: Staff recommends the following:

- a. City Council consider the status report of the Water Reclamation Facility (WRF) program; and
- b. Take action regarding selection of Filanc/Black & Veatch as the preferred proposer for the WRF Onsite Improvements and provide direction to staff to begin negotiations; and
- c. Provide direction regarding Water/Wastewater Operations Center at WRF site; and
- d. Take action regarding Resolution 42-18 for modifications to the City's existing Utility Discount Program; and
- e. Provide direction regarding the development of a resolution establishing an Annual Rate Review Policy for the City; and
- f. Take action regarding Resolution 43-18 for establishment of the City's Debt Management Policy; and
- g. Provide any other direction as deemed appropriate by a majority of the Council.
- h. Council adopt Resolution No. 46-18, approving the City of Morro Bay Enterprise Fund Accumulation Reserve Policy.

III. DISCUSSION AND ADOPTION OF RESOLUTION NO 44-18 APPROVING GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS IN CONNECTION WITH THE PROP 218 RATE HEARING

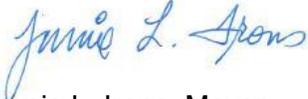
RECOMMENDATION: Council adoption of the Resolution 44-18 establishing the City of Morro Bay's process for conducting Proposition 218 process.

IV. ANNUAL WATER REPORT FY 2017-18 AND ADOPTION OF RESOLUTION NO. 45-18 ALLOCATING WATER EQUIVALENCY UNITS (WEU) FOR FY 2018-19

RECOMMENDATION: City Council review the annual water report and allocation of the FY 2018-19 Water Equivalency Units and adopt Resolution No. 45-18 allocating 50 Water Equivalency Units (WEUs) for residential development and 65 for commercial development for a total of 115 WEUs for FY 2018-19

ADJOURN

DATED: June 12, 2018

A handwritten signature in blue ink that reads "Jamie L. Irons". The signature is written in a cursive style.

Jamie L. Irons, Mayor

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.



AGENDA NO: I

MEETING DATE: June 13, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE:** June 6, 2018

FROM: Dana Swanson, City Clerk

SUBJECT: Advisory Board Interviews

RECOMMENDATION

Staff recommends the Council conduct interviews to fill current vacancies on the Water Reclamation Facility Citizens Advisory Committee ("WRFCAC") and Tourism Business Improvement District ("TBID") Advisory Board.

ALTERNATIVES

No alternatives are being recommended.

FISCAL IMPACT

There is no fiscal impact associated with this action.

BACKGROUND/DISCUSSION

Following the March 14, 2018 advisory board interviews, one vacancy remained on the WRFCAC. In addition, Aaron Graves resigned his appointment to the TBID Advisory Board representing hoteliers with 22 rooms or less. Staff posted a Notice of Vacancies to fill those positions on May 8, 2018 and published ads in the Bay News and New Times. The following candidates submitted applications and are presented for Council consideration:

TBID Advisory Board

Chris Kostecka, Estero Inn

WRFCAC

Jesus "Jesse" Barron
Steve Carnes

ATTACHMENTS

Advisory Board Applications

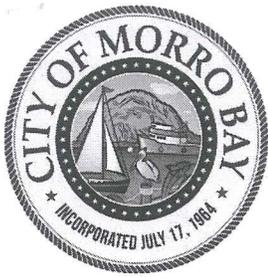
Prepared By: DS

Dept Review: _____

City Manager Review:

City Attorney Review:

**TOURISM BUSINESS
IMPROVEMENT DISTRICT (“TBID”)
ADVISORY BOARD**



**CITY OF MORRO BAY
ADVISORY BOARD APPLICATION**

RECEIVED
City of Morro Bay

MAY 25 2018

City Clerk

FULL NAME: Christopher M. Kostecka

ADDRESS: 501 Embarcadero, Morro Bay, CA 93442

MAILING ADDRESS: _____

(If different) [REDACTED]

PHONE NO. _____

E-MAIL ADDRESS: [REDACTED]

Please note this application is a public record that
may be disclosed to the public upon request.

Are you a registered voting resident of the City of Morro Bay? Yes No

I would like to be considered for appointment to the following Commission/Advisory Board/Committee and have provided a statement of background and interests, which I believe qualify me for consideration:

- Tourism Business Improvement District Advisory Board (TBID)
Preference given for hotelier with 22 rooms or less
- Water Reclamation Facility Citizens Advisory Committee (WRFCAC)

I have read the statement regarding the responsibilities of this Commission, Advisory Board, Committee, and should I be appointed, I will be able and willing to devote the necessary time to perform the required duties.

[REDACTED]
(Signature)

5/15/18

(Date)

All appointees to a City Commission, Advisory Board, or Committee will be required, in accordance with State law to file a "Statement of Economic Interest Form 700" which remains available for public inspection.

Application Deadline: Friday, June 1, 2018 at 5pm

Applicants should be present in order to be interviewed by the City Council.

Interviews are tentatively scheduled for the week of June 4th

May 15, 2018

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

Re: Statement of Background & Interests for Christopher Kostecka
Tourism Business Improvement District Advisory Board

City Officials:

Thanks for considering me for this Advisory Board position. Though my wife, Cynthia, and I are new to Morro Bay we have already fell in love with this city.

Prior to purchasing the Estero Inn late last year I spent 30 years in the Temecula Valley working as a real estate broker and investor. When I first arrived in Temecula in 1988 the city was similar in size to Morro Bay. In fact, the city had yet to install it's first traffic signal and only had three hotels that I can remember. The only tourist attraction was a sleepy "Old Town" section, a fledgling wine country and a nice golf course. Tourism numbers were so low I could not locate any.

Today, the sleepy "Old Town" section of Temecula is bustling daily with tourists and the Wine Country is a well acclaimed tourist destination. In 2016 Temecula hosted 2.7 million visitors who spent 712 million dollars. The growth in tourism has been phenomenal.

I did not work directly in any official capacity assisting in this growth. What I did do is witness it first hand. I saw ideas implemented by the city that failed and ideas that flourished. I believe Temecula and Morro Bay have many differences, but they have enough similarities to expand upon.

My working background started in hospitality 35 years ago. My first career job was for Pala Mesa Resort in Fallbrook California. The last 30 years my career has been dedicated to real estate brokerage, development and investments. Nearly 26 years ago Cynthia and I were married. Our daughter, Katie, just graduated from California Baptist University and our son, Connor, just completed his first year at Biola University. Cynthia and I have worked together for over 25 years in our real estate ventures. Now we own and operate the Estero Inn here in Morro Bay. Life is a bit crazy as we manage splitting our time between Temecula and Morro Bay. My hobbies include following our daughter as she performs in theater and our son as he plays baseball. I am an avid golfer and lover of the great outdoors.

I currently serve on the board of the Southwest Riverside County Chapter of Fellowship of Christian Athletes and have previously served on the board of the Lake Riverside Estates Property Owners Association.

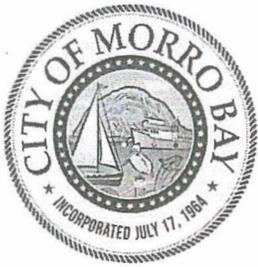
Thank you for your consideration.

Sincerely,



Chris Kostecka

**WATER RECLAMATION FACILITY
CITIZENS ADVISORY COMMITTEE
("WRFCAC")**



**CITY OF MORRO BAY
ADVISORY BOARD APPLICATION**

RECEIVED
City of Morro Bay

MAY 30 2018

City Clerk

FULL NAME: **JESUS BARRON (JESSE)**

ADDRESS: _____

MAILING ADDRESS: _____

(If different) _____

PHONE NO. _____

E-MAIL ADDRESS: _____

Please note this application is a public record that
may be disclosed to the public upon request.

Are you a registered voting resident of the City of Morro Bay? Yes No

I would like to be considered for appointment to the following Commission/Advisory Board/Committee and have provided a statement of background and interests, which I believe qualify me for consideration:

- Tourism Business Improvement District Advisory Board (TBID)
Preference given for hotelier with 22 rooms or less
- Water Reclamation Facility Citizens Advisory Committee (WRFCAC)

I have read the statement regarding the responsibilities of this Commission, Advisory Board, Committee, and should I be appointed, I will be able and willing to devote the necessary time to perform the required duties.

(Signature)

30 MAY 2018

(Date)

All appointees to a City Commission, Advisory Board, or Committee will be required, in accordance with State law to file a "Statement of Economic Interest Form 700" which remains available for public inspection.

Application Deadline: Friday, June 1, 2018 at 5pm

Applicants should be present in order to be interviewed by the City Council.
Interviews are tentatively scheduled for the week of June 4th

30 MAY 2018

City Council
City of Morro Bay

**Dear City Council
City of Morro Bay:**

The Water Reclamation Facility Citizen Advisory Committee (WRFCAC) is a committee that I feel strongly needs some members that will remain open minded, and make sound recommendations to the City Council of Morro Bay, given that this is an issue that will affect the citizenry for decades to come. I would like to volunteer to serve in this capacity. I have experience in engineering, waste disposal systems and dealing with the Regional Water Quality Control Board (RWQCB) through my experience as a Plans Examiner for the County of San Luis Obispo and my extensive 20 plus years in construction including 14 years in municipal enforcement of building and planning.

I am also currently serving as a Planning Commissioner with the City of Morro Bay, and Mr. Richard Sadowski is the current representative from the Planning Commission serving on the WRFCAC. I feel that the two boards are sufficiently insulated from each other that this will not be problematic. I feel as if there has been some lack of continuity on the WRFCAC, and I would like to double down on my commitment to serving the City of Morro Bay and weigh in on this most important issue.

Thank you for any consideration.

Sincerely,

Jesus Barron

MAR 05 2018

Rec'd City Hall



CITY OF MORRO BAY ADVISORY BOARD APPLICATION

FULL NAME: STEVE CARNES

ADDRESS: [REDACTED]

MAILING ADDRESS: _____
(If different)

PHONE NO. [REDACTED]

E-MAIL ADDRESS: [REDACTED]

Please note this application is a public record that
may be disclosed to the public upon request.

Are you a registered voting resident of the City of Morro Bay? Yes No

I would like to be considered for appointment to the following Commission/Advisory Board/Committee and have provided a statement of background and interests, which I believe qualify me for consideration:

Recreation & Parks Commission

Water Reclamation Facility Citizens Advisory Committee (WRFCAC)

I have read the statement regarding the responsibilities of this Commission, Advisory Board, Committee, and should I be appointed, I will be able and willing to devote the necessary time to perform the required duties.

[REDACTED]
(Signature)

3/2/18
(Date)

All appointees to a City Commission, Advisory Board, or Committee will be required, in accordance with State law to file a "Statement of Economic Interest Form 700" which remains available for public inspection.

Application Deadline: Friday, February 23, 2018 at 5pm

Applicants should be present in order to be interviewed by the City Council.
Interviews are tentatively scheduled for the week of March 5th

the water and sewer enterprise funds. Following sound financial practices and adhering to Government Accounting Standards, the attached Policy takes into consideration adequate reserves for water and sewer operations in order to ensure customers experience both stable rates for service and the City's ability to respond to emergencies. Adequate reserves ensure the City will, at all times, have sufficient funding available to meet its operating, capital and debt service cost obligations, including future debt or capital obligations, as well as any unfunded mandates, such as regulatory requirements as they may arise.

The policy was developed to identify both minimum and target accumulation reserve levels for both the water and sewer enterprise funds. With adoption of the proposed policy, staff would be responsible for monitoring the water and sewer accumulation funds to ensure the minimum funding levels are maintained and reporting on the balance of those accumulation funds and compliance with the reserve policy during the quarterly and annual budget updates.

The minimum target reserves are intended to provide appropriate financial resources to support seasonal variations in cash flows to offset cost increases that are unplanned or short-lived. They are not intended to offset ongoing, long-term pricing changes needed to properly and safely manage continuing fluctuations in cost of operating the water and sewer systems. Multi-year rate structures were and are established to address those concerns.

The Policy attached as Exhibit I to Attachment 1 defines three subsets of the proposed Unrestricted-Undesignated (UU) Reserves: Operating/Maintenance (Working Capital), Debt Service and Rate Stabilization.

The proposed Operating/Maintenance (Working Capital) component of the UU Reserves is recommended to be funded at a 25 to 35% of annual operating and maintenance expenses (on-going annual expenditures) and is based on the most recently adopted budget. By example, for the FY 2018/19 fiscal year that translates into water and sewer accumulation balances as follows:

FY 2018/19 Budget	Sewer	Water
On-Going Annual Expenditures	\$ 3,122,751	\$ 4,319,563
Minimum Balance (25%)	\$ 780,688	\$ 1,079,891
Target Balance (35%)	\$ 1,092,963	\$ 1,511,847

The Propose Debt Service component of the UU Reserve would be in addition to the Operating/Maintenance (Working Capital) targets and would be held in accordance with any legal and/or reserve requirements associated with the debt issuance.

Lastly, the Rate Stabilization component is intended to offset significant potential fluctuations in rates due to operating and maintenance needs or future economic instability or environmental impacts. Staff recommends a minimum funding level of five percent of the prior year's actual service revenues received in the water and sewer funds. FY 2018/19 fund levels would be based on the FY 2016/17 revenues as illustrated below:

FY 2018/19 Budget	Sewer	Water
FY 2016/17 Service Revenues	\$ 5,637,980	\$ 4,783,124
Rate Stabilization Component (5%)	\$ 281,899	\$ 239,156

Based on those recommended minimum and target balances, the Water and Sewer Accumulation Funds would maintain the following balances for FY 2018/19:

FY 2018/19 Budget	Sewer	Water
On-Going Annual Expenditures	\$ 3,122,751	\$ 4,319,563
Minimum Balance (25%)	\$ 780,688	\$ 1,079,891
Target Balance (35%)	\$ 1,092,963	\$ 1,511,847
FY 2016/17 Service Revenues	\$ 5,637,980	\$ 4,783,124
Rate Stabilization Component (5%)	\$ 281,899	\$ 239,156
Minimum Accumulation Reserve Balance	\$ 1,062,587	\$ 1,319,047
Target Accumulation Reserve Balance	\$ 1,374,862	\$ 1,751,003

Both the water and sewer accumulation funds currently retain accumulations within those recommended levels. The Policy is subject to periodic review and update by the City, either as the result of material changes to best practices, market conditions, if any legal and/or regulatory requirements warrant such an update and during the annual budget adoption process. All updates require approval by the City Council.

CONCLUSION

Staff recommends the Council adopt Resolution xx-xx City of Morro Bay Enterprise Fund Accumulation Reserve Policy as a matter of best practice and also so staff can move forward with the preliminary bond rating for the WIFIA loan application. The Policy will help obtain reduced debt service requirements and further result in lower rate funding for the City’s Wastewater Reclamation Facility.

ATTACHMENT

1 – Resolution 46-18 City of Morro Bay Enterprise Fund Accumulation Reserve Policy

RESOLUTION NO. 46-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AN ENTERPRISE FUND ACCUMULATION RESERVE POLICY**

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

WHEREAS, the City of Morro Bay maintains accumulation funds for the water and sewer enterprise funds; and

WHEREAS, those accumulation funds were established as savings funds for capital projects and operational needs; and

WHEREAS, staff recommends the City Council adopt the proposed Enterprise Fund Accumulation Reserve Policy, which demonstrates the City's commitment to fiscal responsibility and prudent management and is consistent with Government Accounting Standards.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, the "Enterprise Fund Accumulation Reserve Policy," as set forth in Exhibit A, attached hereto and incorporated herein, is hereby approved.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 13th day of June 2018, by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



COUNCIL POLICY

ENTERPRISE FUND ACCUMULATION RESERVE POLICY

Policy Statement

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits and delivery of potable water to a similar number of customers.

The City Council sets legislative financial management policies, as recommended by staff and advisory committees. This Accumulation Reserve Policy (“Policy”) is designed to establish guidelines to ensure fiscal stability of the Water and Sewer Enterprise Funds and provide guidance to staff in the financial management of the water and sewer Divisions.

Purpose

A properly designed reserve policy is not only a financial best practice, but also sends a positive signal to ratepayers, investors, regulatory, and credit rating agencies the City is committed to maintaining the long-run fiscal strength of the Water and Sewer Divisions. Strong and transparent financial policies, including maintaining prudent reserves for emergencies, rate stability, working capital, and capital improvements, are consistent with Government Accounting Standards and are important to the Water and Sewer Divisions as they help to:

- Maintain the short-term and long-term financial health of the Water and Sewer Enterprise Funds
- Maintain stable rates for customers and help ensure manageable rate increases
- Fund unanticipated expenditure contingencies
- Ensure funds exist for system improvements
- Ensure cash exists for the timely payment of bills
- Act as a significant positive credit factor in bond ratings

Definitions

The Water and Sewer Accumulation Reserves will be classified as Unrestricted-Undesignated Reserves. Those reserves may be used for any lawful purpose, as approved by the City Council, and have not been designated for specific capital and operating needs. The following Unrestricted-Undesignated Reserve Policy addresses the levels, use, and replenishment of those types of unrestricted reserves. The Accumulation Reserves will be accounted for within fund balances held in the Water and Sewer Accumulation Funds.

Unrestricted-Undesignated Reserve Policy

The Water and Sewer Divisions will have sufficient Unrestricted-Undesignated cash accumulated to maintain or improve its credit ratings, ensure operating and maintenance costs will be paid in a timely manner, pay debt service obligations, invest in needed capital improvements and equipment replacement and other uses on a timely basis. In addition, the Water and Sewer Enterprise Funds

will maintain sufficient cash accumulation to minimize rate increases due to market volatility, weather impacts on demands, contingencies, and regulatory changes.

This Accumulation Reserve Policy outlines the appropriate types and target (minimum and maximum) levels of several reserve components, based on operational benchmarks, (as prescribed below) that combine the overall Unrestricted-Undesignated Accumulation Reserve target.

Operating/Maintenance (Working Capital)

The Operating/Maintenance component of this accumulation reserve is intended to ensure sufficient resources to pay budgeted operating and maintenance expenses, recognizing the timing differences between payment of expenditures and receipt of revenues. It also provides a source of funding to allow the Water and Sewer Divisions to operate during short term fluctuations in revenues and/or expenditures.

Minimum Level: Equal to twenty five percent of annual on-going operating and maintenance expenses based on the most recent adopted budget.

Target Level: Equal to thirty five percent of annual on-going operating and maintenance expenses based on the most recent adopted budget.

Example:

FY 2018/19 Sewer Revenue Fund Total Expenditures (on-going annual expenditures)	\$3,122,751
Target Level 35%:	<u> x0.35</u>
Target Cash Accumulation	\$ 1,092,963

Debt Service

The Debt Service component of this accumulation reserve is intended to ensure the ability to make debt service payments in an extreme event that may impact the Water and/or Sewer Divisions' ability to provide services, thus impacting revenues at a time when critical infrastructure repairs are needed to restore systems. It is intended to prevent an event where the Water and/or Sewer Divisions would be unable to pay their debt service obligations during such emergencies, or extreme market disruptions. Debt service reserve will be held in accordance with any legal and/or reserve requirements associated with the debt issuance.

Rate Stabilization

The Rate Stabilization component of this accumulation reserve is intended to help minimize significant potential fluctuations in the Water and Sewer rates for the system operations. This policy establishes a baseline target for the Rate Stabilization component in an amount equal to 5% of the prior fiscal year's water and sewer service revenues only. The funding level of this reserve can go up or down depending on the year to year changes in the service revenues. The Rate Stabilization component can be treated as a coverage stabilization tool enabling transfers into and out of the Water and Sewer Revenue Funds, as determined necessary by the Finance Director, after consultation with recommendation of the Water and Sewer Divisions' personnel and Public Works Director.

Withdrawal & Replenishment of Accumulation Reserves

The Water and Sewer Divisions will treat the minimum levels as practical reserve floors and allow reserves to increase or decrease within the minimum and target levels, as approved by City Council during the annual budget process or as needed by the Finance Department.

To the extent Unrestricted-Undesignated Accumulation Reserves are above the target levels, the Council has the flexibility to direct staff to utilize those available funds to pay for capital projects (reducing the need for future debt), pay down liabilities and/or buy-down outstanding debt, or reduce rates.

Reserve levels below the minimum target reserves would leave the Water and Sewer Divisions exposed to operational risks. If the Water and Sewer Divisions draw down the reserves below the minimum targeted level, then the Water and/or Sewer Divisions, in conjunction with the Finance Department will implement plans to return cash accumulation reserves to their minimum target levels within three years and subject to approval by City Council.

Reporting and Oversight

Accumulation Reserve Levels will be monitored during the fiscal year and reported in the quarterly financial reports, as provided by the Finance Department. Accumulation Reserve minimum and target levels will be analyzed annually by the Water and Sewer Divisions and an over/under reserve determination shall be made in conjunction with year-end financial results. Those results will be reported to the City Council as part of the year-end financial report presentation. If Unrestricted-Undesignated Accumulation Reserve levels need adjustment due to new risk factors or changes in the industry, that information will be brought to the City Council as part of the year-end report or sooner, as determined by the Finance Department, in conjunction with the Water and/or Sewer Divisions as needed.

This Policy will be reviewed during the City's annual budget process, and updated, if needed, as a result of material changes in the risk exposures or new conditions that required changes in this Policy.

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AGENDA NO: II

MEETING DATE: June 13, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: June 6, 2018

FROM: Scott Collins – City Manager
Rob Livick, PE/PLS – Public Works Director/City Engineer
Jennifer Callaway – Finance Director
Eric Casares, PE – WRF Program Manager

SUBJECT: Water Reclamation Facility Program Update, Selection of a Preferred Proposer for WRF Onsite Improvements and Direction Regarding Related Policies

RECOMMENDATION

Staff recommends the following:

- a. City Council consider the status report of the Water Reclamation Facility (WRF) program; and
- b. Take action regarding selection of Filanc/Black & Veatch as the preferred proposer for the WRF Onsite Improvements and provide direction to staff to begin negotiations; and
- c. Provide direction regarding Water/Wastewater Operations Center at WRF site; and
- d. Take action regarding Resolution 42-18 for modifications to the City's existing Utility Discount Program; and
- e. Provide direction regarding the development of a resolution establishing an Annual Rate Review Policy for the City; and
- f. Take action regarding Resolution 43-18 for establishment of the City's Debt Management Policy; and
- g. Provide any other direction as deemed appropriate by a majority of the Council.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's current fiscal year budget for the WRF. However, some of the proposed actions and options presented within this report, if adopted by Council, may result in overall reduced costs for the WRF program.

BACKGROUND

Since the time City Council determined the South Bay Blvd. location was the preferred site for the WRF in September 2017, the City has been working diligently to meet the Environmental Protection Agency Water Infrastructure Finance and Innovation Act (WIFIA) loan application deadline of July 2018 and make the overall project as affordable as possible for the community. Through the design-build process for the WRF on-site improvements, the City and its team of experts and volunteer

Prepared By: rl

Dept Review: _____

City Manager Review: SC

City Attorney Review: JWP

support (the sub-committee of the WRF Citizen Advisory Committee) have been able to select a qualified design-build team and project with a cost nearly \$20 million less than previous estimates. That effort, combined with other efforts and approval of policies and options described within this report, could further reduce the economic impact of the project.

In addition, as the WRF project is nearing critical decision points, this is an opportune time to provide City Council important updates on the overall WRF project, such as the funding available in the current City budget from the 2015 water and wastewater/sewer rate increases, the environmental impact review process, and other matters related to the WRF.

This report has been broken into 3 different but related sections and a brief closing conclusion. Section 1 provides a program management and budget update. Section 2 describes critical work efforts with a focus on affordability. Section 3 discusses the City's debt management policy. Each section has subsections with recommendations for City Council consideration.

DISCUSSION

Section 1. WRF Program Management and Budget Update

Section 1.A General WRF Update

The WRF program is entering a new phase with several key activities planned for summer 2018. Most notably, using the statutorily authorized design build (DB) approach, the City has recently completed the procurement process for the WRF Onsite Improvements, published a Draft Environmental Impact Report (EIR), and is in the process of completing the new water and sewer rate study. To help keep those efforts moving and incorporate input from the community, the City is engaging the Public Works Advisory Board (PWAB), Water Reclamation Facility Citizens Advisory Committee (WRFCAC), and the recently created Blue Ribbon Commission (BRC).

On May 16, 2018, the new capital improvement plans (CIPs) for the water and sewer enterprises, developed as a part of the City's OneWater Plan, were presented to PWAB. Those CIPs are an important element of the City's rate study and identify projects needed to sustain the long-term health of the City's water and sewer infrastructure. City staff has met several times with the WRFCAC WRF Subcommittee regarding the review of the DB proposals. Most notably, City staff has met five times with the BRC to solicit input for the new rate study, since their creation was announced by the City Manager in late April 2018. The BRC have been charged with reviewing the water and sewer CIPs, reviewing current budgets for both water and sewer operations and maintenance, and developing independent recommendations with regard to future rate increases.

Section 1.B Environmental Impact Review (EIR) Status and Schedule

The Draft EIR for the WRF Program was published on March 30, 2018. The comment period for the Draft EIR ended on May 18, 2018. City staff is currently working to address comments received from members of the community and public and regulatory agencies and is planning to release a Final EIR to the public on June 25, 2018 with a presentation to WRFCAC and the Planning Commission at a joint meeting on July 03, 2018. The Final EIR would then be brought to City Council at the regularly scheduled August 14, 2018 meeting to consider certification.

Section 1C Program Schedule - Items on the Critical Path

The following upcoming work elements and/or meetings have been identified by staff as being

critical to maintaining the current WRF Program schedule:

- Blue Ribbon Commission Report Issued – Late June/Early July 2018
- Presentation of rate options to Advisory bodies and City Council – Late June/Early July 2018
- Submission of the WIFIA application to EPA - July 09, 2018
- City Council review and certification of the Final EIR - August 14, 2018

Section 1.D Program Budget 3rd Quarter Financials

During the mid-year budget update, City staff recommended, and Council approved a significant budget reduction to the WRF Program due to a delay in the progression of the project. Given that reduction, the WRF budget decreased from originally adopted amount of \$4.26 Million to \$2.2 Million. As of March 31, 2018, 42 percent of the amended budget had been expensed, totaling just under \$925,000 as illustrated in the table below:

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%

City staff began tracking the project costs for the WRF in March 2013. Since that point of inception, the WRF projects costs through June 6, 2018 are outlined below and total \$5.1 Million.

Water Reclamation Facility Project Expenditures		
Accounts		Total Project Expenditures -
Fund/Code	Object Name	March 2013 through June 6, 2018
321-8312	Contractual Services	
6105	Past Siting Studies (Completed - no further encumbrance)	\$ 448,057
6105	Current Consulting Contracts	\$ 2,670,627
6105	Water Rights Legal Support	\$ 7,880
6105	Rate Study - Preliminary Analysis Costs	\$ 1,457
6101	Legal Services	\$ 2,583
6104	Engineerng Services	\$ 80,817
6196	Program Management & DB Procurement	\$ 677,166
6197	Grant Support	\$ 49,445
6198	Government Relations	\$ 56,922
6140	Economic Outreach	\$ 18,017
	Subtotal	\$ 4,012,971
321-8312	Labor (Fully Benefited)	
4910, 4999	Labor and Benefits	\$ 371,305
	Subtotal	\$ 371,305
321-8312	Other Costs	
6105, 6162	Laboratory/Sampling	\$ 35,483
7103	WRF On-Site Improv Design/Bld	
7104	Design Phase - Lift Station & Force Main	\$ 210,880
7105	Planning & Permitting	\$ 234,092
5199, 5305, 6106, 6105, 6710, 6220	Printing and Advertising/Postage	\$ 59,801
5199	Software License and Fees	\$ 42,206
5199, 7101	Property Acquisition	\$ 30,500
5199, 6106, 6750	Program Office Equipment	\$ 8,962
5199, 6514, 6510	Travel Expense	\$ 12,101
6640	Maintenance Contracts	\$ 44,776
5110	Fuel & Oil Lubricants	\$ 75
	Subtotal	\$ 678,875
	Totals	\$ 5,063,150

The City's FY 2018/19 Operating and Capital Budget is scheduled for adoption on June 12, 2018, and includes a \$9.4 Million budget for progression on the WRF budget through June 30, 2019. It is important to note, with the recent hiring of a new program manager the budget may be amended as the program manager reviews estimated expenditures. Any proposed budget amendments would be brought forward for Council discussion and action.

Section 2. Current Critical Work Effort – Cost Reduction/Rate Impact Mitigation

The City recognizes the financial magnitude of the WRF program and impact on the community. As a result, City staff has focused their efforts on increasing the program's affordability and reducing those financial impacts on its ratepayers through the following actions:

- Selecting the preferred proposer for completion of the WRF onsite improvements that represents the best value for the City;
- Evaluating alternatives for configuration of the WRF Facilities Building;
- Providing insight into the previous water and sewer rate increases that began in 2015;
- Making modifications to the City's existing Utility Discount Program;
- Establishing a City Rate Review Process; and
- Pursuing state and federal funding, in the form of low-interest loans and grants

Section 2.A Procurement Process for the WRF Onsite Improvements

After receiving the proposals, City staff and the program management team met with members of the WRFCAC WRF Subcommittee to provide the technical content of the proposals and kick-off the review process. The proposals were initially reviewed by that subcommittee, City staff, and program management team for compliance with the RFP and technical accuracy.

Based on the review of the two proposals, both DB teams were invited to participate in 1.5-hour interviews held at the Fire Station Training Room on June 1, 2018. Following the interviews, the members of the evaluation team met as a group to discuss the proposal review and interviews, and evaluate each against the selection criteria and weights established in the RFP (below).

Criterion	Possible Score
Technical Proposal	
Management Proposal	3
Quality Assurance and Quality Control	3
Schedule and Cost Control	4
Team/City Collaboration and Integration	3
Design Development and Management	3
Project Sequencing and Scheduling	4
Proposed Design and Performance Guarantees	20
Price Proposal and Life-Cycle Cost	60
Total	100

The results of the evaluation are presented in the table below. The DB proposal with the lowest life-cycle cost was awarded the maximum score of 60. The score given to the DB with the higher cost is based on the relative difference between the life-cycle costs for each proposal (*i.e.*, the number of points awarded was 5% lower than the maximum since the life-cycle cost was 5% higher). The rationale for each of the scores assigned for all technical categories, along with the actual scores, is presented in the table below:

Filanc/Black & Veatch		AECOM/W.M. Lyles Co.	
Rationale	Score	Score	Rationale
Management Approach			
<ul style="list-style-type: none"> • More balanced team between engineering and construction • More cohesive team • Joint venture formed • Ability to competitively procure more extensive subconsultants (<i>i.e.</i>, instrumentation and controls) 	3	1	<ul style="list-style-type: none"> • Joint venture formed
Quality Assurance and Quality Control			
<ul style="list-style-type: none"> • QA/QC plans addressed in proposal, but not highlighted in interview 	1	1	<ul style="list-style-type: none"> • QA/QC plans addressed in proposal, but not highlighted in interview
Schedule and Cost Control			
<ul style="list-style-type: none"> • 6-month early completion compared to the baseline schedule • High-level of due diligence demonstrated for costing 	4	2	<ul style="list-style-type: none"> • Ability to complete the project on schedule
Team/City Collaboration and Integration			
<ul style="list-style-type: none"> • Colocation and collaboration highlighted in the interview • Technical team location in proximity to key technical team for program manager (<i>i.e.</i>, Walnut Creek) and City • Incorporation of City ideas and concepts • Attendance at both confidential meetings 	3	1	<ul style="list-style-type: none"> • Attendance at only a single proprietary meeting
Design Development and Management			
<ul style="list-style-type: none"> • Greater level of design detail (<i>e.g.</i>, specific rationale behind selection of biosolids dewatering technology) • More operationally friendly site layout 	3	1	
Project Sequencing and Scheduling			
<ul style="list-style-type: none"> • 4D model (<i>i.e.</i>, 3D model sequenced with time) 	4	2	
Proposed Design and Performance Guarantees			
<ul style="list-style-type: none"> • Design innovation from the use of the SAFE process for handling wet weather flows • Options for increasing the 	15	14	<ul style="list-style-type: none"> • More conventional process approach • More conventional IPR treatment process with

permitability of the SAFE system (<i>i.e.</i> , chemical additional, advanced monitoring, alternative processes) <ul style="list-style-type: none"> • More consistent effluent quality with membrane bioreactor (MBR) • Very tight range on performance criteria 			sequencing batch reactor and full advanced treatment (<i>i.e.</i> , more easily permittable) <ul style="list-style-type: none"> • Less consistent process performance with SBR • Greater range for performance criteria
Price Proposal and Life-Cycle Cost			
60		57	
Total			
93		79	

The construction cost in the Filanc/Black & Veatch proposal for the WRF onsite improvements is approximately \$20 Million less than the estimate presented to Council for this portion of the program in September 2017.

Recommendation for Council Regarding Preferred Proposer

Staff recommends the Council select Filanc/Black & Veatch as the preferred proposer and direct staff to enter into negotiations with the goal of returning with a contract for Council approval after certification of the Final EIR and successful completion of the Proposition 218 process.

Section 2.B 2015 Rate Increase Background

With the adoption of the 2015 rate increases, one of the expectations was for those rate increases to generate additional revenue to fund existing capital and infrastructure needs, as well as generate funds to support the WRF program. During that time, the state of California experienced the most severe drought in State history. Concurrently, the City chose to defer most capital and infrastructure needs pending a comprehensive review of needs, development of a plan and progression on the WRF program. The drought, coupled with the conservative deferral of capital expenditures, has affected the accumulation of monies in the water and sewer accumulation funds.

Since the 2015 rate increase went into effect, the City has accumulated an additional \$2.8 Million of available cash between the sewer and water funds to assist with funding of the WRF project. Funding of the preliminary phases of the WRF project under a pay-as-you-go approach helps reduce debt and overall principal and interest owed by the City, thereby reducing overall project costs.

Included in Attachment 1 is a summary of the Water and Sewer Rate increases, revenue increases since the rate increases went into effect, and overall increases to the accumulation of available cash (FY 2014/15 through FY 2016/17). Staff will continue to update that information with FY 2017/18 figures, once the current fiscal year is closed-out in late fall of 2018. Staff is currently projecting the FY 2018/19 proposed WRF budget of \$9.4 Million will be fully funded with available cash within the water and sewer funds, thereby further delaying drawdown of the State Revolving Loan Fund (SRF) planning loan.

The 2015 rate study was based on some key financial assumptions, including funding a new

\$75 Million WRF with the Cayucos Sanitary District (CSD) funding 25 percent to 30 percent of that new facility. The following is taken directly from the 2015 Proposition 218 Notice:

“The proposed rates assume the City can obtain low-interest-rate financing from the Clean Water State Revolving Fund Financing Program to fund the planned new \$75 Million Water Reclamation Facility. If the facility ends up costing significantly more than estimated or state-subsidized financing is not available, then the City may need to re-evaluate rate increases in future years.”

Since the adoption of those rates, two key assumptions have changed:

1. The City no longer expects 25 percent to 30 percent cost sharing with the CSD
2. The City now has more refined cost estimates for the various components of the WRF program.

Given those significant changes in assumptions, as identified in the previous Proposition 218 notice, the BRC and the City are now reevaluating rates that would be needed to support the cost of the new facility.

Section 2.C WRF Facility Building Evaluation

City Council requested a review of the proposed operations and maintenance buildings for the WRF, and staff engaged the assistance of RRM Design Group to conduct an evaluation of options. According to that study, the City could realize savings in the overall cost of the WRF program by continuing to use the existing WWTP buildings as shown in Attachment 2 to house a portion of the water and wastewater operations staff, with the remainder housed at the WRF.

While the existing WWTP operations building reuse makes up about half of the total operations buildings at the proposed WRF site, some of the functions of the operations building will need to be shifted to the WRF maintenance building for split operations and it will need to grow by about 20 percent over what is currently proposed. This reuse of existing remodeled facilities and minimal facilities on the WRF site results in a net cost savings of between 8 to 18 percent for reusing existing facilities on the existing WWTP site and corporation yard. Therefore, the total net savings in initial cost would be somewhere in the range of \$640,000 to \$1.4 Million (option 2 below).

An additional alternative (option 3) would be to construct minimal facilities at the WRF and continue to use the existing facilities “as-is” with a plan for future upgrades as additional funds are available. This could achieve between 25 and 50 percent savings in building costs at the new WRF site thus saving between \$2 - \$4 Million. However, this will require future work at the existing site to bring those facilities up to meeting the needs of staff.

While those savings are measurable for option 2 and 3, as a percentage of the total WRF program, the magnitude of the savings do not out-weigh potential negative impacts on operation of the utilities division and to the existing wastewater treatment plant site. Specifically, splitting of the utilities division between the WRF and existing WWTP site would result in a loss of operational efficiencies by not having all staff collocated. With the new WRF and its potable reuse components, it will require staff with certification in water treatment and distribution to operate those portions of the facility. With the lean makeup of utility staffing, splitting the staffing into two operations centers could cause loss of productivity. Furthermore, by retaining structures at the existing site, as would be necessitated by maintaining a portion

of the operations at the existing wastewater facility, it may hinder the possibilities for better community use of the property in the future.

Options for Council consideration include the following:

1. Construction of operations and maintenance facilities at the proposed WRF site with provisions for all utility staffing, and removal of the operation and maintenance buildings at the current WWTP site (no savings, optimal operational efficiency, better community use for the existing site).
2. Construct only an expanded maintenance shop at the proposed WRF site with admin facilities for only the operations staff on duty and remodel/upgrade existing facilities as recommended in the RRM Report (\$640k - \$1.4M in immediate savings, negatively impacts operational efficiency, and limited reuse options on the existing site).
3. Construct only an expanded maintenance shop at the proposed WRF site with admin facilities for only the operations staff on duty and retain the existing facilities as is, with a plan for future remodel and upgrades (42M-\$4M in immediate savings, negatively impacts operational efficiency, and limited reuse options on the existing site).
4. Provide other direction as appropriate.

Recommendation to Council Regarding the WRF Operation Building

Staff recommends the Council provide direction to proceed with Option 1 as the most operationally efficient, as the other options provide nominal cost savings and impact operational efficiencies.

Section 2.D Utility Discount Program

Current Status

The City's current Utility Discount Program was established in July 2015 by the City Council adopting Resolution 54-15, to assist low-income rate payers through reduced rates. That replaced an earlier discount program and clarified no rate revenue would be used to fund the program, in compliance with the law. The current program allows any City water/sewer rate payer who qualifies for the Pacific Gas and Electric (PG&E) California Alternate Rates for Energy (CARE) Program to receive a discount on her/his sewer/water bill. The amount of the discount depends on the amount of non-rate revenue received and the number of qualifying customers, but currently equates to approximately 10% for eligible customers. At this time, approximately 128 residents participate in the program. In 2015, PG&E CARE department told staff, 967 Morro Bay residents are signed up with the CARE Program.

Open Enrollment Period

Under the current policy, the City will begin receiving applications on July 1, 2018, and will continue through the month of July. Once eligibility is determined, the amount of credit will be calculated based on previous year revenue and available fund balance, and that credit will be applied to qualifying rate payers.

Changes to the Program (Attachment 3)

- Establish minimum and maximum water/sewer rate discounts;
- Remove fee related revenue from the program; and
- Allow additional sources of revenue to be included in the funding of the program as Council deems appropriate to strengthen the stability of the program

Recommendation to Council Regarding the Utility Discount Program

Staff recommends the Council adopt Resolution No. 42-18 City of Morro Bay Utility Discount Program amending the City's existing program.

Section 2.E City Rate Review Policy

With the adoption of the 2015 water and sewer rate increases in May 2015, the City Council discussed there should not be long periods where utility rates are not restudied and suggested a new rate study be performed every five years. Due to many variables associated with the future water/sewer rates, the cost of the project, the cost of operations and personnel; along with the cost of money due to variability of project financing, staff is recommending the City develop an annual rate review policy. The policy would contain items such as review of prior year's revenues and expenditures, projections regarding future expenditures and revenues, status of capital improvements, and changes in WRF project financing including incorporation of any grants received. That policy would then determine whether the scheduled annual rate increase would need to be imposed at the modeled level. That is particularly important as the City is pursuing outside funding, such as grants and low interest loans, that may be awarded to the City after a new rate increase is adopted. Each annual review would not require a Proposition 218 protest process, as long as the resulting rates were no greater than those proposed through the process to be conducted later this year.

Recommendation to Council Regarding an Annual City Rate Review Policy

Staff recommends the Council provide direction to staff to return with a resolution within 30 days that would contain a rate review policy.

Section 3. City Debt Management Policy

Effective January 1, 2017, Senate Bill 1029 (SB 1029) amended Subdivision 8855(i) of the California Government Code to require local government issuers of public debt adopt a debt management policy, which included specific provisions concerning the use of debt and provided a framework for debt issuance, capital planning, and post issuance debt administration. It created the following major changes:

- Required the California Debt and Investment Advisory Commission (CDIAC) to track and report on all state and local outstanding debt until fully repaid or redeemed; and
- Required the report of proposed debt include a certification by the issuer it has adopted local debt policies, which include specified provisions concerning the use of debt and the contemplated debt issuance is consistent with those local debt policies; and
- Required a state or local public agency to submit an annual report for any issue of debt.

The Securities and Exchange Commission (SEC) recommends issuers of municipal securities adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure undertakings.

The Government Finance Officers Association (GFOA) defines debt management policies as "written guidelines, allowances, and restrictions that guide the debt issuance practices of state and local governments, including the issuance process, management of debt portfolio, an adherence to various laws and regulations."

A debt management policy further demonstrates a commitment to long-term capital and financial planning, and adherence to that policy, according to the GFOA, "signals to rating agencies and the capital markets that a government is well managed and likely to meet its debt obligations in a timely manner."

The GFOA recommends a debt management policy should be reviewed periodically (and

updated if necessary) and should address at least the following:

1. Debt Limits;
2. Debt Structuring;
3. Debt Issuance Practices; and
4. Debt Management Practices.

Finally, the GFOA supports, as a best practice, a debt management policy “should be approved by the issuers governing body to provide credibility, transparency, and ensure that there is a common understanding among elected officials and staff regarding the issuers approach to debt financing.”

As a part of the City’s WIFIA and SRF application packages, the City must submit a copy of an approved Debt Management policy. The City does not currently have a Council-adopted Debt Management policy and as such staff has drafted Resolution No. 43-18 and Exhibit A City of Morro Bay Debt Management Policy for Council consideration and adoption (Attachment 4).

The policy was developed in accordance with CDIAC requirements and pursuant to SB 1029, and was designed to meet the following objectives:

- Identify the purpose of the debt issuance and use of debt proceeds;
- Identify the types of debt that may be issued;
- Describe the relationship of debt to the Capital Improvement Program (CIP) and City of Morro Bay Budget;
- Ensure the issuance of debt is consistent with public policy objectives of the City of Morro Bay, as determined by the City Council; and
- Implement and maintain a system of internal controls to ensure that debt proceeds will be directed to the intended use in accordance with all applicable statutory and policy requirements.

The policy is subject to periodic review and update by the City financial team, either as the result of material changes to best practices, market conditions, or if any legal and/or regulatory requirements warrant such an update. All updates or changes require approval by the City Council.

Recommendation to Council Regarding a Debt Management Policy

Staff recommends the Council adopt Resolution No. 43-18 City of Morro Bay Debt Management Policy so staff can move forward with the WIFIA and SRF applications for state and federal funding for the WRF.

CONCLUSION

The City will continue working to reduce costs and rate impacts associated with the WRF program. The draft policies contained within this report, if adopted, could help further reduce costs and rate impacts to the community.

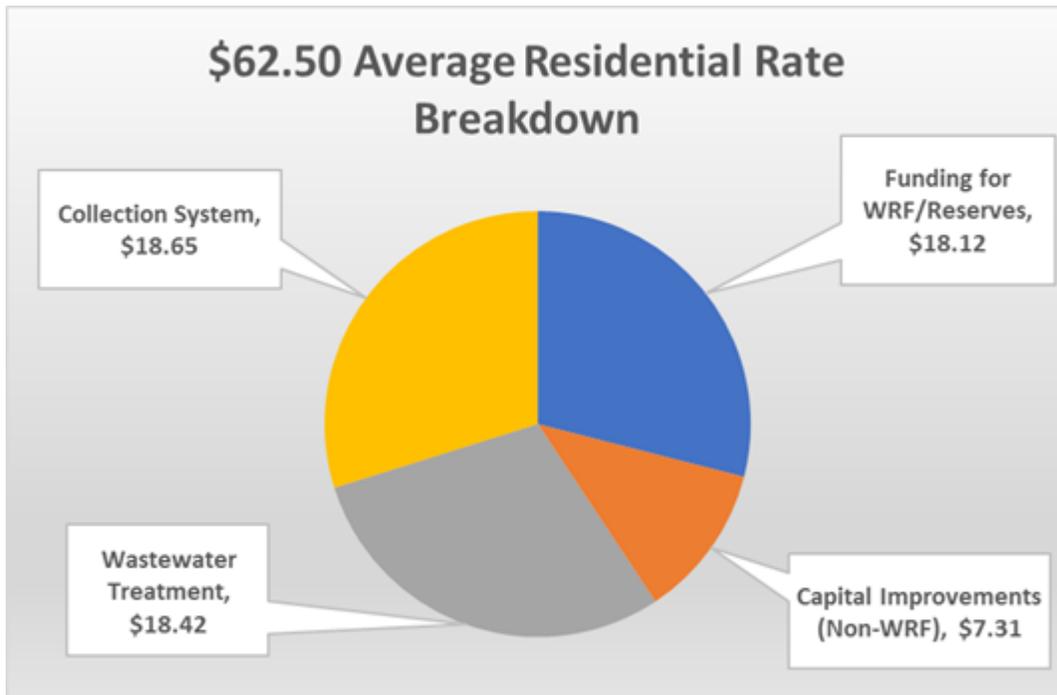
ATTACHMENTS

1. 2015 Water and Sewer Rate Increase Analysis
2. Morro Bay Water Reclamation Facility, Examination of Reuse of Existing Facilities, RRM, January 2018
3. Utility Discount Program Revisions: City Council Resolution 42-18
4. Debt Management Policy: City Council Resolution 43-18

ATTACHMENT 1
Water and Sewer Rate Increase

Water & Sewer Revenues

In August 2017 staff provided the Council and community with a breakdown of the residential sewer rate which is provided below for reference:

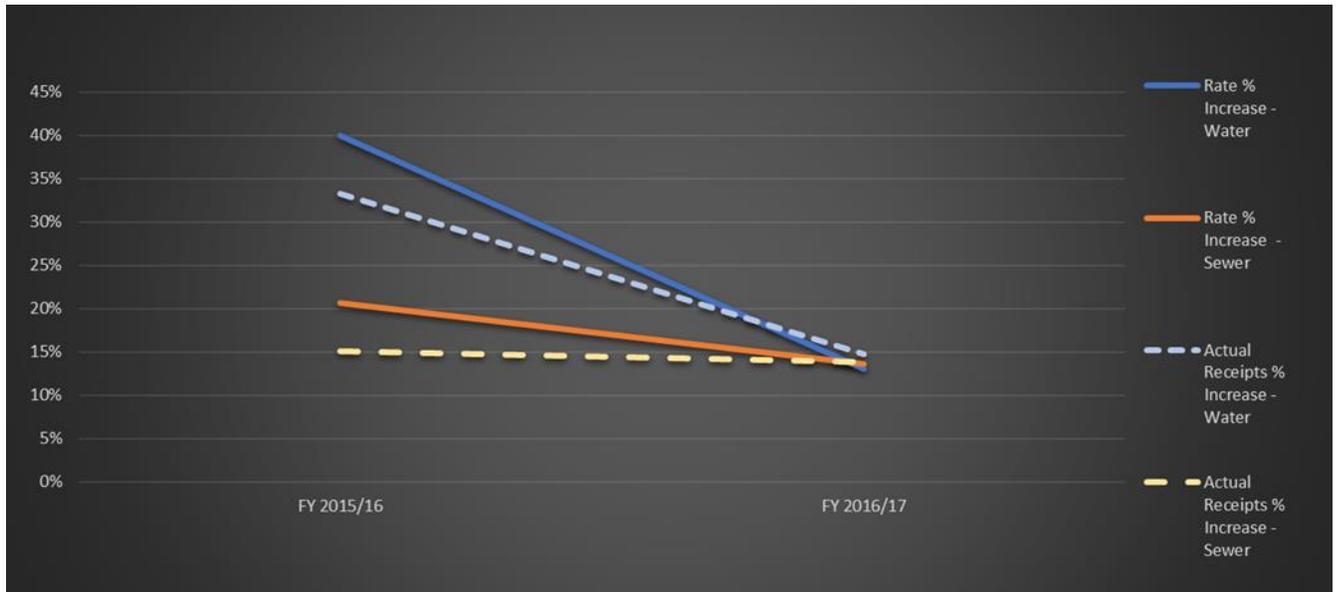


Of the \$62.50 average residential rate, \$18.12 was forecasted for the WRF/Reserves, representing 29% of the total rate. As will be illustrated in more detail below, the available cash balance in the sewer fund since the adoption of the new rates through FY 2016/17 has increased by 39 percent.

From FY 2014/15 through FY 2016/17 water revenues increased by 33 percent during year one of the rate increase (FY 2015/16 compared to FY 2014/15) and 15 percent in year two of the rate increase (FY 2016/17 compared to FY 2015/16). The rates themselves increased by 40 percent and 13 percent in years one and two respectively, an indication that consumption changed during those two years.

Actual sewer revenue receipts increased 15 percent and 14 percent during years one and two of the rate increase, respectively. The rates themselves increased 21 percent and 14 percent in years one and two respectively. Again, the percentage increases, most notably in year 1 of the rate increase, indicate a change in utilization which is not surprising given the recent drought.

The graph below represents the percent change in the water and sewer rate increases compared to the percent change in the actual water and sewer revenue receipts during the first two years of the 2015 rate increase. The water and sewer trends are similar trajectories when comparing the percentage of the rate increase to the percentage increase of actual revenues received.



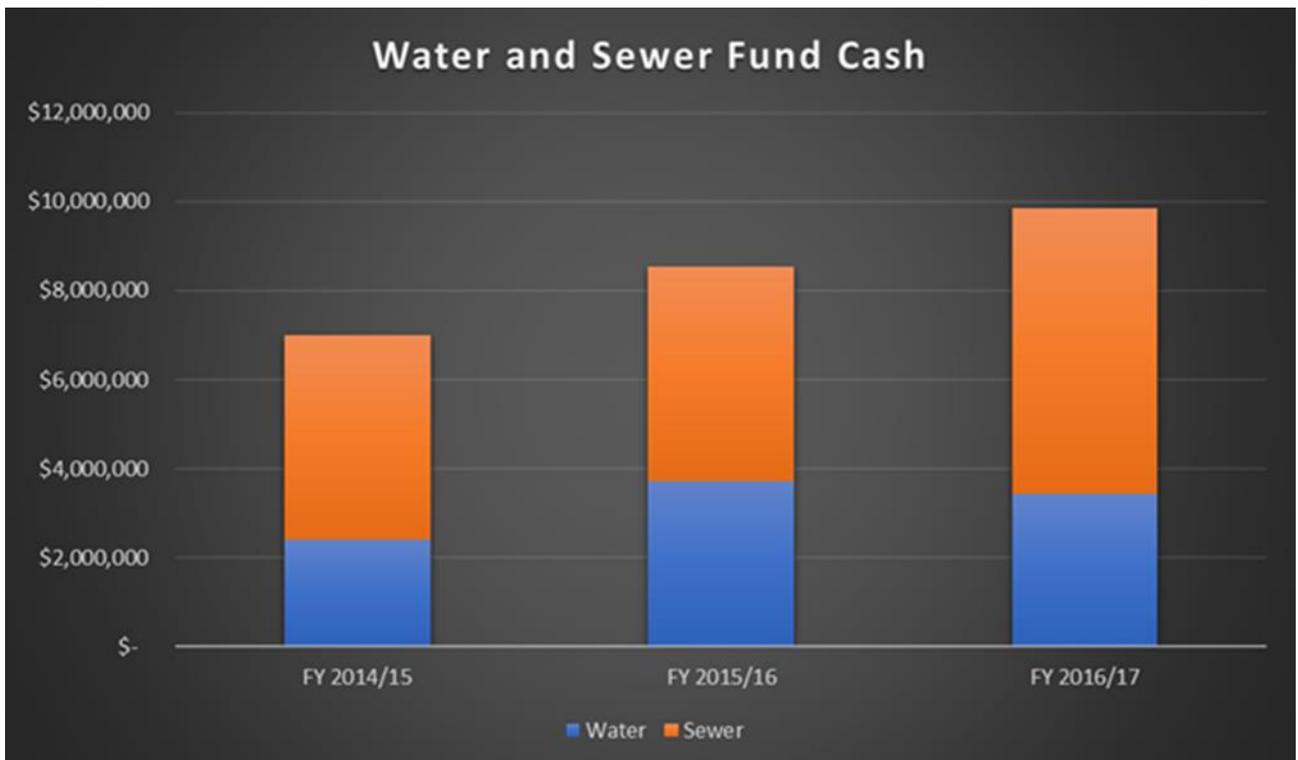
Water and Sewer Revenues Compared to Expenditures

As a result of the increased revenues indicated in the chart above and the City's conservative spending over the last three years, revenues have accumulated to fund, on a pay-go basis, a larger portion of the initial project, helping to reduce the overall debt that will need to be incurred to fund the WRF Program and thereby reducing principal and interest payments. The table below indicates the revenues received for both sewer and water services compared the expenditures incurred for FY 2015/16, FY 2016/17 and FY 2017/18 through May 2018. The additional revenues over expenditures that are illustrated in the chart below are saved in the accumulation fund to help support the new WRF Program and any current capital needs of the water and sewer systems.



Water and Sewer Accumulation Funds

The 2015 Rate increase resulted in increased available cash for the City to fund capital needs and the beginning phases of the WRF project. As illustrated below, the City has accumulated over \$9 million dollars in available cash between the water and sewer funds to support current capital needs and the WRF project.



The available cash in the sewer fund as of June 30, 2017 totaled over \$6 million and represents a 39 percent increase (\$1.8 million) in available cash from FY 2014/15, prior to the rate increase. This is closely correlated with the 37 percent rate increase which occurred over the same period and the 34 percent increase in actual revenues received. Similarly, the water fund experienced a 43 percent increase in cash by June 30, 2017 when compared to FY 2014/15. While multiple factors affect cash accumulation, including consumption and expenditures, the rate increase of 58 percent over the same two-year period resulted in a 53 percent increase in actual revenues received contributing to the 43 percent increase in available cash.



January 19, 2018

Rob Livick, PE/PLS
Public Works Director/City Engineer
City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

**RE: Morro Bay Water Reclamation Facility
Examination of Reuse of Existing Facilities**

Dear Rob,

Per your request, we have looked into the potential to retain the City's Utilities Department staff at the existing site in existing treatment plant facilities when the new Water Reclamation Facility (WRF) is built at the South end of town. Our mission as we understood it then was to create a space that fully supports the department using as much of the existing facilities at practical.

We toured the existing facility and noted the current facilities that are used by the department. Because of a lack of space in the current operations building at the treatment plant staff have developed workaround solutions with workstations located in an open, unheated warehouse and a workshop just feet away from noisy and dirty machinery. Because the locker rooms are not sized for the current level of staffing, uniforms and other personal items are stored at a variety of locations where space could be found.

Our efforts focused on making the current operations building meet the needs of the Department as identified in the planning for the WRF. This approach seemed to offer the maximum operational improvement by consolidating staff into one location and would seem to be the most cost-effective, making improvements to only one building. As it turns out, once the WRF is constructed there will be areas of the current operations building that will be underutilized. The lab function will move to the new WRF facility where it is needed, and the existing electrical room will largely be vacant once the control systems for the current treatment plant are removed.

The plan that was developed for the renovating and expanding the existing operations building presumes that the generator and fuel tank will still be required and will remain in place and that there will still be some electrical equipment in the existing electrical room. The plan that was developed avoids any additional opening in the concrete masonry walls of the existing building.



The end result of our efforts is a renovation of most of the existing operations building and an expansion of it on two sides. The amount of room for expansion is constrained by the location of the fuel tank and the adjacent property lines.

Spatially, to locate the Utilities Department office at the new WRF or the current plant would be about the same amount of constructed space. The combined square feet for the Operations Building and Shop as proposed at the WRF site is 12,600 sf and the total combined square feet for a renovated and expanded operations building and an expanded shop at the WRF is 11,897 sf. The difference of only 703 sf is nominal.

The cost to redevelop an existing building usually runs one half to three-quarters of the cost to develop new. In the operations building, the renovation makes up almost exactly half of the building. Because of this, we would expect to see a savings of 12 to 25 percent for the operations building versus building all new. However, it should be remembered that the shop building will grow by about 25 percent in this scenario so the total savings would be less, maybe as small as 8 to 18 percent overall for these two buildings combined.

Sincerely,

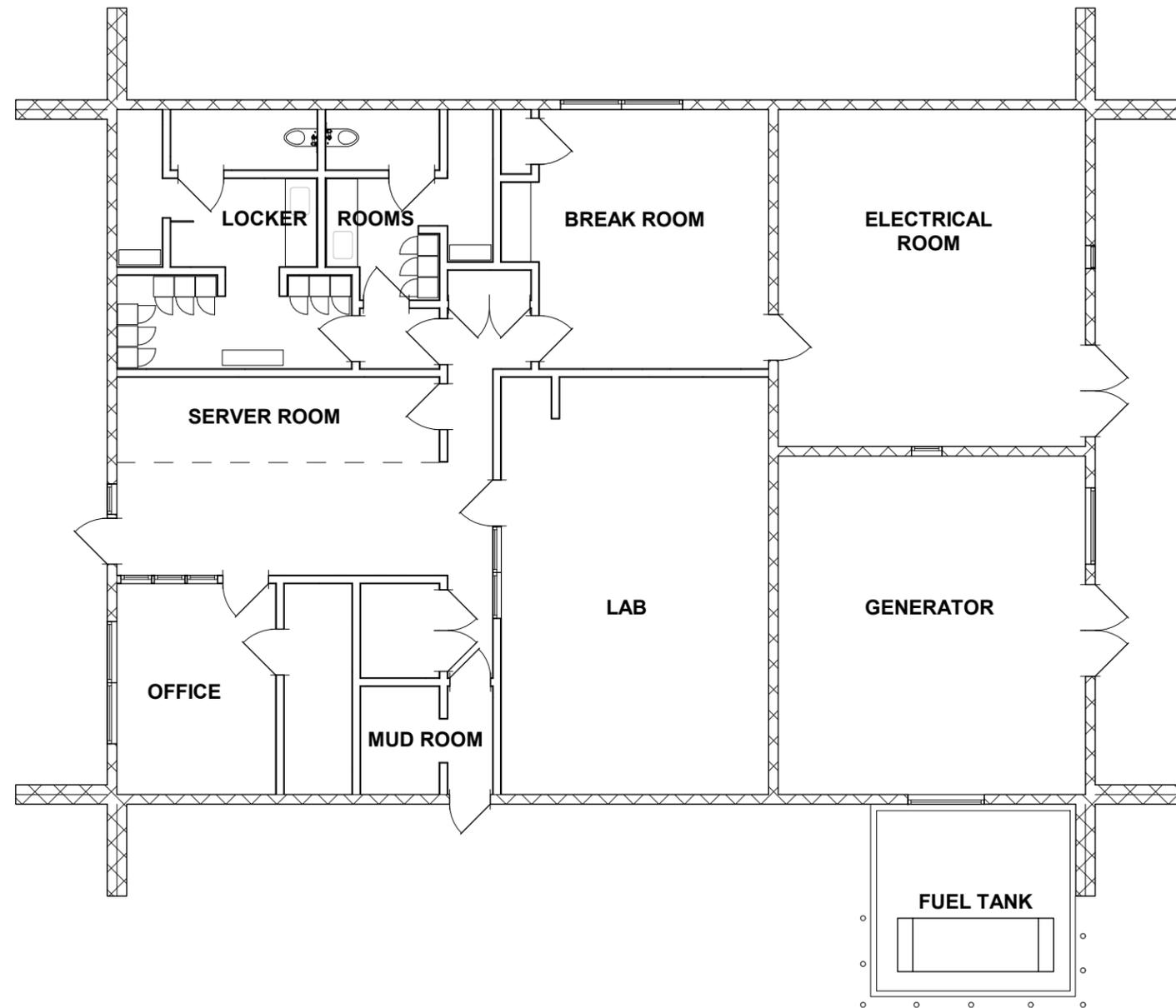
RRM DESIGN GROUP

A handwritten signature in black ink that reads 'Todd Hansen'.

Todd Hansen
Senior Architect
CA License No. C 27118

Attachments:

- Operations Building Expansion at Existing Water/Wastewater Operations Facility, Site Plan
- A3 Existing Operations Building Floor Plan, A4 Existing Operations Building Renovated Floor Plan
- A5 Shop Floor Plan with Operations Off Site, Space Needs Outline, Operations Building at Existing Site

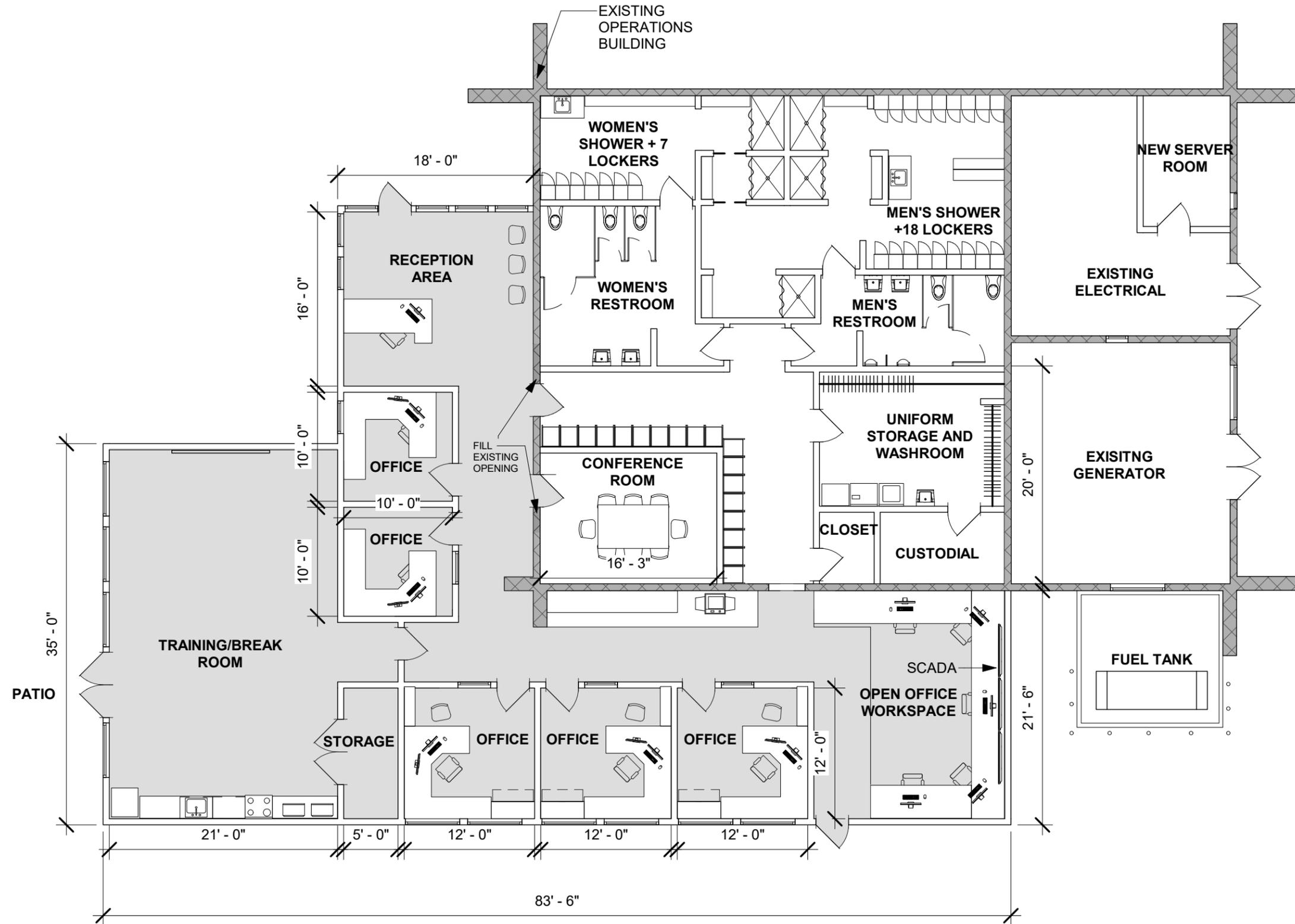


Existing Operations Building Floor Plan

0218-01-IN15 - MORRO BAY WRF

1/19/18

A3



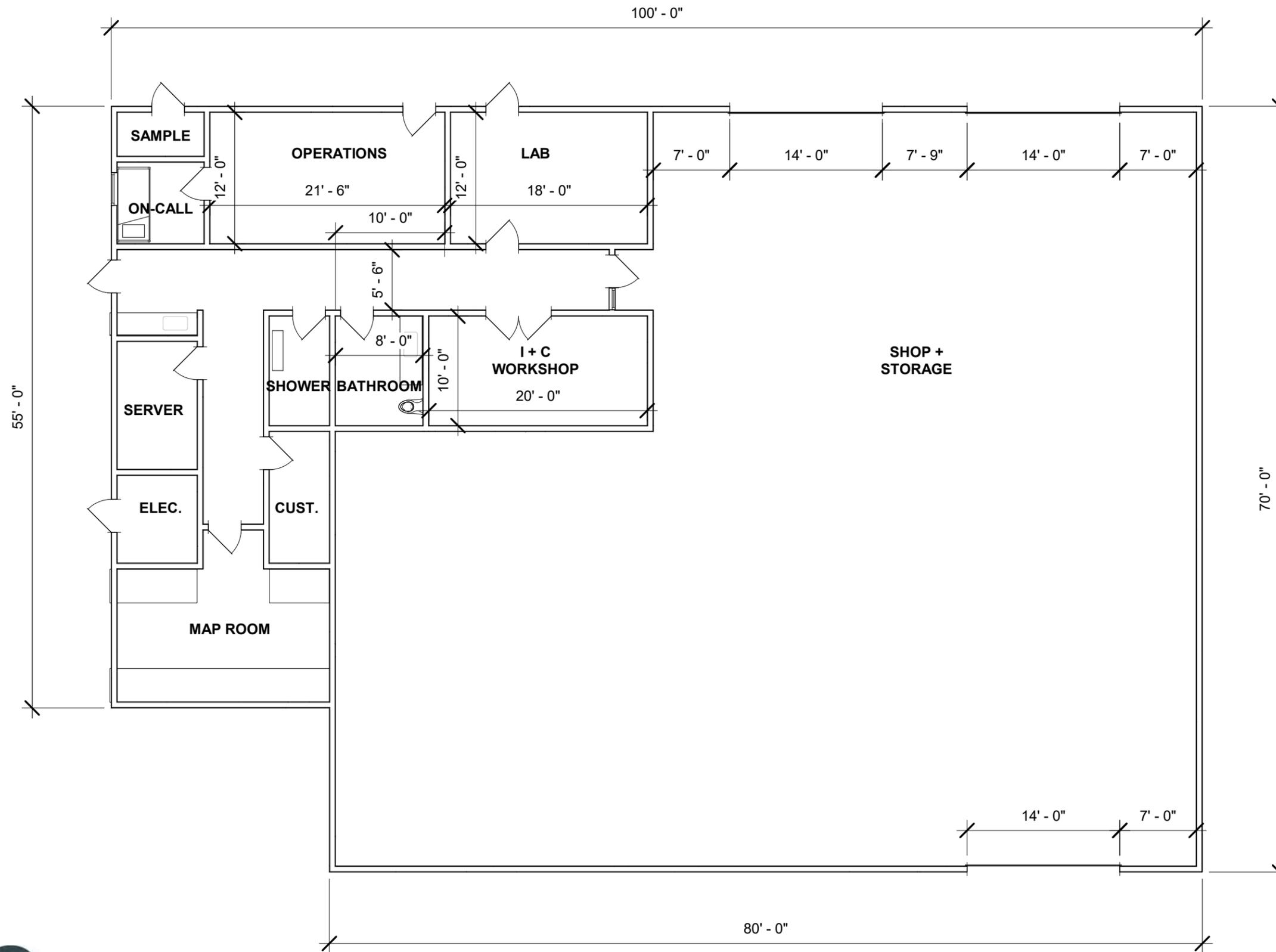
Existing Operations Building Renovated Floor Plan

0218-01-IN15 - MORRO BAY WRF

1/19/18

A4





Shop Floor Plan with Operations Off Site

0218-01-IN15 - MORRO BAY WRF

1/19/18

A5





City of Morro Bay
Operations Building Expansion at
Existing Water/Wastewater Operations Facility
Site Plan



Morro Bay Water Reclamation Facility

Space Needs Outline

OPERATIONS BUILDING at EXISTING SITE

Administration

Staff Positions	Proposed Spaces			Total		Notes	
	Dimensions		SF	Qty.	SF		
Office	12'	x	12'	144	1	144	less - 12 sf
Office	12'	x	12'	144	1	144	equal
Office	12'	x	12'	144	1	144	equal
Total Management Spaces Administration SF Subtotal					3	432	

Operations

Space Function	Proposed Spaces			Total		Notes	
	Dimensions		SF	Qty.	SF		
Open Office/ Ops Center	21'	x	12'	253	1	253	less - divided at two sites
Private Office	10'	x	10'	100	1	100	less -20 sf
Private Office	10'	x	10'	101	1	101	less -20 sf
Total Operations Spaces Operations SF Subtotal					3	454	

Support Spaces

Space Function	Proposed Spaces			Total		Notes	
	Dimensions		SF	Qty.	SF		
Training-Break Room	21'	x	35'	735	1	735	less -113 sf
Storage Room	5'	x	12'	60	1	60	less -3 sf
Conference Room	12'	x	16'	192	1	192	equal
Copy-Work Room	4'	x	20'	73	1	73	less -73 sf
Reception	16'	x	18'	280	1	280	larger +79 sf
Men's Restroom		x		149	1	149	less -15 sf
Mens's Shower + Locker Room		x		407	1	407	less -172 sf, - 3 shwrs
Women's Restroom		x		220	1	220	larger +21 sf
Women's Locker Room		x		213	1	213	larger +12 sf
Uniform Storage + Wash Room		x		319	1	319	less -118
Server Room	8'	x	12'	96	1	96	equal
Janitor-Mechanical Room	7'	x	11'	77	1	77	less -43 sf
Closet	5'	x	6'	30	1	30	
Electrical Room		x		336	1	336	existing
Total Support Spaces Support Spaces SF Total					14	3187	
OPERATIONS BUILDING SF subtotal						4073	
Circulation @ 22%						1151	
OPERATIONS BUILDING SF TOTAL						5224	

Notes: Notes are comparing the proposed plan for renovation and expansion of the existing Operations Building with the base case proposal for a new Operations Center at the location of the new Water Reclamation Facility. If the operations functions are retained at the current site some functions nevertheless are coupled with the WRF facility and are show to be moved to the

Morro Bay Water Reclamation Facility

Space Needs Outline

SHOP BUILDING at New WRF Site

Space Function	Proposed Space			Total		Notes	
	Dimensions	SF	Qty.	SF			
Shop and Storage				4743	1	4743	equal
I + C Workshop	10'	x	20'	200	1	200	equal
Toilet	8'	x	10'	80	1	80	equal
Lab	12'	x	18'	216	1	216	equal
Operations	21'	x	12'	252	1	252	larger +132
Sample Storage	4'	x	8'	32	1	32	moved, less -20
On-Call Room	8'	x	8'	60	1	60	moved, less -20
Shower Room	6'	x	10'	55	1	55	moved, +60
Map Room	12'	x	20'	234	1	234	moved, equal
Server Room	8'	x	8'	60	1	60	moved, equal
Electrical Closet	8'	x	8'	60	1	60	moved, equal
Custodial Closet	6'	x	12'	72	1	72	moved, less -48
Total Shop					12		
SHOP BUILDING SF Subtotal						6064	
Circulation @ 9%						609	
SHOP BUILDING SF TOTAL						6673	

Notes: Notes are comparing the proposed plan for renovation and expansion of the existing Operations Building with the base case proposal for a new Operations Center at the location of the new Water Reclamation Facility. If the operations functions are retained at the current site some functions nevertheless are coupled with the WRF facility and are show to be moved to the

RESOLUTION NO. 42-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
RESCINDING RESOLUTION NO. 54-15, AND RE-ESTABLISHING A
UTILITY DISCOUNT PROGRAM FOR ELIGIBLE CUSTOMERS**

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

WHEREAS, on August 28, 1995, the Morro Bay City Council adopted Resolution No. 103-95, which established economic hardship criteria, and a program for water rate adjustments; and

WHEREAS, on July 14, 2015, the Morro Bay City Council adopted Resolution No. 54-15, which established economic hardship criteria, and a program for water/sewer rate adjustments; and

WHEREAS, the Morro Bay City Council now wishes to rescind Resolution No. 54-15; and

WHEREAS, the City Council wishes to re-establish the Utility Discount Program for eligible customers and clarify the applicable revenues and criteria for qualifying for the program.

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

1. Resolution No. 54-15 is hereby rescinded; and
2. The open enrollment period for participation begins on July 1 and continues through July 31 each year; and
3. The funding for this Program will come from the prior fiscal year's actual water and sewer penalties, voluntary donations and other non-rate revenue Council deems appropriate; and
4. The maximum discount is 10-percent of the customer's Water/Sewer bill per month; and
5. The determinant for qualification will be participation in the PG&E Customer Care program; and
6. Staff is directed to make changes to the application material and policy reflecting the aforementioned criteria, as appropriate.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a special meeting thereof held on the 13th day of June, 2018, by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

RESOLUTION NO. 43-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ADOPTING A DEBT MANAGEMENT POLICY**

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

WHEREAS, Effective January 1, 2017, Senate Bill 1029 (SB 1029) amended Section 8855(i) of the California Government Code to require that local government issuers of public debt adopt a debt management policy, including specific provisions concerning the use of debt; and

WHEREAS, in accordance with SB 1029, the City of Morro Bay (“City”) desires to adopt a formal policy concerning the administration and management of debt issued by the City; and

WHEREAS, staff recommends the City Council adopt the proposed debt management policy, which policy demonstrates the City’s commitment to fiscal responsibility and prudent debt issuance and management, and which meets the criteria identified in the Government Code.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, that the “Debt Management Policy” as documented in Exhibit A, attached hereto and incorporated herein, is hereby approved.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 13th day of June 2018, by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



COUNCIL POLICY

DEBT MANAGEMENT POLICY

Policy Statement

The City of Morro Bay (City) funds its capital projects and meets other financing needs through a combination of current operating revenues, available reserves, outside funding (i.e. grants), and, when necessary, prudently issued debt.

Debt includes financing as a way to raise working capital or capital expenditures by selling bonds, bills, certificates, or notes to individual and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise to repay principal and interest on the debt. To achieve optimal credit ratings and endorse prudent financial management, the City is committed to long-term capital and financial planning, and continual review of its financing structure to optimize the overall cost of debt.

The issuance of debt by the City to finance major capital projects or to refinance existing obligations will only occur after the transaction is evaluated to be fiscally prudent and responsible under the prevailing economic conditions. Prior approval by the City Council is required for the issuance of new debt or for the refinancing of existing debt.

Purpose

The purpose of this Debt Management Policy (Debt Policy) is to establish and maintain parameters for issuing debt and promote objectivity in the decision-making process.

The City will adhere to the following legal requirements for the issuance of public debt:

- State law, which authorized the issuance of debt,
- Federal and state law, which govern the eligibility of the debt for tax-exempt status,
- Federal and state law, which govern the issuance of taxable debt,
- Federal and state law, which govern disclosure, sale, and trading of the debt, both before and subsequent to issuance,
- Elector approval when required by law and
- Generally Accepted Accounting Principals (GAAP).

This Debt Policy is intended to comply with Government Code subdivision 8855(i) and shall govern all debt issued by the City. The City hereby recognizes a fiscally prudent debt policy is required to:

- Maintain the City's sound financial position.
- Ensure the City has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.
- Protect the City's credit-worthiness.
- Ensure the City's debt is:
 - structured to protect current and future taxpayers, ratepayers and constituents of the City.

- consistent with the City's planning goals and objectives and Capital Improvement Program (CIP) or the Capital budget, as applicable.

Purpose and Use of Debt

When approved by the City Council, debt financing is an acceptable and appropriate approach to fund the City's long-term capital improvements, which, thus, ensures intergenerational equity of such major improvements among existing and future users of the system. Debt can be issued to fund the capital cost of planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment, and other costs as permitted by law.

Long-Term Debt

Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned or leased and operated by the City. Long-term debt financings are appropriate when:

- A project to be financed is necessary to provide City services.
- The project to be financed with benefit constituents over 10+ years.
- Total long-term debt financing does not constitute an unreasonable burden to the City and its taxpayers or ratepayers.
- The debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the City to violate any covenants to maintain the tax-exempt status of such debt, if applicable.

Long-term debt financings will not be considered appropriate for current operating expenses and routine maintenance expenses.

The City may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the City Council;
- Professionally prepared estimates show sufficient revenues will be available to service the debt through its maturity; and
- The City determines the issuance of the debt will comply with the applicable state and federal law.

Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding's will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refunding's that are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility tax status of the issuer, or the debt service profiles.

Refunding's that produce a net present value savings of at least 4% of the refunded debt will be considered economically viable. Refunding's that produce a net present value savings of less than 4% or negative savings will be considered on a case-by-case basis.

Short-Term Debt

Short-term borrowing such as a commercial paper and lines of credit will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the City determines that extraordinary circumstances exist, must not exceed seven years.

Short-term debt may also be issued to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance, due within one year, and may be rolled over or extended if necessary. Short-term debt may also be used to finance short-lived capital projects, such as undertaking lease-purchase financing for equipment.

Types of Debt That May Be Issued

The City may find that debt financings would be beneficial to further its public purposes and the City Council may approve such debt without an amendment of this Debt Policy. The following types of debt are allowable under this Debt Policy:

- Bond or grant anticipation notes
- State Revolving Fund Loans
- Water Infrastructure Finance and Innovation Act (WIFIA)
- Lease Revenue Bonds, Certificates of Participation and lease-purchase transactions
- Other revenue bonds and certificates of participation
- Tax and revenue anticipation notes

The City may, from time to time, find other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed-rate debt, unless the City Council makes a specific determination as to why a variable rate issue would be beneficial to the City in a specific circumstance.

Relationship of Debt to Capital Improvement Program and Budget

The City is committed to a long-term capital planning and may issue debt for the purposes stated in this Debt Policy for implementation of the City's capital budget and CIP.

The City's Debt Management Policy, Reserve Policy and Investment Policy will be considered in the decision-making framework utilized in the preparation of the City's CIP and long-term capital and financial planning, and its fiscal year budgeting process.

The City will fund the upkeep and maintenance of its infrastructure and facilities improvements due to normal wear and tear through the expenditure of available operating revenues rather than incurring debt.

The City shall integrate its debt issuances with the goals of its CIP by timing the issuance of debt to ensure projects are available when needed in furtherance of the City's public purposes or may be less expensive due to construction costs or low interest rates.

Debt Issuance

The City is committed to long-term financial planning, maintaining appropriate reserves and employing prudent practices in governance, management and budget administration, and systematic capital planning. The City will issue debt for the purposes stated in this Debt Policy and as approved by the City Council to implement policy decisions incorporated in the City's annual operations and capital budgets. Adoption of this Debt Policy will help ensure debt is issued and managed in a manner that protects the public interest.

Credit Rating

The City will do everything reasonably necessary to maintain optimum credit ratings for debt instruments. City staff, working with the City's Municipal Finance Advisor and/or Rate expert, shall be responsible for determining which of the major rating agencies will be asked to provide such a rating.

Method of Sale

Debt is typically issued under either a competitive or negotiated sale, or private placement. Determination of the appropriate method of sale to be recommended to the City Council for approval will rest with the City Manager, after consultation with the City Finance Director. There are a number of market factors that will affect the success of a debt offering and each should be carefully considered before selecting a method of sale. Those factors include, but are not limited to: 1) market perception of the City's credit quality, 2) interest rate volatility, 3) size of the proposed sale, term and average life, 4) complexity of the proposed issue, and 5) competition with other issuers for investor interest.

Debt Administration

The City will comply with:

- A. Applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges; and
- B. Applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the City will periodically review the requirements of and will remain in compliance with the following:
 - a. Any continuing disclosure undertakings entered into by the City in accordance with SEC Rule 15c2-12;
 - b. Any federal tax compliance requirements, including without limitation, arbitrage and rebate compliance;
 - c. The City's investment policies as they relate to the use and investment of bond proceeds; and
 - d. California Government Code Section 8855(i) and the annual reporting requirements therein.

Proceeds of debt will be held either by:

- A. A third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the City upon the submission of one or more written requisitions by the City Manager or the City (or their written designee); or
- B. The City, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for which the debt was issued, the

expenditure of which will be carefully documented by the City in records compliance with current accounting standards and subject to the City's annual audit.

Investment of Debt Proceeds

Proceeds of debt will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investment will be made to obtain the highest level of safety. The City Manager will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issue, while complying with arbitrage and tax provisions.

Debt Coverage Target

In determining the affordability of a proposed debt financing, the City will perform an analysis comparing projected annual net revenues, after payment of operating and maintenance expenditures, to estimated annual debt service and the estimate debt coverage ratio. The debt coverage ration is the amount of net cash flow available, divided by the annual interest and principle payments on debt.

The City's existing debt covenants for its share of the Central Coast Water Authority Certificates of Participation capital debt financing require a legal debt coverage ratio of at least 1.25.

Debt Service Reserve Balance

City staff will monitor dedicated debt service reserve fund balances, ensuring compliance with related reserve requirements (if applicable), and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of issuing the refunding debt by a sufficient margin to justify it.

Call Options/Redemption Provisions

City staff will evaluate and recommend to the City Council the use of a call option, if any, and a call protection period for each issuance. A call option, or optional redemption provision, gives the City the right to repay or retire debt prior t its stated maturity. The option may permit the City to achieve interest savings in the future through refunding the debt. The cost of call options can vary widely, depending largely on market conditions, an evaluation of factors such as the call premium, time until the debt may be called at a premium or at par, and interest rate volatility.

Quarterly Reports

City staff will provide quarterly review and reporting to the City Council of the debt's financial performance, including capital expenditures and interest earnings.

Debt Service Payments

Necessary appropriation for annual debt service requirements will be reflected in the City's annual budget. Staff is responsible for timely annual payments.

Continuing Disclosure Requirements

The City is responsible for ensuring the City's annual financial statements, continuing disclosure reports, and material event notifications are posted on the City of Morro Bay website. The City may also contract with third-party consultant(s) to comply with its continuing disclosure obligations, and with Securities and Exchange Commission Rule 15c2-12(b)(5).

The City shall submit an annual report to the California Debt and Investment Advisory Commission for any issuance of debt for which it has submitted a report of final sale on or after the date of this

policy. The annual report shall comply with the requirements of Government Code section 8855 and related regulations.

Failure to comply with disclosure requirements may restrict the ability of the City to issue debt.

Investor Relations

Information that the City intends to make available to the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community shall be available on the City's Website.

The City will maintain proactive communications with the investment community, including rating agencies and investors, to ensure future capital market access at the lowest possible interest rates.

Records Retention

A copy of all relevant documents and records will be maintained by the City through the final maturity of the debt financing plus ten years. Relevant documents and records will include sufficient documentation to support the requirements related to maintaining the tax-exempt status of the debt financing.

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AGENDA NO: III

MEETING DATE: June 13, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: June 13, 2018

FROM: Joseph W. Pannone, City Attorney

SUBJECT: Discussion and Adoption of Resolution No. 44-18 Approving Guidelines for the Submission and Tabulation of Protests in Connection with the Prop 218 Rate Hearing

RECOMMENDATION

Council adoption of the Resolution 44-18 establishing the City of Morro Bay's policy for conducting Proposition 218 process.

ALTERNATIVES

The City Council could choose not to have a policy governing how the City conducts the Proposition 218 process in Morro Bay.

FISCAL IMPACT

None.

BACKGROUND

Proposition 218 was adopted by the California voters, on November 5, 1996, which, among other purposes, governs how municipalities, counties and special districts establish fees and charges (rates) for certain services. Among other things, that proposition added Article XIID, section 6 to the California Constitution, which requires the City Council to consider written protests to certain proposed increases to rates for sewer (wastewater), water or refuse collection services. Government Code section 53750 *et seq.*, known as the Proposition 218 Omnibus Implementation Act (Act), was adopted to assist local governments and citizens with the implementation of that constitutional provision.

City Council Members and community members have asked for clarification of how the City will conduct the Proposition 218 process, for the anticipated rate increase to help support the Water Reclamation Facility (WRF) program and other water and sewer capital needs. The California Constitution does not provide specific guidance as how the protest process must be conducted. Nor does the Act express mandates for the practical aspects of conducting and participating in a Proposition 218 protest process. Therefore, it is advisable for the City Council to consider instituting a policy to help guide the process and provide clarity, so the public and staff understand how that process will be handled prior to, during and after its commencement.

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Prepared By: _____

Dept Review: _____

City Manager Review: SC

City Attorney Review: JWP

DISCUSSION

The attached draft Resolution, if adopted, would guide how the Proposition 218 process is conducted in Morro Bay. In large part, the Resolution memorializes the previous practices of Morro Bay regarding how it has conducted Proposition 218 processes and further conforms with the California Constitution and the Act. As with any Proposition 218 process, the City shall give notice via U.S. mail, no less than 45 days before the public hearing to be scheduled regarding the proposed rate increases subject to Proposition 218, of the fact protests can be submitted in writing anytime after the 45-day period commences and up through the close of that public hearing. The Resolution also provides guidance for the following components of the process, some of which are clearly dictated by Proposition 218 or the Act and some of which are not:

1. Information that must be included in the notice of proposed rates and public hearing
2. Delivery and posting of that required notice
3. Method for submittal of a protest
4. Information that must be included with the protest
5. Withdrawal or changing of a protest
6. How many protests will be counted per parcel
7. What will constitute a majority protest
8. The City Clerk's responsibility to handle, validate, tabulate, report and retain the protests
9. Conformance with confidentiality requirements

The intent of the Resolution is to ensure all utility customers and property owners, as well as the general public, are aware of the process prior to it being initiated. It mirrors, in many ways, previous practices in Morro Bay, including sending the notice not only to subject property owners (as is required by the California Constitution), but increasing the opportunity for protests by also sending the notice to all subject customers of the City's utilities, as well. The Resolution also determines individuals who seek to submit a written protest must do so either in person at the public hearing before it is completed, in person at City Hall anytime after the initiation of the process and no later than close of business on the day of the public hearing, or by the person who signed the protest mailing it to the City Clerk. If mailed, then the Clerk must receive it prior to the City Hall closing on the day of the hearing. That will ensure the individual maintains ownership of her/his protest. In addition, in order to ensure all pertinent information is provided and considered prior to a protest being submitted, no protest shall be signed before the City has issued the formal notice that commences the 45-day protest period.

The Resolution further stipulates the City Clerk is responsible for determining the validity of each protest submitted. As stated in the Resolution, the Clerk will invalidate any protest that (i) does not state its opposition to the proposed rate, (ii) does not name the record owner or customer of record, (iii) does not identify a parcel served by the City that would be subject to the proposed rate increase, (iv) does not bear an original signature of the record owner of, or customer of record with respect to, the parcel identified on the protest, (v) that person has not certified under penalty of perjury compliance with the requirements of the Resolution, (vi) if the protest was altered in a way that raises a fair question as to whether the protest actually expresses the intent of a record owner or a customer of record to protest the rates, or (vii) the protest was not mailed or delivered by the person who signed the protest to and received by the City Clerk before the close of the public hearing on the proposed rates.

In addition to recommending adoption of the Resolution, staff is also suggesting the Council provide

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a sample ballot as part of the notices sent advising of the right to protest, date and time for the public hearing and rates being considered. A draft of that ballot is attached to this report. Providing a format for someone to use to file a protest may make it easier for someone who wishes to protest to do so, which is consistent with the City's goals of transparency and customer service. However, use of that sample ballot will not be required. However, no matter what written format is used to file a protest, it must contain, at a minimum, the information reflected on that sample ballot.

CONCLUSION

The community and City Council have asked questions seeking clarity with regard to the Proposition 218 process. The proposed Resolution puts in policy many of the practices the City has previously utilized to fulfill the California Constitution requirements for rate protest, and provides further clarity to ensure the process is fair and transparent, allowing property owners and utility customers to express their views on rate increases.

ATTACHMENTS

1. Resolution No. 44-18
2. Proposed Sample Ballot for Inclusion with the Notice

RESOLUTION NO. 44-18

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING GUIDELINES FOR THE SUBMISSION AND TABULATION OF
PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED PURSUANT TO
ARTICLE XIIID, SECTION 6 OF THE CALIFORNIA CONSTITUTION**

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

WHEREAS, Article XIIID, Section 6 of the California Constitution requires the City Council to consider written protests to certain proposed increases to rates (fees or charges) for sewer (wastewater), water or refuse collection services; and

WHEREAS, that constitutional provision does not offer specific guidance as to who may submit protests, how written protests are to be submitted, or how the City is to tabulate protests.

WHEREAS, upon adoption of this resolution, any and all resolutions, rules or regulations of the City in conflict with it, shall be rescinded and of no further force or effect. This resolution supersedes all prior resolutions, rules or regulations of the City to the extent any or all of them established guidelines for the submission and tabulation of protests in connection with rate hearings conducted by the City pursuant to Article XIIID, Section 6 of the California Constitution.

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

SECTION 1: Definitions.

Unless the context plainly indicates another meaning was intended, the following definitions shall apply in construction of these guidelines.

- A. "Parcel" means a San Luis Obispo County (County) Assessor's parcel the record owner or occupant of which is subject to the proposed rate that is the subject of the hearing.
- B. "Record customer" and "customer of record" mean the person or persons whose name or names appear on the City records as the customer who has contracted for, or is obligated to pay for, wastewater, water or refuse collection services to a particular utility account.
- C. "Record owner" or "parcel owner" means the person or persons whose name or names appear on the County Assessor's latest equalized assessment roll as the owner of a parcel.
- D. "Rate" means a fee or charge as understood by Article XIIID, Section 6 of the California Constitution.

RESOLUTION NO. 44-18

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- E. A "rate protest proceeding" is not an election, but the City Clerk will maintain the confidentiality of protests as provided below and will maintain the security and integrity of protests at all times.

SECTION 2: Notice.

Notice of proposed rates and public hearing shall be as follows:

A. Notice Content.

1. Amount of rate proposed to be imposed on each parcel.
2. Basis upon which the amount of the proposed rate was calculated.
3. Reason for the rate.
4. The date, time, and location of a public hearing on the proposed rate.
5. If a combined public hearing is held for more than one proposed rate, then a combined notice for the combined public hearing must indicate that any statement and protest, shall clearly indicate which proposed change(s) is/are being protested.

B. Notice Delivery and Posting.

1. The City shall give notice of proposed rates via U.S. mail to all record owners and customers of record served by the City no less than 45 days before the public hearing upon the proposed rate.
2. The City will post the notice of proposed rates and public hearing at its official posting sites no less than 45 days before the public hearing upon the proposed rate.

SECTION 3: Protest Submittal.

- A. Any record owner or customer of record who is subject to the proposed utility rate that is the subject of the hearing who wants to protest the rate must submit a written protest to the City Clerk, by:

1. Delivery, by the person who signed the protest, to the City Clerk's Office at 595 Harbor Street, Morro Bay, CA 93442, during published business hours,
2. Mail, by the person who signed the protest, to the City Clerk at 595 Harbor Street, Morro Bay, CA 93442, or
3. Submittal to the City Clerk at the public hearing for the rate increase, by the person who signed the protest.

- B. Each protest must be submitted in a separate sealed envelope and received by the end of the public hearing, including those mailed to the City. No postmarks will be

accepted for proof of meeting the submission deadline; therefore, any protest not physically received by the close of the hearing, whether or not mailed prior to the hearing, shall not be counted.

- C. Because an original signature is required, emailed, faxed and photocopied protests shall not be counted.
- D. Although oral comments at the public hearing will not qualify as a formal protest, unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed rate.

SECTION 4: Protest Requirements.

- A. A written protest must include all the information described in subparagraphs 1. through 6., below.
 - 1. A statement it is a protest against the proposed rate that is the subject of the hearing. If a combined public hearing is held for more than one proposed change, then the statement and protest must clearly indicate which proposed change is being protested. The combined notice for the combined public hearing must indicate that as well. The protests for more than one proposed change from the same record owner or customer of record may be combined on one protest document,
 - 2. Name of the record owner or customer of record who is submitting the protest,
 - 3. Identification of assessor's parcel number, street address, or utility account number for the parcel with respect to which the protest is made,
 - 4. Original signature of the named record owner or customer of record and date the protest was signed,
 - 5. To be sure all pertinent information is provided and considered prior to a protest, no protest shall be signed before the City has issued the formal notice that commences the 45-day protest period and
 - 6. A declaration signed, under penalty of perjury, by the named record owner or customer of record, as applicable, affirming compliance with all the requirements of this Section 4 and Section 3, above
- B. A protest shall not be counted if any of the required elements of this Section 4 are omitted.
- C. A protest must either be submitted on the ballot included with the notice of the protest period, or a ballot that includes all the information required by this Resolution.

SECTION 5: Protest Withdrawal or Change.

- A. **Withdrawal of Protest.** Any person who submits a protest may withdraw it by submitting to the City Clerk a written request the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the

name of the record owner or customer of record who submitted both the protest and the request it be withdrawn.

- B. Change to Protest. Any person who submits a protest may change it by submitting to the City Clerk a written request the protest be changed, and then either request another protest ballot and return the new protest ballot pursuant to the procedures provided herein, or submit a protest ballot that includes all the information required by this Resolution with the changes desired. The changed protest shall contain sufficient information to identify the affected parcel and the name of the record owner or customer of record who submitted both the protest and the request it be changed.

SECTION 6: Multiple Record Owners or Customers of Record.

- A. Each record owner or customer of record of a parcel served by the City may submit a protest. That includes instances where:
1. A parcel is owned by more than one record owner,
 2. More than one name appears on the City's records as the customer of record for a parcel,
 3. A customer of record is not the record owner,
 4. A parcel includes more than one customer of record, or
 5. Multiple parcels are served via a single utility account, as master-metered common interest developments.
- B. Only one protest will be counted per parcel as provided by Government Code subdivision 53755(b).

SECTION 7: Transparency, Confidentiality, and Disclosure.

- A. To ensure transparency and accountability in the fee protest tabulation, while protecting the privacy rights of record owners and customers of record, protests will be maintained in confidence until tabulation begins following the close of the public hearing.
- B. Once a protest is opened during the tabulation, it becomes a disclosable public record, as required by state law, and the protest will be maintained in City files for two years.

SECTION 8: City Clerk.

The City Clerk shall not accept as valid any protest if she/he determines any of the following is true:

- A. The protest does not conform to the requirements of this resolution, including, but not limited to:
1. The protest does not state its opposition to the proposed rate.

2. The protest does not name the record owner or customer of record of the parcel identified in the protest as of the date of the public hearing.
3. The protest does not identify a parcel served by the City that is subject to the proposed rate.
4. The protest does not bear an original signature of the named record owner of, or customer of record with respect to, the parcel identified on the protest. Whether a signature is valid shall be entrusted to the reasonable judgment of the City Clerk, who may consult signatures on file with County Officials or other appropriate public agencies.
5. The protest was altered in a way that raises a fair question as to whether the protest actually expresses the intent of a record owner or a customer of record to protest the rates.
6. The protest was not received by the City Clerk before the close of the public hearing on the proposed rates.

B. A request to withdraw the protest pursuant to above Section 5 was received prior to the close of the public hearing on the proposed rates.

SECTION 9: City Clerk's Decisions Final.

The City Clerk's decision that a protest is not valid shall constitute a final action of the City and shall not be subject to any internal appeal.

SECTION 10: Majority Protest.

- A. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of, or customers of record with respect to, a majority (50% plus one) of the parcels subject to the proposed charge.
- B. While the City may inform the public of the number of parcels served by the City when a notice of proposed rates is mailed, the number of parcels with active customer accounts served by the City on the date of the hearing shall control in determining whether a majority protest exists.

SECTION 11: Tabulation of Protests.

At the conclusion of the public hearing, the City Clerk shall tabulate all valid protests received, including those received prior to the conclusion of the public hearing, and shall report the result to the City Council. If the number of protests received is insufficient to constitute a majority protest, then the City Clerk may determine the absence of a majority protest without validating the protests received, but may instead deem them all valid without further examination. Further, if the number of protests received is obviously substantially fewer than the number required to constitute a majority protest, then the City Clerk may determine the absence of a majority protest without opening the envelopes in which protests are returned.

SECTION 12: Report of Tabulation.

If at the conclusion of the public hearing, the City Clerk determines she/he will require additional time to validate and tabulate the protests because she/he has not made the determination described in Section 11, above, then she/he shall so advise the City Council, which may continue the related portion of the meeting to allow the validation and tabulation to be completed on another day or days. If so, then the City Council shall declare the time and place of tabulation, which shall be conducted in a place where interested members of the public may observe the tabulation, and the City Council shall declare the time at which the meeting shall be continued to receive and act on the tabulation report of the City Clerk.

SECTION 13: This resolution will become effective immediately upon adoption.

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

AYES:
NOES:
ABSENT:

Jamie L. Irons, Mayor

ATTEST:

Dana Swanson, City Clerk



2018 WATER AND WASTEWATER PROTEST BALLOT

DATE:

_____, 2018

NAME OF THE PROPERTY OWNER OR CUSTOMER OF RECORD FILING THIS PROTEST (please print):

ASSESSOR PARCEL NUMBER (APN), WATER/WASTEWATER ACCOUNT NUMBER OR STREET ADDRESS OF THE PARCEL FOR WHICH THE PROTEST APPLIES (please print):

_____, Morro Bay CA

Check each box for which you want to lodge a protest

- I am protesting the proposed water rate.
- I am protesting the proposed wastewater rate.
- I am protesting the proposed wastewater rate structure.
- I am protesting the proposed water rate structure.

SIGNATURE:

I DECLARE ALL THE FOLLOWING: (i) THE FOREGOING IS MY TRUE AND ACCURATE STATEMENT AND SIGNATURE, (ii) I DELIVERED OR MAILED THIS BALLOT TO THE MORRO BAY CITY CLERK MYSELF AND (iii) SIGNED THIS BALLOT AFTER I RECEIVED AND REVIEWED THE NOTICE FROM THE CITY REGARDING THE PROPOSED WATER AND WASTEWATER RATE INCREASES.

I certify under PENALTY OF PERJURY, under the laws of the State of California, I have personal knowledge of all the foregoing and it is true and correct.

Signature Dated: _____, 2018



AGENDA NO:	IV
MEETING DATE:	June 13, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE:** May 30, 2018

FROM: Rob Livick, PE/PLS – Public Works Director/City Engineer
Damaris Hanson, Environmental Program Manager

SUBJECT: Annual Water Report FY2017-18 and Adoption of Resolution No. 45-18
Allocating Water Equivalency Units (WEU) for FY2018-19

RECOMMENDATION

Staff recommends the City Council review the annual water report and allocation of the FY 2018/19 Water Equivalency Units and adopt Resolution No. 45-18 allocating 50 Water Equivalency Units (WEUs) for residential development and 65 for commercial development for a total of 115 WEUs for FY2018/19

ALTERNATIVES

As an alternative to authorizing development that creates new WEUs, Council could place a moratorium on the establishment of any new WEU.

FISCAL IMPACT

There are no fiscal impacts directly associated with the allocation of the WEUs. Staff prepares the annual water report and makes the recommendation on the authorization of WEUs as a routine annual task. A moratorium on new WEUs, however, may reduce the amount of revenue the City receives through building and planning fees, property taxes, sales taxes, and other property related revenues.

BACKGROUND

Pursuant to Morro Bay Municipal Code (MBMC) Section 13.20, the Annual Water Report has been prepared by the Public Works Department and was forwarded to the Planning Commission for review and recommendation on June 5, 2018. A WEU is defined as a unit of measure for water use equal to the average amount of water used by a single-family residence over the period of one year. Starting in 1977 one WEU was equal to 10,780 cubic feet of water or 166 gallons per capita per day (GPCD) per year. In 2016 this was updated to 8,732 cubic feet of water or 90 GPCD due to the historical trend of lower water use compared to previous years. The intent of the WEU allocations are to regulate the addition of new water users to the City’s water system and to ensure the demand for water shall not exceed available water supply.

In 1984 the citizens adopted Measure F (Codified as Ordinance 266 in MBMC as Chapter 13.20), a “Growth Management System”. This measure set a maximum population of 12,200 by the year 2000. To accomplish the housing needs of this population growth, Measure F set a maximum number of housing limit of 70 new units per year with a maximum variation in the number of units in a year cannot exceed 10 percent or 77 WEUs for residential units. City Council acted, via motion, on August 27, 2007 to reduce the number of allocated housing units to 50 new housing units. Ordinance No. 266 requires allocation mix of 60-percent SRF and 40-percent MFR. Since housing

Prepared By: <u> DH </u>	Dept Review: <u> </u>
City Manager Review: SC	

and population growth has not increased as projected, i.e. the City has yet to reach Measure F population of 12,200, new housing units can still be issued. The population growth estimates in the proposed General Plan predict reaching the Measure F established population in 2040.

DISCUSSION

Water Conservation

Statewide Conservation Requirements: In 2014, Governor Jerry Brown declared an emergency due to drought conditions. That declaration called for a voluntary 20-percent reduction in water consumption. In May 2015, the State imposed additional water conservation requirements. The statewide conservation goal was to reduce water production 25-percent over 2013 values. That 25-percent requirement was tiered based on existing water usage. The tiers ranged from a low of 8-percent to a high of 36-percent reduction. Morro Bay was required to reduce water production by 12-percent. On May 18, 2016, the State Water Board adopted a statewide water conservation approach that allowed urban water suppliers to replace their prior state-assigned percentage target reduction with a localized “stress test” approach based on a showing of whether the urban water supplier has at least three-years of water supply under extended drought conditions.

On April 7, 2017 Governor Jerry Brown lifted the drought emergency. The State Water Resources Control Board will continue to require reporting requirements and prohibitions on wasteful practices such as watering during or after rainfall, hosing off sidewalks and irrigating ornamental turf on public street medians. Governor Brown has stated “Conservation must remain a way of life”.

Local Conservation Requirements: Last June City Council revised the water conservation requirements to implement Mandatory Water Conservation Requirements a step down from Severely Restricted Water Supply Conditions. The main difference between these two requirements being mandatory requirement do not restrict the day in which you can water. In June 2016, Morro Bay completed the “stress test” and reduced our mandatory water conservation requirements from 12% to 0%. Over 83% of the State had 0% conservation after the stress test was completed. From 2014 to the present the City’s water conservation rate has continued to decrease.

Water Conservation compared to 2013	
Year	% reduction from 2013
2014	-8.0
2015	-13.5
2016	-21.3
2017	-19.1

Projected Water Supply FY18/19

In April, the California Department of Water Resources (DWR) informed the State Water Project (SWP) contractors the allocation for 2019 would be 35-percent of the contracted amount. This allocation in combination with the drought buffer is available to make up the difference between delivery requests and demand. Therefore, the City will be receiving 100-percent of the State Water Requested for 2019 (940 ac-ft). State Water allocation is determined every year, therefore should another dry year occur or several dry years in a row the City’s allocation could be reduced to a 0-percent allocation. State Water is an interruptible source of water. If there is a line break/repair or an emergency Morro Bay could be without water from this source. State Water does “shut down” once a year for maintenance, typically in October and/or November and has typically been anywhere from 1-2 weeks to a month.

The City's other sources of water are constrained, by a variety of water quality, and permitting issues. To use the Chorro Valley wells requires stream flows in Chorro Creek must exceed 1.4 cubic feet per second (cfs) per the City's water rights license/permit; additionally, water pumped from these wells are high in nitrates and cannot be used without treatment or blending. The City would need to perform upgrades to the water system in order to treat this water from the Chorro Valley. The Morro Valley wells are also high in nitrates and are treated at the City's Water Treatment Plant (Brackish Water Reverse Osmosis (BWRO)) to remove nitrates. There are also upgrades needed at the BWRO plant if this plant was to be used on a continuous basis.

Water Management Planning

The next update of the City's Water Management Plan will occur over the few months in the development of the OneWater Planning effort. The OneWater concept is to view all the City's water resources (Potable water, Waste water and Storm water) holistically so the community can understand the complete water resources picture. It is important that the City has a diverse water portfolio so that the City is not dependent on one water source. The plan will use this so called triple bottom line approach so all three aspects (social, environmental and financial) of water resources planning are addressed. The OneWater plan will also reevaluate and assess the WEU program.

Potable Water Production Data

As shown in Attachment 1, Water production from 1980-2017 no water was extracted from Chorro and Morro Basins for direct distribution into the water supply, 958 acre-feet were delivered from the State Water Project (SWP), and 36 acre-feet of treated Morro Basin well water from the BWRO treatment plant. Attachment 2 provides an historical record of water production and use from 1960 through 2017. Beginning in 1997, per capita water use has been re-calculated, based upon the amount of water delivered to customers (metered/sold) rather than gross production, to closely reflect actual community consumption practices. Both attachments 1 and 2 show a trend for the City water consumption to be decreasing over time while the City's population has slightly increased.

Summary of FY 2017-2018 activity:

The Council authorized 115 WEUs for FY 2017-2018. Thirty WEUs to be used for single-family dwellings and 20 for multiple-family dwellings with 65 allowed for commercial/industrial uses. Those WEUs were allocated on a first-come, first-served basis. The tracking of the WEUs utilized for FY 2017-2018 indicates 37 of the 115 WEUs allocated were used as follows:

- 0 Commercial (Virg's Landing 0.59 WEUs and Sonic, 0.13 WEUs are possible before July 1st)
- 22 Single-Family, (2 more SFR possible before July 1st)
- 7.5 Multi-Family (15 one-bedroom townhomes, 0.5 WEU per unit)

The reason for an increase in SFR and MFR this fiscal year is due to two larger subdivisions that were approved several years prior, have recently recorded their subdivision map and are moving forward with building. This is not a comprehensive list of all building activity, but rather a list of those activities which required a WEU allocation.

CONCLUSION

Staff recommends the City Council allocate 115 WEU for FY 2018-2019. Fifty WEUs, 30 for SFR and 20 for MFR. Also allocate 65 WEUs for Commercial/Industrial development for a total of 115 WEUs.

ATTACHMENTS

1. Table 1: Water Production by source
2. Table 2: Per Capita Water Use
3. Resolution No. 45-18

TABLE 1

WATER PRODUCTION PER SOURCE 1980 - 2015
(Acre Feet - AF)

Year	Chorro Basin	Morro Basin	** R/O Plant	State Water	TOTAL (AF)
1980	1079	672	*	*	1751
1981	1143	584	*	*	1727
1982	1061	526	*	*	1587
1983	995	537	*	*	1532
1984	1097	572	*	*	1669
1985	1108	582	*	*	1690
1986	1059	552	*	*	1611
1987	1124	531	*	*	1655
1988	1120	528	*	*	1648
1989	1047	512	*	*	1559
1990	963	564	*	*	1527
1991	808	449	*	*	1257
1992	1049	270	*	*	1319
1993	994	397	*	*	1391
1994	954	460	*	*	1414
1995	986	420	*	*	1406
1996	1261	240	*	*	1501
1997	985	249	*	301	1535
1998	38	*	*	1288	1326
1999	34	*	*	1359	1393
2000	4	*	*	1396	1400
2001	11	*	*	1399	1410
2002	1	32	48	1373	1454
2003	1	28	13	1379	1421
2004	49	213	10	1205	1477
2005	204	150	0	1007	1361
2006	257	80	25	1009	1371
2007	276	35	19	1116	1446
2008	184	52	28	1175	1439
2009	235	80	64	1069	1448
2010	74	54	258	873	1259
2011	14	0.5	84	1144	1243
2012	0	3.9	70	1129	1203
2013	0	27	107	1137	1271
2014	0	0	41	1141	1183
2015	0	0	138	952	1088
2016	0	0	36	958	994
2017	0	0	106	925	1031

** R/O Plant Production numbers include both Morro Groundwater treated via Brackish Water Reverse Osmosis (BWRO) as well as Sea Water Reverse Osmosis (SWRO).

TABLE 2

TOTAL HISTORIC WATER PRODUCTION & PER CAPITA WATER USE
FOR THE CITY OF MORRO BAY

Year	Rainfall	City Population	Production in acre feet	Production in millions of gallons	Average daily production in millions of gallons	Average use in gallons per capita per day
1960	10.48	5,599	894	291	0.8	142
1961	8.6	*	842	274	0.75	*
1962	17.22	*	999	326	0.89	*
1963	18.52	*	840	274	0.75	*
1964	11.26	*	881	287	0.79	*
1965	16.08	6,400	1000	326	0.89	140
1966	11.24	6,500	1188	387	1.06	163
1967	20.09	6,600	1194	389	1.07	161
1968	9.64	6,750	1298	423	1.16	172
1969	28.74	6,900	1255	409	1.12	162
1970	9.84	7,109	1534	500	1.37	193
1971	14.2	7,450	1533	500	1.37	184
1972	7.41	7,517	1547	504	1.38	184
1973	27.51	7,725	1424	464	1.27	165
1974	22.35	7,942	1482	483	1.38	167
1975	14.43	8,165	1510	492	1.35	165
1976	11.38	8,394	1574	513	1.41	167
1977	8.35	8,525	1249	407	1.12	131
1978	29.68	8,625	1430	466	1.28	148
1979	17.06	9,150	1614	526	1.44	157
1980	20.99	9,064	1651	538	1.47	162
1981	13.11	9,206	1727	563	1.54	168
1982	20.01	9,297	1586	517	1.42	152
1983	35.01	9,435	1534	500	1.37	145
1984	10.08	9,599	1669	544	1.49	155
1985	10.02	9,747	1691	551	1.51	155
1986	17.17	9,881	1614	526	1.44	146
1987	12.29	9,819	1655	539	1.48	150
1988	15.01	9,975	1648	537	1.47	147
1989	10.88	10,133	1559	508	1.39	137
1990	8.78	9,664	1527	498	1.36	141
1991	16.01	9,806	1256	410	1.12	114
1992	19.63	9,736	1319	430	1.18	121
1993	24.21	9,979	1391	452	1.24	124
1994	11.05	10,071	1414	462	1.26	126
1995	40.01	9,518	1418	462	1.27	133
1996	15.47	9,687	1501	462	1.34	138
1997	18.56	9,696	1535	489	1.37	141
1998	18.01	9,845	1326	432	1.18	120
1999	13.11	9,871	1393	454	1.24	126
2000	19.63	10,410	1400	456	1.25	120
2001	16.04	10,486	1410	459	1.26	118
2002	9.36	10,510	1454	474	1.3	123
2003	13.75	10,485	1421	466	1.28	122
2004	9.48	10,522	1477	481	1.32	125
2005	30.19	10,270	1361	444	1.22	118
2006	18.9	10,491	1371	447	1.23	117
2007	7.24	10,436	1446	471	1.29	118
2008	13.34	10,548	1439	469	1.23	122
2009	12.25	10,555	1448	472	1.29	120
2010	17.26	10,608	1259	410	1.12	106
2011	12.99	10,234	1243	405	1.11	108
2012	10.16	10,327	1203	392	1.07	105
2013	4.05	10,370	1349	440	1.21	117
2014	12.62	10,234	1183	385	1.05	103
2015	8.55	10,544	1088	354	0.97	92
2016	18.79	10,284	994	324	0.88	86
2017	18.73	10,284	1031	336	0.92	89.5

a: [average] determined from metered water sold, not water produced

RESOLUTION NO. 45-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
RECEIVING THE ANNUAL WATER REPORT AND CARRYING OVER THE WATER
ALLOCATION PROGRAM FROM 2018 TO 2019, DIRECTING STAFF TO PREPARE A NEW
ALLOCATION PROGRAM PER THE ONEWATER PLAN**

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

WHEREAS, Chapter 13.20 of the Morro Bay Municipal Code calls for the City Council of the City of Morro Bay to adopt a yearly Water Allocation Program based on a report by the Public Works (Services) Director after review by the City of Morro Bay Planning Commission and Public Works Advisory Board; and

WHEREAS, the Local Coastal Program Land Use Plan and Ordinance Number 266, require the City Council to set an annual limit on new residential units and to prescribe the mix of multi-family and single-family residences allowed within that limit; and

WHEREAS, in April 2017, California Governor Jerry Brown lifted the drought emergency; and

WHEREAS, in April 2018, the California Department of Water Resources informed the State Water Project contractors the allocations for 201/19 would be 35-percent of the contracted amount; and

WHEREAS, Morro Bay has requested and will receive 940 acre-feet of State Water delivery of its 1,313 acre-foot allocation; and

WHEREAS, on June 13, 2018, City Council did hold a public meeting on the FY 2017/18 Annual Water Progress Report and the proposed FY 2018/19 Water Allocation Program; and

WHEREAS, due to the mathematical spill in San Luis Reservoir, i.e. contracted allocations were less than supply available, the City's stored water was lost per contract provisions and will continue to accumulate until the reservoir "spills" again.

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

SECTION 1: A Water Allocation Program for the FY 2018/19 is hereby modified to contain the following elements:

- A. Rescind Resolution No. 28-17, allocation program for 2017 WEUs and offset program and Resolution No. 31-14 reaffirming a water emergency and adoption of a standing water emergency during reduced or non-state water delivery periods.
- B. Allocate 115 WEUs in FY18/19, 50 WEU for residential purposes, 30 SFR 20 MFR and 65 for Commercial/Industrial purposes.

SECTION 2: Applicability

Each development project that requires an allocation of new Water Equivalency Units shall be subject to this revised allocation program, unless a building permit has been issued prior to the date of adoption of this Resolution.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a special meeting held on this 13th day of June 2018 by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk