



# CITY OF MORRO BAY CITY COUNCIL AMENDED AGENDA

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*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.*

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## **Regular Meeting - Tuesday, July 10, 2018 Veterans Memorial Hall - 6:00 P.M. 209 Surf St., Morro Bay, CA**

*For Item C-1 Council Member Headding will be teleconferencing from The Palazzo Hotel, 3325 South Las Vegas Blvd., Las Vegas, Nevada (805)909-9785. The public will be permitted to address the City Council from that location.*

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION

CLOSED SESSION REPORT

MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

PRESENTATIONS

- Presentation by SLO County Energy Watch Partnership on the SLO Green Challenge Program

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the Council on City business matters not on the agenda may do so at this time. For those desiring to speak on items on the agenda, but unable to stay for the item, may also address the Council at this time.

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

- When recognized by the Mayor, please come forward to the podium and state your name and city of residence for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to Council, as a whole, and not to any individual member thereof.
- The Council respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commission and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the City Council to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in City Council meetings is welcome and your courtesy will be appreciated.

A. CONSENT AGENDA

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion. The public will also be provided an opportunity to comment on consent agenda items.

A-1 APPROVAL OF MINUTES FOR THE JUNE 12, 2018 CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE JUNE 18, 2018, CITY COUNCIL SPECIAL  
CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-3 APPROVAL OF MINUTES FOR THE JUNE 27, 2018, CITY COUNCIL SPECIAL  
CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-4 ADOPTION OF RESOLUTION NO. 55-18 APPROVING ADDENDUM TO THE CITY OF  
MORRO BAY'S DRUG-FREE WORKPLACE POLICY AND RESOLUTION NO. 56-18  
ACCEPTING THE DRUG AND ALCOHOL POLICY FOR ITS TRANSIT CONTRACTOR  
MV TRANSPORTATION, INC.; (PUBLIC WORKS/ADMINISTRATION)

**RECOMMENDATION: City Council adopt Resolution No. 55-18 and No. 56-18**

A-5 RECEIVE AND FILE CITY RESPONSE TO LINDA STEDJEE REGARDING BROWN  
ACT VIOLATION, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY  
ATTORNEY)

**RECOMMENDATION: Receive and file.**

A-6 ADOPTION OF RESOLUTION NO. 57-18 IMPLEMENTING THE TENTATIVE  
AGREEMENT FOR A SUCCESSOR MEMORANDUM OF UNDERSTANDING WITH  
THE MORRO BAY PEACE OFFICERS' ASSOCIATION AND RELATED  
COMPENSATION FOR THE PERIOD JULY 1, 2018 THROUGH JUNE 30, 2020;  
(ADMINISTRATION/FINANCE)

**RECOMMENDATION: Council adopt Resolution No. 57-18, implementing the Tentative Agreement for a Successor Memorandum of Understanding between the City of Morro Bay and the Morro Bay Peace Officers' Association. The term of the MOU is from July 1, 2018 through June 30, 2020.**

A-7 APPROVAL OF FISCAL YEAR 2018-19 UPDATED COMBINED SALARY SCHEDULE  
AND JOB DESCRIPTIONS FOR SUPPORT SERVICES TECHNICIAN, PROPERTY  
AND EVIDENCE CLERK; (ADMINISTRATION/FINANCE)

**RECOMMENDATION: Council formally approve the Updated FY 2018-19 Combined Salary Schedule and job descriptions for Support Services Technician and Property and Evidence Clerk.**

A-8 ADOPTION OF RESOLUTION NO. 58-18 APPROVING AMENDMENT NO. 2 TO THE  
NEW MASTER LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND  
BOATYARD LLC FOR LEASE SITE 89/89W, LOCATED AT 845 EMBARCADERO,  
AND COMMONLY KNOWN AS "THE BOATYARD"; (HARBOR/CITY ATTORNEY)

**RECOMMENDATION: Council adopt Resolution No. 58-18, approving Amendment No. 2 to the new Master Lease Agreement for Lease Site 89/89W, as proposed.**

B. PUBLIC HEARINGS - None

C. BUSINESS ITEMS

C-1 REVIEW PRELIMINARY RECOMMENDATIONS FOR WATER AND SEWER RATES, APPROVE THE PROPOSITION 218 NOTICE AND SET AUGUST 28, 2018, AS THE DATE FOR A PUBLIC HEARING AND TO ESTABLISH NEW WATER AND SEWER RATES; (PUBLIC WORKS)

**RECOMMENDATION: Council:**

1. Approve the proposed Water Reclamation Facility (WRF) sewer and water surcharges; and
2. Set August 28, 2018, for the public hearing to consider and establish new water and sewer rates.

C-2 CONSIDERATION AND DIRECTION REGARDING INSTALLATION OF ADDITIONAL FIRE PITS IN THE NORTH MORRO BAY ROCK PARKING LOT; (CITY MANAGER)

**RECOMMENDATION: Council receive the staff report and provide direction to staff regarding installation of fire pits in the North Morro Bay Rock parking lot as appropriate.**

C-3 2018 CITY GOALS AND OBJECTIVES STATUS UPDATE; (CITY MANAGER)

**RECOMMENDATION: Council formally adopt and receive the status update from the City Manager regarding the 2018 City Council Goals and Objectives, and provide direction as appropriate.**

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, August 14, 2018 at 6:00 p.m.** at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

**THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 772-6205 FOR FURTHER INFORMATION.**

**MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.**

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PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Chris Neumeyer	Assistant City Attorney
	Dana Swanson	City Clerk
	Jennifer Callaway	Finance Director
	Scot Graham	Community Development Director
	Greg Allen	Police Chief
	Matt Vierra	Fire Marshal
	Eric Endersby	Harbor Director
	Jennifer Little	Tourism Manager

#### ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:06 p.m., with all members present.

#### MOMENT OF SILENCE

#### PLEDGE OF ALLEGIANCE

RECOGNITION - None

CLOSED SESSION REPORT – No Closed Session meeting was held.

#### MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/Fd8FyWEBJk?t=2m14s>

#### CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/Fd8FyWEBJk?t=9m24s>

#### PRESENTATIONS – None

- SLO Green Challenge by Civic Spark Fellows will be rescheduled to a future meeting.

#### PUBLIC COMMENT

<https://youtu.be/Fd8FyWEBJk?t=13m45s>

Jennifer Barrett, owner of Jennifer's Unique Boutique located at 231 Morro Bay Blvd., provided the business spot. She offers a large selection of vintage and new items, including clothing and educational items. Her business is open 11:00 a.m. to 4:00 p.m. on weekdays and 10:00 a.m. to 5:00 p.m. on weekends.

Colt Esenwein, Morro Bay resident and new San Luis Obispo County Public Works Director, introduced himself and said he looks forward to working with Morro Bay staff.

Carolyn Brinkman, Morro Bay, spoke regarding Item C-4, requesting the City Council not change the existing ordinance requiring meeting minutes be included in the agenda for the next meeting.

Sharon Kimball, 1<sup>st</sup> Vice President of the League of Women Voters, spoke in support of the Mayor's recommendation to adopt the San Luis Obispo County Regional Code of Civility.

Deb Humphreys, League of Women Voters, spoke in support of the SLO County Code of Civility and briefly described services and resources available to help transform those concepts into action.

Renn Strong, Cayucos, spoke regarding climate concerns and referred the public to zerogeoengineering.com and zero5g.com for more information.

Bob Keller, Morro Bay, announced two Project Surf Camp fundraisers, a concert by Black Betty at the Siren at 7:00 p.m. Friday evening, and BBQ / Blood Drive on June 29 from 12 noon – 4:00 p.m. at 890 Shasta Avenue. Project Surf Camp runs from July 6 to August 4.

David Nelson, Morro Bay, stated there are alternatives, including module sewer plants, the City can pursue for less than the proposed WRF project. He also asked that dollar amounts be included on the protest ballot.

Marla Jo Sadowski, Morro Bay, spoke regarding Item C-4 and requested the Council not change the ordinance regarding timing of meeting minutes.

Steve Stevens, Morro Bay, concurred with previous comments relative to importance of having minutes from previous meetings available and encouraged the City to provide a table to share information regarding water treatment plant alternatives.

The Public Comment period was closed.

- A. CONSENT AGENDA  
<https://youtu.be/Fd8FyWEBJk?t=41m54s>

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

- A-1 APPROVAL OF MINUTES FOR THE MAY 8, 2018 CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-2 APPROVAL OF MINUTES FOR THE MAY 22, 2018 CITY COUNCIL SPECIAL  
MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-3 APPROVAL OF MINUTES FOR THE MAY 22, 2018 CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-4 APPROVAL OF MINUTES FOR THE MAY 23, 2018 CITY COUNCIL SPECIAL CLOSED  
SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-5 DESIGNATION OF REPRESENTATIVE(S) TO THE CALIFORNIA JOINT POWERS  
INSURANCE AUTHORITY; (CITY CLERK)

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

A-6 GENERAL MUNICIPAL ELECTION RESOLUTIONS FOR NOVEMBER 6, 2018 ELECTION; (CITY CLERK)

**RECOMMENDATION:** Council adopt Resolution No. 33-18 calling a general municipal election for November 6, 2018, and requesting consolidation of the election with the County, and Resolution No. 34-18 adopting regulations for candidate statements.

A-7 SLO REGIONAL CODE OF CIVILITY; (MAYOR)

**RECOMMENDATION:** Council review and adopt the SLO Regional Code of Civility.

A-8 RECEIVE AND FILE CITY RESPONSES TO LINDA STEDJEE AND MARLA JO BRUTON-SADOWSKI REGARDING ALLEGED BROWN ACT VIOLATIONS, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY ATTORNEY)

**RECOMMENDATION:** Receive and file.

A-9 FISCAL YEAR 2017/18 THIRD QUARTER BUDGET PERFORMANCE AND STATUS REPORT – NINE MONTHS ENDING MARCH 31, 2018, AND ADOPTION OF RESOLUTION 35-18 AUTHORIZING STAFF TO PROCEED WITH THIRD-QUARTER BUDGET ADJUSTMENTS; (FINANCE)

**RECOMMENDATION:** City Council:

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

Mayor Irons pulled Item A-7. Mayor Irons, Council Member Headding and Council Member McPherson pulled Item A-9.

The public comment period for the Consent Agenda was opened.

Erica Crawford, Morro Bay Chamber of Commerce, advocated for the SLO Regional Code of Civility, expressing the importance of creating an atmosphere of collaboration and cooperation that encourages people to step forward with ideas and opinions and motivates more people to serve.

Marla Jo Sadowski, Morro Bay, requested the Council pull Item A-4, Minutes for the May 23 Closed Session Meeting, to discuss whether or not it is correct that no reportable action occurred in closed session. She also expressed concern more was said during public comment than was included in those minutes.

The public comment period for the Consent Agenda was closed.

Council Member Headding pulled Item A-4

**MOTION:** Council Member Headding moved the Council approve all items on the Consent Agenda with the exception of Items A-4, A-7 and A-9. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

- A-4 APPROVAL OF MINUTES FOR THE MAY 23, 2018 CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)  
<https://youtu.be/Fd8FyWEBJk?t=49m14s>

At the Mayor's request, Assistant City Attorney Neumeyer listed the specific items that must be reported out from closed session, as provided in Government Code section 54957.1, and clarified the letter referenced in public comment is not one of those items. He added the minutes only need to be a summary of what occurred at the meeting and what has been submitted is legally sufficient.

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

- A-9 FISCAL YEAR 2017/18 THIRD QUARTER BUDGET PERFORMANCE AND STATUS REPORT – NINE MONTHS ENDING MARCH 31, 2018, AND ADOPTION OF RESOLUTION 35-18 AUTHORIZING STAFF TO PROCEED WITH THIRD-QUARTER BUDGET ADJUSTMENTS; (FINANCE)  
<https://youtu.be/Fd8FyWEBJk?t=52m42s>

Council Member Headding expressed concerned the report had not been reviewed by the Citizens Finance Advisory Committee and requested that be done in the future. At Council's request, Finance Director Callaway explained various transfers and corrections related to water and sewer fund. Mayor Irons requested the costs for Del Mar Park restroom maintenance be transferred to Park in-Lieu Government Impact Fees, rather than Facility Maintenance Fund. There was Council consensus to make this adjustment.

MOTION: Council Member McPherson moved for approval of Item A-9, as amended. The motion was seconded by Council Member Headding and carried unanimously, 5-0.

- A-7 SLO REGIONAL CODE OF CIVILITY; (MAYOR)  
<https://youtu.be/Fd8FyWEBJk?t=1h2m27s>

Mayor Irons clarified he is asking the Council to review and endorse, not review and adopt, the SLO Regional Code of Civility and read the proposed policy language.

MOTION: Mayor Irons moved the Council endorse the SLO Regional Code of Civility. The motion was seconded by Council Member Makowetski for discussion.

Council Member Headding suggested the City review its current Civil Discourse Policy to determine if language from the Regional Code of Civility should be incorporated. There was concurrence to consider a comparison following endorsement at the regional level.

The motion carried unanimously, 5-0.

## B. PUBLIC HEARINGS

- B-1 ADOPTION OF RESOLUTION NO. 36-18 CONTINUING THE PROGRAM AND LEVYING THE ASSESSMENTS FOR THE 2018/19 FISCAL YEAR FOR THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID); (TOURISM)  
<https://youtu.be/Fd8FyWEBJk?t=1h14m33s>

Tourism Manager Little presented the staff report.

The public comment period for Item B-1 was opened; seeing none, the public comment period was closed.

Council McPherson pointed out for the record the Council previously provided direction to staff to continue discussion of incorporating vacation rentals and RV Parks in the TBID at some assessment rate, and consideration of rescinding Resolution No. 03-16 specifying the City's contribution to TBID for future discussion on how to allocate those funds.

MOTION: Mayor Irons moved for adoption of Resolution No. 36-18 continuing the program and levying the assessments for the 2018/19 Fiscal Year for the Morro Bay Tourism Business Improvement District. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

B-2 PUBLIC HEARING AND ADOPTION OF RESOLUTION NO. 37-18, WHICH AMENDS THE FY 2018/19 MASTER FEE SCHEDULE ADOPTED BY RESOLUTION 17-18 ADDING A COMMERCIAL MEDICAL CANNABIS OPERATIONS PERMIT APPLICATION FEE; (COMMUNITY DEVELOPMENT)  
<https://youtu.be/Fd8FyWEBJk?t=1h21m22s>

Community Development Director Graham presented the staff report and responded to Council inquiries.

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

MOTION: Council Member McPherson moved to add a Commercial Medical Cannabis Operations Permit Application Fee to the adopted FY 2018/19 Master Fee Schedule, amending Resolution 17-18 and adopting Resolution No. 37-18, which updates the City Master Fee Schedule for FY 2018/19. The motion was seconded by Council Member Heading and carried unanimously, 5-0.

The Council took a brief recess at 7:44 p.m. The meeting reconvened at 7:56 p.m. with all members present.

## C. BUSINESS ITEMS

C-1 APPROVAL OF AMENDMENT NO. 3 TO CONTRACT SERVICES AGREEMENT WITH ALESHIRE & WYNDER, LLP FOR CITY ATTORNEY SERVICES; (FINANCE)  
<https://youtu.be/Fd8FyWEBJk?t=1h39m24s>

City Manager Collins presented the staff report and responded to Council inquiries.

Mayor Irons noted Assistant City Attorney Neumeyer stepped away during this item but is available for questions, if needed.

The public comment period for Item C-1 was opened; seeing none, the public comment period was closed.

The Council expressed its confidence and satisfaction with legal services provided by Aleshire & Wynder but was uncomfortable with committing to three increases over the course of five years, given the current budget situation. Following discussion, the Council agreed to a \$10 per hour increase with discussion of further increases in the future.

MOTION: Council Member McPherson moved to amend the contract with Aleshire & Wynder to include \$10 per hour increase in each billing category beginning July 1, 2018, for a two-year period ending June 30, 2020, with future consideration of additional fee increases depending on achieving the City's revenue targets. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

C-2 RESOLUTION NO. 41-18 ADOPTING THE FISCAL YEAR 2018/19 OPERATING AND CAPITAL BUDGETS; (FINANCE)  
<https://youtu.be/Fd8FyWEBJk?t=2h3m35s>

Ms. Callaway presented the staff report and responded to Council inquiries.

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

Mayor Irons suggested the Council consider funding to brand wayfinding signs for consistency. Staff noted there is \$100,000 in the Community Development budget for design and planning and that once cost estimates are available, if a budget amendment is needed, staff will bring that to Council for further direction.

MOTION: Council Member Headding moved for adoption of Resolution No. 41-18, authorizing the Fiscal Year 2018/19 Operating and Capital Budgets, including amendments approved by the City Council tonight. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

C-3 CONSIDERATION OF APPROVING THREE ELECTION RESOLUTIONS TO PLACE BEFORE CITY VOTERS, AT THE NOVEMBER 6, 2018 GENERAL MUNICIPAL ELECTION, A CANNABIS TAX BALLOT MEASURE TO ADD CHAPTER 3.70 (CANNABIS TAX) TO TITLE 3 OF THE MORRO BAY MUNICIPAL CODE FOR TAXATION OF COMMERCIAL CANNABIS OPERATIONS; (CITY ATTORNEY)  
<https://youtu.be/Fd8FyWEBJk?t=2h29m15s>

Assistant City Attorney Neumeyer presented the staff report and responded to Council inquiries.

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

There was Council concurrence rebuttals were not needed and the Council subcommittee, consisting of Council Members Davis and McPherson should write the argument in support of the tax measure. Mr. Neumeyer agreed to provide a template and sample language for this purpose.

MOTION: Council Member Headding moved for approval of Resolutions 38-18 and 39-18 and, in addition, for 39-18 that we appoint existing subcommittee of Council to write the argument for. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

C-4 INTRODUCTION AND FIRST READING OF ORDINANCE NO. 614 AMENDING SECTION 2.08.090 AND SUBDIVISION 3.22.120 B. OF THE MORRO MUNICIPAL CODE RELATING TO COUNCIL MEETING MINUTES AND TERMS OF THE CITIZENS OVERSIGHT COMMITTEE, RESPECTIVELY; (CITY CLERK)  
<https://youtu.be/Fd8FyWEBJk?t=2h50m44s>

Clerk Swanson provided a brief report and, along with Mr. Collins, responded to Council inquiries.

The public comment period for Item C-4 was opened; seeing none, the public comment period was closed.

MOTION: Council Member Headding moved the Council introduce through first reading Ordinance No. 614, by number and title only, amending Section 2.08.090 and Subdivision 3.22.120 B. of the Morro Bay Municipal Code relating to Council timing for preparation of Council meeting minutes and terms of the Citizens Oversight Committee, respectively. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS  
<https://youtu.be/Fd8FyWEBJk?t=3h11m18s>

Council Member Headding requested the Council agendaize modifying the duties and responsibilities of the Citizens Finance Advisory Committee to include review of routine quarterly financial reports (when possible) prior to coming to Council. There was concurrence to bring this revision back as a Consent item.

E. ADJOURNMENT

The meeting adjourned at 9:31 p.m. The next Regular Meeting will be held on Tuesday, June 26, 2018, at 6:00 p.m. at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by:

Dana Swanson  
City Clerk

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AGENDA NO: A-4

MEETING DATE: July 10, 2018

## Staff Report

TO: Honorable Mayor and City Council

DATE: June 27, 2018

FROM: Janeen Burlingame, Management Analyst

SUBJECT: Adoption of Resolution No. 55-18 Approving Addendum to the City of Morro Bay's Drug-Free Workplace Policy and Resolution No. 56-18 Accepting the Drug and Alcohol Policy for its Transit Contractor MV Transportation, Inc.

### **RECOMMENDATION**

Staff recommends the City Council adopt Resolution No. 55-18 and No. 56-18.

### **FISCAL IMPACT**

None.

### **BACKGROUND**

A Drug-Free Workplace Policy was implemented administratively in 2012 for all City employees, but was not adopted by the City Council. Due to changes in Federal and State regulations that occurred after that time, the Council adopted Resolution 10-17 in March 2017 adopting a Drug-Free Workplace Policy to establish workplace policies prohibiting substance abuse, alcohol and illegal drug use while performing work or volunteer activities for the City and establishing drug test policies.

Additionally, the Federal Transit Administration (FTA) requires agencies that receive Federal transit funding to adopt and maintain a current substance abuse policy. Caltrans requires FTA funding recipients to have an FTA approved Drug & Alcohol Policy in place and filed with Caltrans prior to the execution of standard agreements and receipt of Federal funding. While the City's transit contractor, MV Transportation Inc. (MV), adopted its own drug and alcohol policy that is filed with the State and FTA separately from the City's policy, the City adopted a resolution accepting MV's drug and alcohol policy for MV employees in June 2016 to be compliant with FTA regulations.

### **DISCUSSION**

The US Department of Transportation (USDOT) Office of Drug and Alcohol Policy and Compliance (ODAPC) issued an update to the USDOT's drug and alcohol testing regulation (49 CFR Part 40) regarding revisions to the regulation that became effective January 1, 2018, relating to definitions, items required for testing, and testing procedures.

The City's Drug-Free Workplace Policy needs to be amended to address USDOT's drug and alcohol testing regulation revisions. In addition, MV has updated its drug and alcohol policy to reflect the most current requirements resulting from the changes that took effect January 1, 2018. To be compliant with FTA regulations, the City will again need to adopt a resolution accepting its revised drug and alcohol policy for MV's employees.

### **CONCLUSION:**

Staff recommends the City Council adopt Resolution Nos. 55-18 and No. 56-18.

Prepared By: J Burlingame  
City Manager Review: \_\_\_\_\_

Dept Review: \_\_\_\_\_  
City Attorney Review: \_\_JWP\_\_

**ATTACHMENTS**

1. Resolution No. 55-18 Approving Addendum to City of Morro Bay's Drug Free Workplace Policy
2. Resolution No. 56-18 Accepting the Drug and Alcohol Policy for its Transit Contractor MV Transportation Inc.

**RESOLUTION NO. 55-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING ADDENDUM TO THE CITY OF MORRO BAY  
DRUG-FREE WORKPLACE POLICY**

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

**WHEREAS**, Morro Bay Municipal Code ("MBMC") Section 2.32.050 authorizes the City Council to adopt and amend Personnel Rules and Regulations governing the City of Morro Bay personnel system; and

**WHEREAS**, drug and alcohol use in the workplace can impact safety and efficiency; and

**WHEREAS**, the City Council adopted Resolution No. 10-17 establishing a Drug-Free Workplace Policy; and

**WHEREAS**, the United States Department of Transportation (USDOT) Office of Drug and Alcohol Policy and Compliance (ODAPC) has issued an update to USDOT's drug and alcohol testing regulation (49 CFR Part 40) that became effective January 1, 2018; and

**WHEREAS**, the City's Drug-Free Workplace Policy should be updated to reflect these changes in law; and

**WHEREAS**, the City's recognized bargaining units, the Service Employees International Union ("SEIU"), the Police Officers Association ("POA"), and the Morro Bay Fire Fighters Association ("MBFFA") were provided copies of the proposed revisions, with the offer to meet and confer; and

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Morro Bay does hereby adopt the attached Drug-Free Workplace Policy Addendum.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 10<sup>th</sup> day of July 2018 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
JAMIE L. IRONS, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk

## DRUG-FREE WORKPLACE POLICY ADDENDUM

This addendum is to the City's Drug and Alcohol Policy adopted March 14, 2017, by Resolution No. 10-17 (Policy), and is meant to be applied in conjunction with the Policy.

The United States Department of Transportation (USDOT) – Office of Drug and Alcohol Policy and Compliance (ODAPC) has issued an update to USDOT's drug and alcohol testing regulation (49 CFR Part 40). The new regulation has been revised and the changes (summarized below) will become effective on January 1, 2018. Therefore, the City of Morro Bay drug and alcohol testing policy is amended as follows:

1. CHANGES TO THE DRUG TESTING PANEL
  - a. Four new opioids added to the drug testing panel –
    - i. The USDOT drug test remains a "5-panel" drug test; however, the list of opioids for which are tested will expand from three to seven opioids.
    - ii. The "opioid" category will continue to test for codeine, morphine, and heroin; however, the "opioid" testing panel will now be expanded to include four (4) new semi-synthetic opioids:
      1. (1) Hydrocodone, (2) Hydromorphone, (3) Oxycodone, and (4) Oxymorphone.
      2. Common brand names for these semi-synthetic opioids include, but may not be limited to: OxyContin®, Percodan®, Percocet®, Vicodin®, Lortab®, Norco®, Dilaudid®, Exalgo®.
  - b. 'MDA' will be tested as an initial test analyte
  - c. 'MDEA' will no longer be tested for under the "amphetamines" category.
2. BLIND SPECIMEN TESTING
  - a. The USDOT no longer requires blind specimens to be submitted to laboratories.
3. ADDITIONS TO THE LIST OF "FATAL FLAWS"
  - a. The following three circumstances have been added to the list of "fatal flaws":
    - i. No CCF received by the laboratory with the urine specimen.
    - ii. In cases where a specimen has been collected, there was no specimen submitted with the CCF to the laboratory.
    - iii. Two separate collections are performed using one CCF.
4. MRO VERIFICATION OF PRESCRIPTIONS
  - a. When a tested employee is taking a prescribed medication, after verifying the prescription and immediately notifying the employer of a verified negative result, the MRO must then (after notifying the employee) wait five (5) business days to be contacted by the employee's prescribing physician before notifying the employer of a medical qualification issue or significant safety risk.
    - i. Specifically, in cases where an MRO verifies a prescription is consistent with the Controlled Substances Act, but that the MRO has still made a determination that the prescription may disqualify the employee under other USDOT medical qualification requirements, or that the prescription poses a significant safety-risk, the MRO must advise the employee that they will have five (5) business days from the date the MRO reports the verified negative result to the employer for the employee to have their prescribing physician contact the MRO. The prescribing physician will need to contact the MRO to assist the MRO in determining if the medication can be changed to one that does not make the employee medically unqualified or does not pose a

significant safety risk. If in the MRO's reasonable medical judgment, a medical qualification issue or a significant safety risk still remains after the MRO communicates with the employee's prescribing physician, or after five (5) business days, whichever is shorter, the MRO must communicate this issue to the employer consistent with 49 CFR Part 40.327.

5. DEFINITIONS

- a. The term "**DOT, the Department, DOT Agency**"
  - i. Modified to encompass all DOT agencies, including, but not limited to, FAA, FRA, FMCSA, FTA, PHMSA, NHTSA, Office of the Secretary (OST), and any designee of a DOT agency.
  - ii. For the purposes of testing under 49 CFR Part 40, the USCG (in the Department of Homeland Security) is considered to be a DOT agency for drug testing purposes.
- b. The term "**Opiate**" is replaced with the term "**Opioid**" in all points of reference.
- c. The definition of "**Alcohol Screening Device (ASD)**" is modified to include reference to the list of approved devices as listed on ODAPC's website.
- d. The definition of "**Evidential Breath Testing Device (EBT)**" is modified to include reference to the list of approved devices as listed on ODAPC's website.
- e. The definition of "**Substance Abuse Professional (SAP)**" will be modified to include reference to ODAPC's website. The fully revised definition includes:
  - i. A licensed physician (medical doctor or doctor of osteopathy) or licensed or certified psychologist, social worker, employee assistance professional, state-licensed or certified marriage and family therapist, or drug and alcohol counselor (certified by an organization listed at <https://www.transportation.gov/odapc/sap>) with knowledge of and clinical experience in the diagnosis and treatment of drug and alcohol related disorders.

NOTE: The revisions listed in this addendum include only those revisions to 49 CFR Part 40, which may be referenced in our drug & alcohol testing policy. A list of all the revisions made to 49 CFR Part 40 can be found at <https://www.transportation.gov/odapc>.

**Addendum Authorization Date:** July 10, 2018

**Authorized Official (Printed Name):** Jamie L. Irons, City of Morro Bay Mayor

**Authorized Official (Signature):** \_\_\_\_\_

**Employee (Printed Name):** \_\_\_\_\_

**Employee (Signature):** \_\_\_\_\_

**Employee Receipt Date:** \_\_\_\_\_

**RESOLUTION NO. 56-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
ACCEPTING THE DRUG AND ALCOHOL POLICY  
FOR ITS TRANSIT CONTRACTOR MV TRANSPORTATION, INC.**

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

**WHEREAS**, the City of Morro Bay maintains an agreement with MV Transportation, Inc. (MV) for the day to day management and operation of Morro Bay Transit and Trolley transit services; and

**WHEREAS**, the City of Morro Bay is the authorized administrator of the Morro Bay Transit and Trolley program; and

**WHEREAS**, the Federal Transit Administration (FTA) requires agencies who receive Federal transit funding to adopt and maintain a current substance abuse policy; and

**WHEREAS**, the Morro Bay Transit and Trolley program has utilized in the past and has the potential to utilize in the future Federal funding; and

**WHEREAS**, the City's contracted service operator MV is responsible for adherence to all required substance abuse policies, reporting, and monitoring for its employees, and has updated their Drug and Alcohol Policy to reflect the most current FTA requirements; and

**WHEREAS**, failure to accept the proposed MV Transportation Drug and Alcohol Policy could result in a negative finding in the City's future Transportation Development Act Triennial Performance Audits and jeopardize future Federal transportation funding for the Morro Bay Transit and Trolley program.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay the attached MV Drug and Alcohol Policy is hereby accepted.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 10<sup>th</sup> day of July 2018 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
JAMIE L. IRONS, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk



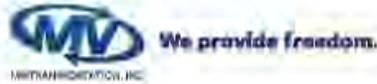
# MV Transportation Drug and Alcohol Policy

Issue Date  
April 2018



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## Drug and Alcohol Testing Core Values

Drug and alcohol abuse are the two most preventable behavioral disorders facing our society today. Drug abuse literally costs hundreds of billions of dollars alone in lost productivity, increased healthcare costs, accidents and theft. It is estimated that drug and alcohol abuse costs over a trillion dollars worldwide and growing.

MV Transportation, Inc. and its Subsidiaries are dedicated to providing safe, dependable, and economical service to its clients. MV Transportation's employees are our most valuable resource. It is our policy (1) to take appropriate action to assure that employees are not impaired in their ability to perform assigned duties in a safe, productive, and healthy manner; (2) to foster and maintain a drug and alcohol - free environment for all employees and patrons; (3) to prohibit the unlawful manufacture, distribution, dispensing, possession, or use of controlled substances; and (4) to encourage employees to voluntarily seek professional assistance whenever personal problems, including alcohol or drug use, may adversely affect their ability to perform their assigned duties.

Drug testing not only saves businesses money, but it also saves lives. This is the backdrop that MV Transportation's Drug and Alcohol Compliance Department works in to promote a safe and ethical drug testing program that will be the standard of the industry. MV Transportation's Compliance Department is always looking for ways to improve the everyday challenges by using state of the art software and easy to follow testing instructions and forms, and a comprehensive collection site inspection tutorial for supervisors.

To achieve these goals and to comply with all applicable Federal regulations governing workplace anti-drug programs in the transit industry, MV Transportation incorporates three integrated components:

- **Prevention through education and training**
- **Detection, deterrence and enforcement**
- **Treatment and opportunities for rehabilitation**

MV's purpose is to assure worker fitness for duty and to protect our employees, passengers, and the public from the risks posed using alcohol and prohibited drugs. MV is surrounded by an extraordinary Board of Directors, Executive Committee and professional staff who support and promote a safe and drug free environment in which we all live and work.

In accordance with the U.S. Department of Transportation and the  
Federal Transit Administration Regulations  
(49 CFR Parts 40, 655, and 382)  
**MV TRANSPORTATION, INC.**

**SUBSTANCE ABUSE POLICY**

**1.0 Policy**

MV Transportation, Inc. and its Subsidiaries (MV Transportation) are dedicated to providing safe, dependable, and economical service to its clients. MV Transportation's employees are our most valuable resource. It is our policy (1) to take appropriate action to assure that employees are not impaired in their ability to perform assigned duties in a safe, productive, and healthy manner; (2) to foster and maintain a drug and alcohol - free environment for all employees and patrons; (3) to prohibit the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances; and (4) to encourage employees to voluntarily seek professional assistance whenever personal problems, including alcohol or drug use, may adversely affect their ability to perform their assigned duties.

To achieve the goal of a substance-free workplace, this policy incorporates three integrated components:

**Prevention through education and training:**

Education and training will communicate and clarify this policy to all employees, assist employees in recognizing substance abuse problems and in finding solutions to those problems.

**Detection, deterrence and enforcement:**

Federal regulations require that effective January 1, 1995, all safety - sensitive employees will be subject to reasonable suspicion, post accident, random, return to duty and follow up drug and alcohol testing. Applicants for safety sensitive positions will not be eligible for those positions unless they pass a pre-employment drug test. **As a "zero tolerance" employer, any positive drug or alcohol or refusal to tests will result in a termination of employment.**

**Treatment and opportunities for rehabilitation:**

Alcohol and drug abuse are recognized as diseases that can be treated. MV Transportation promotes a voluntary rehabilitation program to encourage employees to seek professional assistance prior to testing positive for drugs or alcohol, without fear of discipline.

Approved: 

**Kevin Jones, CEO**  
**MV Transportation, Inc. and its Subsidiaries**

Date: April 1, 2018

## **2.0 Purpose**

The purpose of this policy is to assure worker fitness for duty and to protect our employees, passengers, and the public from the risks posed by the use of alcohol and use of prohibited drugs (as defined below). This policy is also intended to comply with all applicable Federal regulations governing workplace anti-drug programs in the transportation industry.

The Federal Transit Administration (FTA) and the Federal Motor Carrier Safety Administration (FMCSA) of the U.S. Department of Transportation have enacted 49 CFR (Code of Federal Regulations) Parts 655 and 382, which mandate urine drug testing and breath alcohol testing for employees performing safety-sensitive functions. These regulations also prevent performance of safety-sensitive functions when there is a positive test result or a test refusal. The U.S. Department of Transportation (DOT) has also adopted the revised version of 49 CFR Part 40 as amended, which outlines procedures for transportation workplace drug and alcohol testing programs. This Policy incorporates these federal requirements for employees performing safety-sensitive functions, as well as other provisions.

In addition, DOT has published 49 CFR Part 29, implementing the Drug-Free Workplace Act of 1988, which requires the establishment of drug-free workplace policies and the reporting of certain drug-related offenses to the FTA. California passed a similar version of the federal law, the Drug-Free Workplace Act of 1990 (Gov't Code § 8350 et seq). This policy reiterates the requirements of the federal regulations; these requirements will be in *italics*. Portions of this policy marked in **bold** are not necessarily FTA-mandated but reflect MV Transportation employment policy (this does not include policy headings).

If any provision of an existing MVT policy, rule or resolution is inconsistent or in conflict with any provision of this policy or the DOT/FTA rules, this policy and the DOT/ FTA rules shall take precedence; if any provision of this policy is inconsistent or in conflict with the DOT/ FTA rules the DOT/ FTA rules shall take precedence.

## **3.0 Applicability**

### **3.1 Safety-Sensitive Employees**

This policy applies to all safety-sensitive MV Transportation employees, including paid part time employees who perform or could be called upon to perform any transportation related safety-sensitive function, and this includes off-site lunch periods or breaks when an employee is scheduled to return to work.

A safety-sensitive function is any of the following duties:

- 1) The operation of a transportation revenue service vehicle even when the vehicle is not in revenue service.

- 2) The operation of a non-revenue service vehicle by an employee when the operation of such a vehicle requires the driver to hold a Commercial Drivers License (CDL).
- 3) Maintaining (including repairs, overhaul and rebuilding) a revenue service vehicle or equipment used in revenue service.
- 4) Controlling the movement of a revenue service vehicle and
- 5) Carrying a firearm for security purposes. (Not applicable to MVT)
- 6) Volunteers are considered a covered employee if; 1) they are required to hold a commercial driver's license to operate the vehicle; or 2) if the volunteer receives re-numeration in excess of their actual expenses incurred while engaged in the volunteer activity.

(For a description of job categories - See Exhibit B)

### **3.2 Contractors**

Contractors who perform any of the safety-sensitive functions described in this policy for MVT will be subject to the same requirements as safety-sensitive MVT employees.

### **3.3 Non-Safety Sensitive Positions**

**All MVT employees are subject to the provisions of the Drug-Free Workplace Act of 1998. Visitors, vendors and contracted employees on MVT premises will not be permitted to conduct transportation business if found to be in violation of this policy.**

## **4.0 Opportunities for Rehabilitation (MVT Policy)**

**To promote a drug and alcohol-free workplace, this policy includes a rehabilitation program that allows employees to voluntarily come forward to request rehabilitation.**

### **4.1 Voluntary Rehabilitation (MVT Policy)**

**Any employee who has a drug and/or alcohol abuse problem and has not been selected for reasonable cause, random or post-accident testing or has not refused a drug or alcohol test may voluntarily refer her or himself to the General Manager or the Human Resource Department, who will refer the individual to the company's Employee Assistance Program and/or a Substance Abuse Counselor for a Non-DOT evaluation and treatment. Voluntary self-referral commits the employee to a therapeutic process. Confidentiality of the employee will be protected. The Counselor will evaluate the employee and make a specific recommendation regarding the appropriate treatment. When an employee voluntarily refers her or himself for treatment, the employee may be eligible for sick leave and disability benefits. Employees will be allowed to take accumulated vacation time or may be eligible for unpaid time off to participate in any prescribed rehabilitation program. Employees are encouraged to voluntarily seek professional substance abuse assistance before any substance use or dependence affects job performance.**

#### **4.2 While Undergoing Treatment (MVT Policy)**

Any covered employee who admits to a drug and/or alcohol problem will immediately be removed from his/her safety-sensitive function and will not be allowed to perform such function until successful completion of a prescribed rehabilitation program is completed. The employee will be placed on an unpaid leave of absence for maximum of 30/60 days to allow time for completion of the treatment/rehabilitation program. Proof of completion must be provided in writing by a valid professional. The employee will be required to pass a Non-DOT drug and alcohol test before he/she can perform a safety-sensitive function.

\*MV shall make every effort to place the employee back in his/her position upon returning to work. However, an employee's commitment to undergo rehabilitation treatment does not guarantee that the employee's job will be available upon return.

#### **4.3 Cost of Rehabilitation (MVT Policy)**

All associated costs for treatment are the sole responsibility of the employee.

#### **4.4 Returning to Work after Treatment (MVT Policy)**

All employees who successfully complete prescribed treatment and can return to work will be subject to unannounced Non-DOT follow-up testing as prescribed by doctor/counselor.

### **5.0 Prohibited Behavior and Conduct**

"Prohibited substances" addressed by this policy include the following:

#### **5.1 Prohibited Drug Use**

FTA regulations specifically prohibit the use of the following illegal, prohibited substances and require testing for their presence under certain circumstances: Marijuana, Amphetamines, Opioids, Phencyclidine (PCP) and Cocaine ("Prohibited Drugs") - Safety-sensitive employees may be tested for prohibited drugs at any time while on duty or **on MVT property**.

#### **5.2 Prohibited Alcohol Use**

The consumption of beverages containing alcohol, or substances including any medication such that alcohol is present in the body while performing safety sensitive duties or transportation business, are prohibited. "Alcohol" means the intoxicating agent in beverage alcohol, ethyl alcohol or other low molecular weight alcohols including methyl or isopropyl alcohol. (The concentration of alcohol is expressed in terms of grams of alcohol per 210 liters of breath as measured by an evidential breath testing device.)

### **5.3 Legal Drugs (MVT Policy)**

The appropriate use of legally prescribed drugs and non-prescription medications is not prohibited. However, the use of any substance which carries a warning label that indicates that mental functioning, motor skills, or judgment may be adversely affected **MUST** be reported to supervisory personnel. Medical advice should be sought, as appropriate, while taking such medication and before performing safety-sensitive duties.

Any time an employee comes forward about a medication that he/she is taking the information must be forwarded to the Director of the Compliance Department for clarification and review. The Compliance department will then consult with the Medical Review Officer (MRO) to determine if the medication is appropriate to take while performing a safety-sensitive function.

A legally prescribed drug means that the employee has a prescription or other written approval (in his/her name) from a physician for the use of a drug during medical treatment. The misuse of legal drugs while performing a safety-sensitive function is prohibited at all times.

If the MRO determines that the medication being taken is not appropriate to take while performing a safety-sensitive function the employee will remain off duty until the issue is cleared by the MRO.

To continue performing a safety-sensitive function the employee taking the medication will be required to provide the following:

A written letter from the prescribing physician stating the patient's name, the name of the substance, the period of authorization and a statement that the medication will not adversely affect the employee's performance to drive or perform his/her safety sensitive function and that the employee may continue to perform his/her safety-sensitive function while taking such medication. The letter must be signed and dated by the physician and the letter will be provided to the MRO for final approval.

### **6.0 Prohibited Conduct. Manufacture, Trafficking, Possession, and Use of Controlled Substances**

*The manufacture, distribution, dispensation, possession, or use of controlled substances in the workplace is prohibited. A "controlled substance" is any illegal drug or any substance identified in Schedules I through V of Section 202 of the Controlled Substances Act (21 U.S.C. § 812), and as further defined by 21 CFR 1300.11-1300.15. Any employee engaging in the manufacture, distribution, dispensation, possession or use of a controlled substance on MVT premises will be subject to disciplinary action, up to and including termination and/or will be required to complete a drug abuse assistance or rehabilitation program. Law enforcement shall be notified, as appropriate, where criminal activity is suspected.*

## **6.1 Requirement to Submit to Drug and Alcohol Testing**

MVT shall require every covered employee who performs a safety-sensitive function as described in the FTA regulations Part 655 and the FMCSA regulations Part 382 to submit to post-accident, random, and reasonable suspicion drug and alcohol test- and to a pre-employment drug test- as described in this policy. MVT shall not permit any employee who refuses to submit to such tests to perform or continue to perform any safety-sensitive functions.

## **6.2 Alcohol Use/Hours of Compliance**

No safety-sensitive employee should report for duty or remain on duty when his or her ability to perform assigned functions is adversely affected by alcohol or when his or her breath alcohol concentration is 0.04 or greater. No employee shall use alcohol **while on duty** or while performing safety-sensitive functions. No employee shall have used alcohol within four hours prior to reporting for duty. After an accident, employees shall refrain from alcohol use for eight (8) hours or until an alcohol test has been administered, whichever occurs first.

No safety-sensitive employee shall use alcohol during the hours that they are on call. On call employees can acknowledge the use of alcohol at the time he/she is called to report to duty and the inability to perform his/her safety sensitive function.

## **6.3 Compliance with Testing Requirements**

Any safety-sensitive employee who refuses to comply with a request for testing, who fails to remain readily available for post-accident testing, who provides false information in connection with a test, or who attempts to falsify test results through tampering, contamination, adulteration, or substitution, shall be removed from duty immediately. Refusal can include an inability to provide a specimen or breath alcohol sample without a valid medical explanation, as well as a verbal declaration, obstructive behavior, or physical absence resulting in the inability to conduct the test.

## **6.4 Refusal to Submit to a DOT Alcohol or Controlled Substance Test**

As an employee, you have refused to take a drug or alcohol test if you:

- (1) Fail to appear for any test (excluding pre-employment) within a reasonable time, as determined by the employer, after being directed to do so by the employer.
- (2) Fail to remain at the testing site until the testing process is complete; Provided, that an employee who leaves the testing site before the testing process commences, for a pre-employment test it is not deemed to have refused to test; unless the testing cup was handed to the donor.
- (3) Fail to provide a urine or breath specimen for any drug or alcohol test required by Part 40 or DOT agency regulations.
- (4) In the case of a directly observed or monitored collection in a drug test, fail to permit the observation or monitoring of your provision of a specimen.
- (5) Fail to provide a sufficient amount of urine or breath when directed, and it has been determined, through a required medical evaluation, that there was no adequate medical explanation for the failure.

**It is MVT's policy that any employee that does not provide a valid specimen during a collection for a test will remain off duty until the employee is cleared by the MRO that the employee had a valid medical reason.**

- (6) Fail or declines to take a second test the employer or collector has directed you to take.
- (7) Fail to undergo a medical examination or evaluation, as directed by the MRO as part of the verification process, or as directed by the DER as part of the "shy bladder" or "shy lung" procedures.
- (8) Fail to cooperate with any part of the testing process (e.g., refuse to empty pockets or wash hands when so directed by the collector, behave in a confrontational way that disrupts the collection process).
- (9) If the MRO reports that there is verified adulterated or substituted test result.
- (10) Failure or refusal to sign Step 2 of the alcohol testing form.
- (11) Failure to follow the observer's instructions during an observed collection including instructions to raise your clothing above the waist, lower clothing and underpants, and to turn around to permit the observer to determine if you have any type of prosthetic or other device that could be used to interfere with the collection process.
- (12) Possess or wear a prosthetic or other device that could be used to interfere with the collection process.
- (13) Admit to the collector or MRO that you adulterated or substituted the specimen.

As an employee, if you refuse to take a drug and/or alcohol test, you incur the same consequences as testing positive and will be immediately removed from performing any safety-sensitive functions and referred to the Substance Abuse Professional.

#### **6.5 Compliance with Treatment Requirements**

**All employees are encouraged to make use of the available resources for treatment for alcohol and substance abuse problems.**

#### **6.6 Notify MVT of Criminal Drug Conviction**

*Every employee must notify MVT of any criminal drug statute conviction for a violation occurring in the workplace within five days after such conviction. Failure to do so shall subject said employee to disciplinary action up to and including termination, or satisfactory participation in a rehabilitation program, at the employee's expense.*

#### **6.7 Improper Application of the Policy**

**MVT is dedicated to assuring fair and equitable application of this "Zero Tolerance" substance abuse policy. Therefore, supervisors and managers are required to use and apply all aspects of this policy in an unbiased and impartial manner.**

## **7.0 Testing for Prohibited Substances**

### **7.1 General**

Testing shall be conducted in a manner to assure a high degree of accuracy and reliability and using techniques, equipment, and laboratory facilities which have been approved by the U.S. Department of Health and Human Services (DHHS). Testing for prohibited drugs and alcohol on safety-sensitive employees shall be conducted in accordance with the procedures set forth in 49 CFR Part 40 as amended. See attached Testing Procedures for detailed procedures on all required types of drug and alcohol testing.

**Medical Review Officer (MRO)**- All drug testing results shall be interpreted and evaluated by an MRO who meets all applicable requirements of Part 40, who shall be responsible for receiving laboratory results generated by an employer's drug testing program and has appropriate medical training to interpret and evaluate an individual confirmed positive test result. The MRO shall comply with the drug testing procedures set forth in 49 CFR Part 40. The MRO will not review alcohol test results. When a confirmed positive test is reported from the testing laboratory, it is the responsibility of the MRO to: (a) contact the employee and afford the employee the opportunity to discuss the test results with him/her; (b) review the individual's medical history, including any medical records and biomedical information provided; (c) determine whether there is a legitimate medical explanation for the result, including legally prescribed medication. The MRO shall not convey test results to MVT until the MRO has made a definite decision that the test result was positive or negative, or refusal to test. If the employee provides an adequate explanation, the MRO verifies the test as negative and no further action is taken. When the MRO reports the results of the verified positive test to MVT, the MRO will disclose the drug(s) for which there was a positive test. If the MRO declares a drug test to be invalid for any reason, the test is considered canceled, and neither positive nor negative. However, a re-collection under direct observation may be ordered by the MRO.

The Medical Review Officer conducting MRO services for MVT is Dr. Stephen Kracht, M.D., D.O. in Kansas City, MO.

### **7.2 Testing for Prohibited Drugs**

MVT shall collect or have collected urine samples from safety-sensitive employees to test for Prohibited Drugs. An assigned Collection Site will split each urine sample collected into a primary and a split sample. (See testing procedures) The urine samples will be sent under seal, with required chain of custody forms, to a laboratory certified by the DHHS. Currently MV Transportation is under contract with Alere Toxicology in Gretna, LA for its initial testing and confirmation testing. An initial drug screen will be conducted on each primary specimen. For those specimens that are not negative, a confirmatory Gas Chromatography/Mass Spectrometry (GS/MS) test will be performed. The test will be considered positive if the amounts present are at or above the minimum thresholds established in 49 CFR Part 40 as amended, as set forth in the attached Exhibit A (Threshold Levels).

**Split Specimen Testing-** If the test result of the primary specimen is positive or a refusal to test due to adulteration or substitution, the employee may request the MRO to direct his/her split specimen be tested in a different DHHS-certified laboratory. The MRO shall honor such a request if it is made within 72 hours of the employee having been notified of a verified positive or refusal to test result. This does not delay MVT from taking any action consistent with this policy for positive tests and the employee will be removed immediately from any safety-sensitive functions regardless if he/she is having his/her split specimen tested by a different laboratory. However, if the split specimen (bottle B) produces a negative result, or for any reason the second portion is not available, the test is considered cancelled and no sanctions are imposed. However, a re-collection under direct observation may be ordered by the MRO.

**Cancelled Test -** A drug or alcohol test that has a problem identified that cannot be or has not been corrected, or which this part otherwise requires to be cancelled. A cancelled test is neither a positive nor a negative test.

### **7.3 Alcohol Testing**

Tests for alcohol concentration on safety-sensitive employees will be conducted with a National Highway Traffic Safety Administration (NHTSA) -approved evidential breath testing device (EBT) operated by a trained breath alcohol technician (BAT). In order to maintain quality assurance, EBT's must be externally calibrated in accordance with the plan developed by the manufacturer of the device. If the initial test on an employee indicates an alcohol concentration of 0.02 or greater, a second test will be performed to confirm the results of the initial test. For summary of applicable alcohol threshold levels, see Exhibit A.

## **8.0 Types of Testing**

49 CFR Parts 655 and 382 require the following types of testing for Prohibited Substances for safety-sensitive employees: Pre-employment or transfer, reasonable suspicion, post-accident, random.

### **8.1 Pre-employment, Transfer Testing or Return to Work Testing**

All applicants for safety sensitive positions shall undergo urine drug testing prior to employment. Receipt by MVT of a verified negative test result from the MRO is required prior to performing ANY safety sensitive functions for the first time. If an applicant or employee's drug test is cancelled or negative-dilute the employee or applicant shall be required to immediately take another pre-employment drug test.

Existing employees who are being considered for transfer to a safety-sensitive position from a NON-safety-sensitive position will be required to undergo a DOT pre-employment drug test. Any existing safety-sensitive employee who is simply transferring to a different division for another safety-sensitive position is NOT required to undergo another DOT pre-employment drug test.

### **8.1.1 Non-Safety-Sensitive Positions**

**All applicants applying for non-safety-sensitive positions will have to take and pass a pre-employment NON-DOT urine drug test prior to being hired.**

### **8.1.2 Return to Work after 30 Days (DOT-FMCSA Policy)**

MVT has some contracts that are subject to the Federal Motor Carrier Safety Regulations and NOT FTA regulations. Therefore, if the employee has a commercial license and has been out for 30 days or more AND the employee has been taken out of the random testing pool, the covered employee will be required to take a DOT pre-employment drug test before he/she can perform his/her safety-sensitive position.

### **8.1.3 Return to Work after 90 Days (DOT-FTA Policy)**

If a covered employee has not performed a safety-sensitive function for 90 consecutive calendar days regardless of the reason, AND the employee has been removed from random pool, the employee must take and pass a DOT Pre-Employment drug test (NOT a return-to-duty) before he/she can perform a safety-sensitive function.

### **8.1.4 Return to Work after 30 Days for Non-Regulated employees not subject to federal guidelines but perform driving duties that is considered sensitive work (MVT Policy)**

**It is MVT's policy that all non-covered drivers who drive an MV vehicle and has not performed his/her driving functions for 30 or more consecutive days (regardless of reason) the non-covered employee will be required to take and pass another Non-DOT Pre-Employment drug test before he/she can return to his/her driving position.**

**\*\*For confirmation of regulation authority contact Drug & Alcohol Compliance Department\*\***

### **8.1.5 Previous Employer Request Requirement**

As an employer we are required to verify previous violations of DOT drug and alcohol regulations within the last two years of employment with a DOT regulated agency or employer.

An employer must obtain and review the information listed below from any DOT-regulated employer the employee performed safety-sensitive functions for in the previous two years. The information must be obtained and reviewed prior to the first time an employee performs safety-sensitive functions. If not feasible, the information should be obtained no later than thirty (30) days after the first time an employee performs safety-sensitive functions. The information obtained must include:

1. Information on the employee's alcohol test in which a breath alcohol concentration of 0.04 or greater was indicated.
2. Information on the employee's-controlled substance test in which a positive result was indicated.

3. Any refusal to submit to a required alcohol or controlled substance test. (including verified adulterated or substituted drug test results)
4. Other violations of DOT agency drug and alcohol testing regulations

As the applicant or employee if you have violated any of the DOT drug and alcohol regulations, you must also obtain documentation of your successful completion of the DOT return-to-duty requirements (including proof of follow-up tests administered).

Furthermore, all applicants will be asked whether he or she has tested positive, or refused to test, on any pre-employment drug or alcohol test administered by an employer to which the employee applied for but did not obtain safety-sensitive transportation work covered by DOT agency drug and alcohol testing rules during the past two years.

### **8.1.6 Pre-employment Breath Alcohol Testing**

Although it is not MV Transportation's policy to test for alcohol on a pre-employment test, MVT does have contracts that require a breath alcohol test be conducted in addition to the required drug test. Divisions that are subject to this requirement will have to take a pre-employment breath alcohol test. Breath alcohol testing will be in accordance with DOT Part 40 and 655.42.

## **8.2 Reasonable Suspicion Testing**

All safety-sensitive employees shall be subject to reasonable suspicion testing, to include appropriate urine and/or breath alcohol testing when there is reasonable suspicion to believe that a covered employee has used a prohibited drug and/or engaged in alcohol misuse. A reasonable suspicion referral for testing will be made based on specific, contemporaneous, articulable observations concerning the appearance, behavior, speech, or body odors of the covered employee. Reasonable suspicion tests for the presence of alcohol shall be authorized by observations made just prior, during or immediately after the period of the day in which the employee is required to be in compliance with the requirements of Part 655; and those alcohol tests shall only be conducted just before, during, or just after the performance of a safety-sensitive function. If an alcohol test is not administered within two hours following the determination to test the employee, the employer shall prepare and maintain on file a record stating the reasons the alcohol test was not promptly administered. If the alcohol test is not administered within eight hours following the determination, MVT shall cease attempts to administer an alcohol test and shall state in the record the reasons for not administering the test.

Reasonable suspicion determination will be made by a supervisor, or other company official who has had the required Reasonable Suspicion training to detect and document the signs and symptoms of probable drug use and alcohol use and who reasonably concludes that an employee may be impaired by of a prohibited substance.

**Any employee who is required to take a Reasonable Suspicion test will remain off duty until a negative alcohol and drug test is received.**

### 8.3 Post-Accident Testing

#### **Fatal Accidents**

As soon as practicable following an accident involving the loss of human life, MV Transportation will conduct drug and alcohol tests on each surviving covered employee operating the public transportation vehicle at the time of the accident. Post accident drug and alcohol testing of the operator is not required under this section if the covered employee is tested under the fatal accident testing requirements of the Federal Motor Carrier Safety Administration rule 49 CFR 382.303 (a)(1) or (b)(1). MV Transportation shall also test any other covered employee whose performance could have contributed to the accident as determined by investigating staff using the best information available at the time of the decision.

#### **Non-Fatal Injury Accidents**

As soon as practicable following an accident not involving the loss of human life in which a public transportation vehicle is involved, MV Transportation will drug and alcohol test each covered employee operating the public transportation vehicle at the time of the accident unless investigating staff determine, using the best information available at the time of the decision, that the covered employee's performance can be completely discounted as a contributing factor to the accident.

Accident means an occurrence associated with the operation of a vehicle, if as a result: (1) An individual dies; or (2) An individual suffers bodily injury and immediately receives medical treatment away from the scene of the accident; or (3) With respect to an occurrence in which the transit vehicle involved is a bus, electric bus, van, or automobile, one or more vehicles (including non-FTA funded vehicles) incurs disabling damage as the result of the occurrence and such vehicle or vehicles are transported away from the scene by a tow truck or other vehicle; or (4) With respect to an occurrence in which the public transportation vehicle involved is a rail car, trolley car, trolley bus, or vessel, the public transportation vehicle is removed from operation.

(For exact testing criteria -See Post Accident Testing Procedures Pg. 28)

MV Transportation shall also test any other covered employee whose performance could have contributed to the accident as determined by investigating staff using the best information available at the time of the decision.

#### **MV Policy: When to conduct a NON-DOT Post accident/incident test**

**If the accident does not meet the FTA/FMCSA testing criteria, MVT will reserve the right to test any safety-sensitive employee after any accident/incident regardless of the severity of the accident/incident. Additionally, MVT will test any other safety-sensitive employee whose performance MVT determines could have contributed to the accident.**

**Under these circumstances it must be explained to the employee that the drug and alcohol tests will be done under M.V. Transportation authority and should be done on NON-DOT drug and alcohol chain of custody forms.**

**Any employee who takes a post accident test will remain off duty until a negative drug test and alcohol test result is received.**

#### **8.4 Random Testing**

Employees performing safety-sensitive functions will be subject to unannounced, random drug and alcohol testing in accordance with FTA regulations. The random drug and alcohol testing rates will be, at a minimum, based on the current FTA and FMCSA requirements at all times. Each such employee shall have an equal chance at selection and shall remain in the pool even after being tested. The basis for random selection shall be by a scientifically valid random number generation method initiated by computer. The dates for administering unannounced testing of randomly-selected covered employees shall be spread reasonably throughout the calendar year, month, week, and all hours that safety-sensitive functions are performed. This ensures that employees would have a reasonable expectation that they might be called for a test on any day they are at work. A covered employee shall only be randomly tested for alcohol misuse while the employee is performing safety-sensitive functions; just before the employee is to perform safety-sensitive functions; or just after the employee has ceased performing such functions. A covered employee may be randomly tested for prohibited drug use anytime while on duty. The employee must proceed to the test site immediately after being notified that he or she has been selected for testing in the allotted time given.

### **9.0 Consequences**

#### **9.1 Positive Alcohol Test**

- (a) A safety-sensitive employee who has a confirmed alcohol concentration of 0.02 or greater but less than 0.04 will be removed from his or her duties for eight hours unless a confirmation test results in a concentration measure of less than 0.02. (For a test result which is less than 0.04 no other action will be taken except that which is described in this paragraph.)
- (b) An alcohol concentration of 0.04 or greater or a test refusal will be considered a positive alcohol test. The employee will be immediately removed from duty and referred to a Substance Abuse Professional (SAP) **and terminated from employment.**

#### **9.2 Positive Drug Test**

The consequences of a positive drug test or a test refusal are as follows: the employee will immediately be removed from safety sensitive duties, referred to a Substance Abuse Professional **and terminated from employment.**

### **10.0 MRO Report of a Negative Dilute Specimen**

If the MRO informs MVT that a negative drug test was dilute, the employee will be directed to take another test immediately. In some cases, the MRO may require the retest to be performed under "Direct Observation." Each employee directed to take another test, will be given the minimum possible advance notice that he or she must go to the collection site to take another test.

For any employee that is directed to take another test, the result of the second test – not that of the original test – becomes the test of record which MVT will rely on for purposes of this policy. Any employee who is directed to take another test and the employee declines to do so, shall be considered as a refusal to test for purposes of this policy and DOT agency regulations.

Dilute Specimen- A specimen with creatinine and specific gravity values that are lower than expected for human urine.

### **11.0 Substance Abuse Professional (SAP)**

A SAP must meet all the credential, basic knowledge, qualification training, continuing education, and documentation requirements of 49 CFR Part 40, Subpart O, §40.281 (a-e). The SAP will evaluate the employee to determine what assistance the employee needs in resolving problems associated with prohibited substance abuse or alcohol misuse. The SAP will also determine whether an employee has successfully completed a program of rehabilitation.

MV Transportation uses:

**American Substance Abuse Professionals, Inc. (ASAP)**  
Nationwide Network [www.go2asap.com](http://www.go2asap.com)  
1421 Clarkview Road, Suite 130, Baltimore, Maryland 21209  
Contact: Nicole Hanratty, CEAP, SAP, C-DERT  
888-792-2727 x177 Mention MV Transportation

This firm is a national company that contains a large network of qualified SAPs throughout the United States. Employees simply call the toll-free number and provide the SAP their city and zip code and the SAP will find them the qualified SAPs closest to their area.

### **12.0 Training and Education**

All employees shall participate in a minimum one-hour training session designed to meet FTA requirements by learning about the effects and consequences of drug use on personal health, safety and the work environment. For those supervisors participating in reasonable suspicion determination testing, there will be at least two hours of training to explain the criteria for reasonable cause testing, including at least an hour on the physical, behavioral and performance indicators of probable drug use and another hour on the physical, behavioral, speech and performance indicators of probable alcohol misuse. Initial training sessions will be re-enforced with educational materials and meetings. Further, employees shall be provided with a community hot-line telephone number.

### **13.0 Employee Assistance Community Service Hot-Line**

The Center for Substance Abuse Treatment maintains a toll-free Referral Helpline

800-662-HELP

National Mental Health Association

800-969-NMHA (6642)

National Domestic Violence Hotline

800-799-SAFE

National Suicide Hotline

800-SUICIDE (784-2433)

National Child Abuse Hotline

800-422-4453

### **14.0 Records, Confidentiality**

A safety-sensitive employee is entitled, upon written request, to review and obtain copies of any records relating to the employee's drug and alcohol testing. MVT must maintain records of its substance abuse program in a secure location with controlled access.

### **15.0 System Contact**

Any questions regarding this policy or any other aspect of MVT's Substance Abuse Management Program should be directed to the office of the following:

Name: Esther Avalos, Director of Drug & Alcohol Compliance  
Address: 2711 N. Haskell Ave., Ste. 1500, LB-2, Dallas, TX 75204  
Phone Number: 972-391-4616

### **16.0 Local Authority**

Local Division General Managers and Safety Managers are the Designated Employer Representatives (DERs) and are authorized to receive test information from the MRO as well as confirmation test results from the qualified B.A.T.

### **17.0 Revisions to the Policy and Program**

This policy and program are subject to revision in accordance with the Department of Transportation regulations, as amended.

### **18.0 Zero Tolerance Policy**

MV Transportation's "Zero Tolerance" Policy means any covered employee that has a verified positive drug or alcohol test, or test refusal, will be immediately removed from his/her safety-sensitive position, referred to a Substance Abuse Professional (SAP), and **will be terminated.**

## EXHIBIT A

Pursuant to the Federal Department of Transportation regulations, the following are the drugs to be tested for, and the threshold levels of each test which MV Transportation is required to accept:

Initial test analyte	Initial test cutoff 1	Confirmatory test analyte	Confirmatory test cutoff concentration
Marijuana metabolites (THCA) 2	50 ng/mL <sup>3</sup>	THCA	15 ng/mL
Cocaine metabolite (Benzoylecgonine) ...	150 ng/mL <sup>3</sup>	Benzoylecgonine	100 ng/mL
Codeine/ .....	2000 ng/mL	Codeine	2000 ng/mL
Morphine		Morphine	2000 ng/mL
Hydrocodone/ .....	300 ng/mL	Hydrocodone	100 ng/mL
Hydromorphone		Hydromorphone	100 ng/mL
Oxycodone/ .....	100 ng/mL	Oxycodone	100 ng/mL
Oxymorphone		Oxymorphone	100 ng/mL
6-Acetylmorphine .....	10 ng/mL	6-Acetylmorphine	10 ng/mL
Phencyclidine .....	25 ng/mL	Phencyclidine	25 ng/mL
Amphetamine/ .....	500 ng/mL	Amphetamine	250 ng/mL
Methamphetamine		Methamphetamine	250 ng/mL
MDMA 4/MDA 5	500 ng/mL	MDMA	250 ng/mL
		MDA	250 ng/mL

\* (ng/mL) nanograms per milliliter

### ALCOHOL

(Includes ethanol, methanol, isopropanol)

#### Breath Alcohol Concentration

(expressed in terms of grams of alcohol per 210 liters of breath)

#### Initial Screen

Under 0.02

#### Confirmatory

(given if 0.02 or greater on initial screen)  
0.02 to less than .04 employee may not perform safety-sensitive function

## EXHIBIT B

The following is a general list of safety-sensitive functions and the job categories of employees who are subject to the provisions of 49 CFR Par 655 and 382 at MV Transportation:

**NOTE: This list is subject to change and revision.**

49	Maintenance Training Manager	340	Lead Dispatcher	416	Safety Manager	550	Mechanic
87	Safety Assistant	345	Dispatcher	420	BTW Trainer	561	Mechanic A (specify Union Class)
112	Floating Class A Mechanic	346	Window Dispatcher	425	BTW Instructor	562	Mechanic B (specify Union Class)
113	Body Repairman	349	Scheduling Manager	460	Classroom Instructor	563	Mechanic C (specify Union Class)
300	General Manager	350	Scheduler	451	Classroom Trainer	564	Technician A Mechanic
301	General Manager 1	352	Scheduling Coordinator	470	Parts Manager	565	B Mechanic
302	General Manager 2	353	VA Coordinator	471	Assistant Parts Manager	566	Technician C Mechanic
303	General Manager 3	354	Operations Supervisor	475	Parts Clerk	567	Technician Apprentice
304	General Manager 4	355	Road Supervisor	500	Maintenance Manager	568	Technician
310	Division Manager	357	Where's My Ride Supervisor	510	Assistant Maintenance Manager	569	Mechanic Helper
315	Assistant Division Manager	358	Lead Supervisor	512	Maintenance Technician	570	Cleaners
320	Operations Manager	379	Lead Schedule/Dispatcher	514	Bus Stop Maintenance	571	Mechanic Helper
321	Shift Supervisor	399	Call Center Manager	515	Maintenance Clerk	572	Body Shop Technician
322	Assistant Operations Manager	400	Safety and Training Manager	516	Maintenance Supervisor	575	Service Worker
323	Operations supervisor	406	Training Manager	517	Service Employee	580	Utility Crew
330	Dispatch Manager	406	Training Supervisor	518	Advanced Service Employee	584	Station Supervisor
332	Reservations Manager	410	Safety Trainer	519	Entry Level Mechanic	590	Bus Aide
335	Dispatch Supervisor	411	Safety Training Supervisor	520	Shop Foreman	800	Driver Trainer
336	Drive Cam Supervisor	415	Assistant Safety Manager	530	Lead Mechanic	610	Driver

Any MVT employee who has a non-safety-sensitive position, but who may perform a safety sensitive function at any time while they are working will be subject to random testing and will be included in the DOT random testing pool.

### ***Testing Procedures***

Note: Testing and collection procedures will be conducted as set forth by 49 CFR Parts 40 (as amended) & 655 & 382. The information on the following pages is meant for general information only for MV Transportation employees. Any questions regarding reference to the regulations should be directed to the policy section of this handbook. A copy of 49 CFR Part 40 is available for review to each employee upon request to their local manager.

**This is a “Zero Tolerance” policy and any reference to return to work after a positive test result does not apply to employees affected by this policy. The FTA does not mandate “Second Chance”.**

### ***Pre-Employment Testing***

1. The FTA regulations require that all applicants for employment in safety-sensitive positions or individuals being transferred to safety-sensitive positions from NON-safety-sensitive positions must be given a pre-employment drug test.
2. Applicants may not be assigned to safety-sensitive functions unless they pass the drug test.
3. Applicants must be informed in writing of the testing requirements prior to conducting the test. **MVT will require applicant to sign a form acknowledging that they know that their urine will be tested for Cocaine, PCP, Amphetamines, Marijuana, and Opioids.**
4. Appropriate personnel at each location will schedule appointments for collection. The employee must be made aware that their placement into a safety sensitive position is contingent upon a negative test result.
5. It is the responsibility of the applicant to report to the collection site at the time and day scheduled.
6. Positive test results must be reviewed by the MRO.
7. Applicants are notified by the MRO of the laboratory results and are given an opportunity to discuss the results.
8. Applicants who test positive will not be hired into a safety-sensitive position.
9. An applicant whose pre-employment test results are negative will continue through the safety-sensitive hiring process.
10. Applicants will be asked whether he or she has tested positive or refused to test on a pre-employment drug or alcohol test while trying to obtain safety sensitive transportation work from an employer covered by DOT agency during the past two years. If applicant admits that he or she had a positive test or a refusal to test, MV will not allow the applicant to perform safety sensitive duties unless and until applicant provides documents showing the successful completion and release from a SAP.

### ***Random Testing Procedures***

The FTA regulations require random testing for prohibited drugs and alcohol for all safety-sensitive employees. Random testing identifies those who are using drugs or misusing alcohol but can use the predictability of other testing methods to escape detection. More importantly, it is widely believed that random testing serves as a strong deterrent against employees beginning or continuing prohibited drug use and misuse of alcohol at MVT. MV Transportation has developed procedures for notification and collection to best implement the requirements of the federal rules.

These procedures answer common questions regarding random testing: Who is tested? Why are only some individuals tested? When and how do the tests occur?

1. Random drug and alcohol testing applies only to safety-sensitive employees. Identification numbers for all safety-sensitive employees will be included in a selection pool.
2. Random drug and alcohol testing is accomplished by a scientifically valid, tamper-proof, computer-generated selection process. A random list for testing of employee numbers will be generated every month.
3. Employees are chosen in an unannounced, unpredictable manner. No employee will be removed from the random pool following the next selection, and every employee will continue to be subject to random selection throughout the year. Every employee in the random pool has an equal chance of being selected every time. Employees are only removed from the random pool when they are in rehabilitation programs, terminated or permanently transferred to a non-safety-sensitive position, or expected to be out for at least 90 days or more.
4. Random testing will be conducted on all shifts, all times of day, and all days of the week throughout the calendar year. No shift is exempt from testing.
5. Random drug testing may be conducted concurrently with random alcohol testing or at any time during an employee's shift. Random alcohol testing will be conducted just before the employee is scheduled to perform a safety-sensitive function, while the employee is performing safety-sensitive functions or just after the employee performs a safety-sensitive function. The employee must proceed to the test site immediately after being notified that he or she has been selected for testing in the allotted time given.
6. For both Maintenance and Operations (Drivers) the Divisional Manager in each location will be notified which employees have been selected for testing. Once an employee is notified of his/her selection, he/she must report immediately for the test. Failure to report after notification constitutes a refusal to test. (see procedures for random test notification)
7. Employees will be notified where to report for collection, when to stop work and report to the collection site and who will relieve them, if necessary.
8. The employee must submit to a drug and/or alcohol test. Failure to cooperate with the collection procedure in any way constitutes a refusal to test which has the same consequences as a positive test result.

9. The employee is in a paid status throughout the random testing procedure. Employees will be removed from duty if the results are positive **and employee will be terminated.**
10. If both alcohol and drug tests are being given, the breath alcohol test will be performed first. Immediately thereafter, the urine sample will be collected for the drug test.
11. If there is a confirmed breath alcohol test of between .02% and .039% (inclusive), the employee will be relieved from duty immediately for a minimum of eight (8) hours.
12. If there is a confirmed positive breath alcohol test (.04% or above), the employee will be given the name of a Substance Abuse Professional (SAP) **and terminated.**

***Procedures for Random Test Notification***

1. The Human Resource Department triggers the selection list of the month's safety-sensitive employees to be scheduled for testing.
2. The local manager will review work schedules, including planned absences when known, to develop a best available time to perform the tests. The local manager will coordinate the testing schedule with the collector.
3. In developing testing times, the goal will be to minimize the impact in service. Testing will be conducted using the following priority periods:
  - Before work,
  - During split time,
  - After work/shift is completed
  - During work, with standby personnel relief.
4. During work, without relief (if no other time is possible).
5. Notification of Employees- The Human Resources Department triggers notification to each location's designated employer representative (DER) via electronic mail. The DER will notify each safety-sensitive employee selected and thus notified. Each employee who is selected is to report to the test site immediately

The employee cannot "go off sick" or on vacation or leave of absence after notification.

6. Collection site personnel shall report "unreasonable delays" to the local DER as employees are required to immediately report to the collection site following notification. Failing to report to the collection site within a reasonable allotted time constitutes a refusal to test.
7. The DER shall confirm with the Regional, Divisional, or Operations Manager that the employee was notified.
8. The DER shall notify the proper management official if an employee fails to report for testing after notification.
9. An employee who fails to report for testing shall be removed from duty immediately. If employee is determined to have "refused to test" he/she face the

same consequences as testing "positive" for drugs/alcohol and will be given the name and number of a SAP and **terminated from employment**.

### ***Collection Procedures for All Tests***

All collection procedures shall be performed in accordance with Part 40. Upon notification of a test under this policy;

1. The employee must report to the collection site immediately after notification.
2. The employee shall provide photo identification to collection site personnel. Supervisors will verify the identification of employees without photo identification and may photograph the employee if necessary.
3. The employee must comply with all collection procedures.
4. The employee must follow the directions of the collection staff to ensure that an unadulterated urine specimen is collected, and/or the breath alcohol test is completed.
5. The employee will be in a private enclosure and unobserved unless a direct observed collection is determined to be needed by the MRO, the local DER, or the collector.
6. The employee must supply at least 45 ml of urine (approx. 1 ½ oz). If the employee gives an inadequate amount of urine or if the employee is unable to give a sufficient urine sample collection site staff shall provide the individual with no more than 40oz of fluid to drink during a period of up to 3 hours. The employee will attempt to provide a complete sample using a fresh container. If the required amount is provided, the collection staff will continue with collection process. If the employee is still unable to provide an adequate specimen within three hours of the first unsuccessful attempt to provide the specimen, the collection staff must discontinue the collection, note the facts on the "remarks" line of the CCF, and immediately notify the DER.

**Shy Bladder** - The term "shy bladder" refers to a situation when the employee does not provide a sufficient amount of urine (45 ml) for a DOT required drug test. If an employee tells the collector, upon arrival at the collection site, that he or she cannot provide a specimen, the collector must still begin the collection procedure regardless of the reason given and direct the employee to make the attempt to provide the specimen.

The employee must be monitored during this time. If the employee leaves the collection site or refuses to make the attempt to provide a sufficient urine specimen, this is considered a refusal to submit to a test.

Failure to produce a sample of urine will result in an immediate referral for an evaluation from a licensed physician within 5 days who can determine in his or her reasonable judgment the safety-sensitive employee's inability to provide an adequate amount of urine. If no medical reason is found substantiating an inadequate sample, the incident will be treated as a "refusal to test" and will carry the same consequences as a positive test result.

**It is MVT's policy that any employee who does not provide a valid specimen during a collection for a test will remain off duty until the employee is cleared from the MRO that the employee had a valid medical reason.**

7. If the employee fails to provide an adequate amount of breath for the breath alcohol test, a second attempt will be made. If the Employee, after multiple attempts, fails to produce a sample, the Breath Alcohol Technician (BAT) shall so note in the "Remarks" section of the breath alcohol testing form and immediately inform the DER. The DER will instruct the employee to obtain, as soon as possible but within 5 days after the attempted provision of breath, an evaluation from a licensed physician who is acceptable to the employer concerning the employee's medical ability to provide an adequate amount of breath.
8. Whenever there is reason to believe that an individual has altered or substituted the urine specimen, a second specimen shall be obtained as soon as possible under direct observation of a same gender observer. Reasons may include; temperature of the specimen out of normal range, bluing agent in the specimen.

**Substituted Specimen-** A specimen with creatinine and specific gravity values that are so diminished that they are not consistent with human urine.

**Adulterated Specimen-** A specimen that contains a substance that is not expected to be present in human urine, or contains a substance expected to be present but is at a concentration so high that it is not consistent with human urine.

9. If the breath alcohol screening is 0.02 or greater, the breath alcohol technician will wait at least 15 minutes and a maximum of 30 minutes before administering the confirmation test. Even if more than 30 minutes have passed the BAT will still conduct the confirmation test.
10. To ensure that the test results are attributed to the correct covered employee; both specimen bottles must be sealed and labeled in the presence of the donor. The labels must be printed with the same specimen identification number as the custody control form and are attached to the specimen bottles. The donor initials the labels on the vials verifying that the specimen is his or hers.

#### ***Reasonable Suspicion Testing Procedures***

1. Supervisors and managers receive training to identify behaviors that might be indicators of drug use and/or alcohol misuse. Training includes the procedures for how to deal with employees suspected of drug use and/ or alcohol misuse.
2. If a supervisor observes an appearance, behavior, speech pattern, or body odor of the covered employee that might be indicative of drug use and/or alcohol misuse, he/she directs the employee to stop work and escorts the employee to an area to be questioned and observed in private.
3. The supervisor completes the Reasonable Suspicion Incident Report. The

supervisor must ensure that the employee does not continue to operate in a safety-sensitive function after identified for reasonable suspicion testing.

4. If there is a decision to test based on observable symptoms, the employee is ordered to submit to a drug and alcohol test and is escorted to the collection site.
5. The employee is on paid status until the test collection is completed. **Employee will remain off duty until a negative drug and alcohol test is received.** To the greatest extent possible, arrangements shall be made to have him/her transported home and employee should not be allowed to leave on his/her own recognizance.
6. If there is a confirmed breath alcohol test of between .02% and .039% (inclusive), the employee will be relieved from safety-sensitive duty immediately for a minimum of eight (8) hours. If there is a confirmed positive breath alcohol test (.04% or greater) and/or confirmed positive drug test, or refusal to test, the employee shall be provided the name and number of a SAP and the employee **will be terminated.**
7. If the employee's drug test is confirmed negative by the MRO and/or the BAT test is below 0.02 the employee will be allowed to return to work and will be paid for any time missed.

#### ***Post-Accident Testing Procedures***

The FTA regulations require testing for prohibited drugs and alcohol in the case of certain public transportation accidents. Post-accident testing is mandatory for accidents where there is a loss of life and for other non-fatal accidents.

1. The supervisor ensures that all injured people receive proper medical care. Nothing in this section shall be construed to require the delay of necessary medical attention for the injured following an accident or to prohibit a covered employee from leaving the scene of an accident for the period necessary to obtain assistance in responding to the accident or to obtain necessary emergency medical care.
2. The supervisor determines whether the accident meets FTA criteria using MVT's "Post Accident Decision Checklist Form".
3. If the accident meets the FTA/DOT criteria a DOT post accident drug and alcohol test will be conducted immediately. The employee will be taken to the collection site and tested as soon as practicable following the accident. The employee should remain readily available for alcohol testing up to 8 hours and for drug testing up to 32 hours after the accident, including notifying his/her supervisor of his/her location or he/she may be deemed to have refused to submit to testing if he/she does not make him/herself readily available for testing.
4. **Once the tests have been completed the employee will remain off duty until a negative drug and alcohol test is received.**
5. If the employee is not tested within two hours for alcohol, the supervisor must document the reason for the delay, and if test is not conducted in 8 hours, the DER shall cease all further attempts and update the records as to the reason(s)

why the test was not completed. If the 32 hours have passed the DER shall cease all further attempts to complete the drug test.

6. If the employee refuses to be tested, or the breath alcohol test is .04 or greater, or if the drug test is confirmed positive, the employee is immediately removed from duty, the Sap will find them the qualified SAPs closest to their area and **will be terminated.**

### ***Post -Accident Testing Criteria***

It should be noted that a post-accident test is given because the incident meets the criteria listed below. It is NOT a probable cause or reasonable suspicion test. An accident (§ 655.4) is defined as an occurrence associated with the operation of a vehicle in which:

1. An individual dies.
2. An individual suffers a bodily injury and immediately receives medical treatment away from the scene of the accident.
3. With respect to an occurrence in which the public transportation vehicle involved is a bus, van or automobile, one or more vehicles incurs disabling damage as the result of the occurrence and is transported away from the scene by a tow truck or other vehicle. For purposes of this definition, "disabling damage" means damage which precludes departure of any vehicle from the scene of the occurrence in its usual manner in daylight after simple repairs.

**(Inclusions)** Disabling damage includes damage to vehicles that could have been operated but would have been further damaged if so operated.

**(Exclusions)** damage which can be remedied temporarily at the scene of the occurrence without special tools or parts, tire disablement without other damage even if no spare tire is available, or damage to headlights, tail-lights, turn signals, horn, or windshield wipers that makes them inoperative.

4. With respect to an occurrence in which the public transportation vehicle involved is a rail car, trolley car, trolley bus, or vessel, the public transportation vehicle is removed from operation.
5. The FTA has determined that "**LIFTS**" constitute equipment used in revenue service and their operation is essential to the operation of the vehicle and protection of public safety, their operation shall now be included in the accident definition.

**To determine if a test should be administered under this section, always use MV Transportation's "Post Accident Decision Checklist". This form should be used for all accidents in determining whether a test will be done under DOT authority.**

## ***Prohibited Drugs and Alcohol Misuse***

**MVT is required to ensure that all covered employees receive at least 60 minutes of training and discussion on the effects and consequences of prohibited drug use on personal health, safety, and the work environment, and on the signs and symptoms that may indicate prohibited drug use. The information below shall assist in providing statistics and examples of substance abuse in the work force and the signs and symptoms of such use.**

A study conducted showed 75 percent of illicit drug users 18 and older are employed, which amounts to about 10 million U.S. workers. On a daily basis, based on 250 work days in a year, at least 42,000 Americans are coming to work stoned or are getting "high" while on the job.

### **Studies and statistics show that:**

1. Every 23 minutes a death occurs as a result of a drug or alcohol related accident.
2. A typical abuser is:
  - a. Late to work 3 times more often
  - b. Requests twice as much time off
  - c. Is absent 2 1/2 times more than average
  - d. Uses 3 times as many sick benefits
  - e. Collects 5 times as much worker's comp
  - f. Has 300% higher medical costs/benefits

If these statistics haven't convinced you that the problem is serious, let's look at a few more.

### **A national survey once reported that:**

1. 19% of all children over the age of 12 had used some type of illegal drug
2. 65% of 18 to 25-year olds had used some type of illegal drug
3. 30 to 40 million Americans stated they had used cocaine
4. By age 17, 70% of American teenagers had tried alcohol

As you can see, drug and alcohol abuse is a serious problem, having a major effect on all our lives. Even though you may not be abusing drugs or alcohol, you are affected by the results of drug and alcohol abuse in our society. You pay higher medical costs to help cover the costs for abusers who cannot afford the cost of treatment. You pay higher insurance costs to help fund the drug and alcohol abuse programs paid for by insurance companies. The material and services you buy cost more because of decreased worker productivity, as well as increased cost to employers.

This section is designed to provide you with a brief overview of the seriousness of using controlled substances and alcohol. It also provides education on the signs, symptoms and effects of the illicit drugs that you will be tested for. Your employer has taken great measures to assure you of a safe working environment. Please review this booklet in its entirety to educate yourself on drug and alcohol in the workplace. When you have completed reading this material, you will better understand the need for a drug-free workplace.

The drugs for which you will be subject to testing include:

- Amphetamine
- Cocaine
- Marijuana
- Opioids
- Phencyclidine (PCP)
- Alcohol (by evidential breath testing device only)

### ***Facts about Amphetamines***

Amphetamines (methamphetamine, MDMA-ecstasy) are central nervous system stimulants. They tend to make people “hyper” and “jumpy”. They can be taken either orally or injected. They are often used by people to stay awake and to counteract the effects of drowsiness. They are especially dangerous to take while performing safety-sensitive tasks or driving.

Ecstasy, MDMA (3,4 methylenedioxymethamphetamine), is a synthetic, psychoactive drug that is chemically similar to the stimulant methamphetamine and the hallucinogen mescaline. MDMA causes an increase in serotonin which plays an important role in the regulation of mood, sleep, pain, appetite, and other behaviors.

Some heavy MDMA users experience long lasting confusion, depression, and selective impairment of working memory and attention processes. Ecstasy users make extremely dangerous drivers. They can exhibit the same impairments as amphetamine, heroin, cocaine, and hallucinogen users.

### **Signs and Symptoms of Amphetamine Use**

- ◆ Hypersensitivity
- ◆ Exhaustion
- ◆ Dilated Pupils
- ◆ Grinding teeth
- ◆ Loss of appetite and immediate weight loss
- ◆ Dry mouth
- ◆ Excessive talking

### **Effects on Person**

- ◆ More likely to take risks
- ◆ Impaired judgement

### ***Facts about Cocaine***

Cocaine also stimulates the central nervous system. It gives the user an intense feeling of well-being, or euphoria, known as a "high". The "high" will last for 10 to 60 minutes. A more potent form of the drug called "crack" cocaine is especially addicting and dangerous. Although it's "high" lasts only about 5 to 8 minutes, "crack" cocaine can be addicting after only one use, and cause death the first time it is used. Cocaine can be injected, snorted, or free-based. Snorting is sniffing the drug up the nose, and free-basing is done by heating the drug and inhaling the vapors.

### **Signs and Symptoms of Cocaine Use**

- ◆ Mood swings
- ◆ Weight Loss
- ◆ Restlessness: Difficulty sitting or standing in one place
- ◆ Depression
- ◆ Nose bleeds
- ◆ Irritable, angry, nervous, angers easily
- ◆ Bad breath
- ◆ Euphoric feeling
- ◆ Running nose, uncontrollable sniffing

### **Effects on Person**

- ◆ Slowed reaction time
- ◆ Distorted vision and depth perception
- ◆ Slow to make decisions
- ◆ Unable to correctly measure time and distance

### ***Facts about Marijuana***

Marijuana is a depressant and mind-altering drug. Marijuana does not depress the central nervous system's reaction, it works on the brain. Mind altering means it causes hallucinations. It can be eaten or smoked. Street names for marijuana are "dope", "grass", "joint", "hash", or "hooch".

Tests have shown that people's reflexes and thought processes are slower under the influence of marijuana. The effects of this drug are longer lasting than first thought. In fact, impairment can last more than 24 hours after using marijuana. The body actually stores the drug for days, weeks, and in some cases, months, depending on the frequency of use.

### **Signs and Symptoms of Marijuana Use**

- ◆ Dilated pupils
- ◆ Slowed reflexes
- ◆ Giddiness
- ◆ Slowed thinking
- ◆ Moodiness
- ◆ Trance-like state
- ◆ Impaired vision
- ◆ Reduced feeling of pain
- ◆ Odor of burning
- ◆ Short-term memory loss
- ◆ Loss of concentration
- ◆ Unable to sleep after prolonged use

### **Signs To Look For**

- ◆ Cigarette rolling paper
- ◆ Dried plant material, either crumbled or pressed
- ◆ Roach clip (device to hold joint)
- ◆ Hash pipe (very small pipe)

### ***Facts about Opioids***

Opioids are classified as a narcotic analgesic. They tend to have a sedating, calming effect, and act as a depressant to the central nervous system. Opioids are more commonly known as morphine, codeine, hydrocodone, hydromorphone, oxycodone, oxymorphone, and heroin. Street names for Opioids are “junk”, “smack”, “horse”, and “brown sugar”. Opioids are prescribed by doctors to relieve pain, they can either be taken orally, injected or smoked. Some common names for these semi-synthetic opioids include OxyContin®, Percodan®, Percocet®, Vicodin®, Lortab®, Norco®, Dilaudid®, Exalgo®.

When the drug is injected, the user feels an immediate “rush”, usually followed by a very relaxed and soothing feeling. However, some Opioids can cause very unpleasant side effects such as nervousness, nausea, and restlessness, and if taken in excess, may cause coma or death.

### **Signs and Symptoms of Opioid Use**

- ◆ Mental confusion

- ◆ Slurred speech
- ◆ Unsteadiness
- ◆ Hostility
- ◆ Memory loss
- ◆ Drowsiness
- ◆ Excess talking
- ◆ Euphoria
- ◆ Depression
- ◆ Short attention span
- ◆ Cold, moist or bluish skin
- ◆ Reduced feeling of pain

#### **Effects on Person**

- ◆ Lack of concentration – Day dreaming
- ◆ Distorted sense of time and distance
- ◆ Distorted vision

#### ***Facts about Phencyclidine (PCP)***

Phencyclidine, commonly called “Angel Dust”, is known as a dissociative anesthetic. Users of PCP may experience hallucinations and signs of intoxication. They may not be able to focus their attention or will experience confusion and lack of coordination.

Although PCP has immediate short-term effects, it is also known for its long-term effect of causing psychotic behavior often associated with violent acts. Other street names for PCP include “hog”, and “crystal”. PCP may be smoked, snorted or injected.

#### **Signs and Symptoms of PCP Use**

- ◆ Delusions
- ◆ Confusion
- ◆ Panic
- ◆ Increased blood pressure
- ◆ Anxiety
- ◆ Flashbacks

#### **Effects on Person**

- ◆ More likely to take risks
- ◆ Impaired coordination
- ◆ Aggressive actions

### ***Facts about Alcohol***

Alcohol is a socially acceptable drug that has been consumed throughout the world for centuries. It is considered a recreational beverage when consumed in moderation for enjoyment and relaxation during social gatherings. However, when consumed primarily for its physical and mood-altering effects, it is a substance of abuse. As a depressant, it slows down physical responses and progressively impairs mental functions.

#### **Signs and Symptoms of Use**

- ◆ Dulled mental processes
- ◆ Lack of coordination
- ◆ Odor of alcohol on breath
- ◆ Possible constricted pupils
- ◆ Sleepy or stuporous condition
- ◆ Slowed reaction rate
- ◆ Slurred speech

(Note: Except for the odor, these are general signs and symptoms of any depressant substance.)

#### **Health Effects**

The chronic consumption of alcohol (average of three servings per day of beer [12oz], whiskey [1oz], or wine [6oz glass] over time may result in the following health hazards:

- ◆ Decreased sexual functioning
- ◆ Dependency (up to 10% of all people who drink alcohol become physically and/or mentally dependent on alcohol and can be termed "alcoholic")
- ◆ Fatal liver diseases
- ◆ Increased cancers of the mouth, tongue, pharynx, esophagus, rectum, breast, and malignant melanoma.
- ◆ Kidney disease, Pancreatitis, Ulcers
- ◆ Spontaneous abortion and neonatal mortality
- ◆ Birth defects (up to 54% of all birth defects are alcohol related).

#### **Workplace Issues**

- ◆ It takes one hour for the average person (150 pounds) to process one serving of an alcoholic beverage from the body.
- ◆ Impairment in coordination and judgment can be objectively measured with as little as two drinks in the body.
- ◆ A person who is legally intoxicated is 6 times more likely to have an accident than a sober person.



**ACKNOWLEDGEMENT  
OF  
EMPLOYER'S DRUG AND ALCOHOL TESTING POLICY**

I, \_\_\_\_\_, the undersigned, hereby  
*Print Full Name*

acknowledge that I have received a copy of the anti-drug and alcohol misuse program policy mandated by the U.S. Department of Transportation, Federal Transit Administration for all covered employees who perform a safety-sensitive function. I understand this policy is required by 49 CFR Part 655, as amended, and has been duly adopted by the governing board of the employer. Any provisions contained herein which are not required by 49 CFR Part 655, as amended, that have been imposed solely on the authority of the employer are designated as such in the policy document.

I further understand that receipt of this policy constitutes a legal notification of the contents, and that it is my responsibility to become familiar with and adhere to all provisions contained therein. I will seek and get clarification for any compliance with all provisions contained in the policy. I also understand that compliance with all provisions contained in the policy is a condition of employment.

I further understand that the information contained in the approved policy dated April 1, 2018 is subject to change, and that any such changes, or addendum, shall be disseminated in a manner consistent with the provision of 49 CFR Part 655, as amended.

I hereby acknowledge that I have participated in and completed the required minimum 60 minutes of training on the effects and consequences of prohibited drug use on personal health, safety, and the work environment, and on the signs and symptoms that may indicate prohibited drug use in accordance with Part 655.14(b)(1) and in addition, to the training, this policy and handbook was reviewed.

I further acknowledge that I have been advised of the consequences for safety sensitive employees who violate the testing requirements.

\_\_\_\_\_  
*Signature of Employee*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Print Name*

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AGENDA NO: A-5  
MEETING DATE: July 10, 2018

## Staff Report

**TO:** Honorable Mayor and City Council                      **DATE:** July 5, 2018  
**FROM:** Joseph Pannone, City Attorney  
**SUBJECT:** Receive and File City Response to Linda Stedjee regarding Alleged Brown Act Violation, and Provide Comment as Deemed Appropriate

### **RECOMMENDATION**

Receive and file.

### **FISCAL IMPACT**

There is no fiscal impact to this decision.

### **BACKGROUND/DISCUSSION**

On June 15, 2018, the City received a letter dated June 8 from Linda Stedjee alleging a violation of the Ralph M. Brown Act occurred at the October 24, 2017, City Council Meeting (Attachment 2). The Council determined, at a duly noticed closed session held on June 27, 2018, the June 8 letter does not substantively modify the allegations made in the April 5, 2018 letter. Based on that, the Council concluded no such violation occurred, as again alleged, at the October 24 meeting; and, therefore, there is no need to “cure or correct” the challenged action. In the interest of transparency, the City’s June 27 response letter is provided as Attachment 1.

### **ATTACHMENTS**

1. City of Morro Bay June 27, 2018 letter to Linda Stedjee
2. June 8, 2018 letter from Linda Stedjee

Prepared By:   LK                        Dept Review:         
City Manager Review:                     City Attorney Review:   JWP



## CITY OF MORRO BAY

CITY HALL  
595 Harbor Street  
Morro Bay, CA 93442

June 27, 2018

Linda Stedjee  
c/o Betty Winholtz

Morro Bay, CA 93442

**Re: Alleged Brown Act Violation**

Dear Ms. Stedjee:

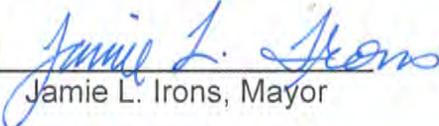
The City of Morro Bay (City) is in receipt of your letter, dated June 8, 2018, which was received by the City on June 15, 2018. We appreciate your continued interest in this important matter.

The Council has reviewed your recent letter during a duly noticed closed session held on June 27, 2018, and determined it does not substantively modify the allegations you made in your April 5, 2018. Based on that, the Council concluded no violation of the Brown Act occurred, as you have again alleged in your recent letter. We are including a copy of our response to your April 5, 2018, letter, which is also pertinent to your recent letter.

As is similarly stated in the enclosed response to your April 5, 2018, letter, we remain hopeful you will decide not to pursue legal action regarding your most recent allegations. It would still be unfortunate if the community is forced to incur legal expenses to defend such an action. In that regard, as we stated previously, if such action is taken, then the City will do what it can to protect and defend its limited public finances by seeking recovery of its attorney's fees if an unsuccessful lawsuit is filed regarding any of your allegations.

Sincerely,

Morro Bay Mayor, Mayor Pro Tem and City Council Members

By:   
Jamie L. Irons, Mayor

Enclosure

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



## CITY OF MORRO BAY

CITY HALL  
595 Harbor Street  
Morro Bay, CA 93442

May 24, 2018

Linda Stedjee  
c/o Betty Winholtz

Morro Bay, CA 93442

Re: **Alleged Brown Act Violation**

Dear Ms. Stedjee:

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

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

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

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

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

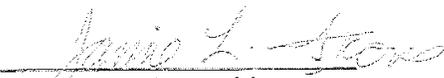
Linda Stedjee  
Page 2  
May 24, 2018

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

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

Sincerely,

Morro Bay Mayor, Mayor Pro Tem and City Council Members

By:   
Jamie L. Irons, Mayor

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

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

June 8, 2018

RECEIVED  
City of Morro Bay

JUN 15 2018

Dear Ms. Swanson,

Administration

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

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

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

When two previous cease and desist letters were submitted for this Brown Act violation, the City dismissed the concerns stated in the letters, claiming that reclamation was never removed from the project. From the City's most recent response, it is clear that the City is playing word games. I believe that I have closed the loophole in this new complaint.

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

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

*Upon request, Council member McPherson repeated the motion and clarified the two alternatives are full secondary treatment that with additional treatment in the future (so we could become reclaimable at a later date) and full tertiary (which is additional treatment now). Staff clarified the team of experts would provide direction on key aspects of the cost estimates for consultant review and assessment.*

*The motion carried 3-2 with Council Members Davis and Headding voting no.*

*MOTION: Council Member Headding moved the Council direct staff to focus solely on building a treatment plant at that the new site. The motion was seconded by Mayor Irons.*

*Staff clarified that based on the Council action, certain project goals would be considered in phase 2 and others would be removed.*

*The motion passed 5-0."*

The Council's decision was reported in an April 26, 2017 article in the Tribune:

<http://www.sanluisobispo.com/news/local/article147021129.html> The article says,

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

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

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

Under "**current status**", Mr. Nunley wrote,

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

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

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

There was no motion and there was no vote regarding restoring the reclamation element that was previously postponed to a future phase.

At its **October 24, 2017 meeting**, during discussions regarding item **C-4 WATER RECLAMATION FACILITY (WRF) PROJECT GOAL, WITH CHANGES DEEMED APPROPRIATE, AND AUTHORIZATION TO ADVERTISE THE DESIGNBUILD REQUEST FOR QUALIFICATIONS (RFQ); (PUBLIC WORKS) 1. Refinement of the established community goals that guide the overall WRF Project 2. WRF project RFQ and approve for advertisement.** The Council and staff appeared to take the position reclamation was and always had been part of the ongoing project, never acknowledging that reclamation had previously been postponed to a future phase.

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

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

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

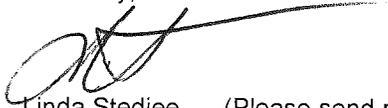
There was only one motion and vote on the agenda item:

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

During the October 24 meeting, and since that time, the Council has acted as though reclamation was never postponed to a future phase. There was no public hearing changing reclamation from a future phase item to a task within the current, ongoing project work, and thus no opportunity for public input on the subject. Concerned residents have stated that, had the Council gone through the legally-required noticing and hearing procedures, they would have attended the hearing to voice their concerns.

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

Sincerely,



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

Morro Bay, CA 93442)



AGENDA NO: A-6  
MEETING DATE: July 10, 2018

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** July 3, 2018  
**FROM:** Dana Swanson, City Clerk  
Laurie Goforth, Human Resources Analyst  
Jennifer Callaway, Finance Director  
**SUBJECT:** Adoption of Resolution No. 57-18 Implementing the Tentative Agreement for a Successor Memorandum of Understanding with the Morro Bay Peace Officers' Association and Related Compensation for the Period July 1, 2018 – June 30, 2020.

### RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 57-18, implementing the Tentative Agreement for a Successor Memorandum of Understanding between the City of Morro Bay and the Morro Bay Peace Officers' Association. The Term of the MOU is from July 1, 2018 through June 30, 2020.

### ALTERNATIVES

No alternatives are being recommended at this time.

### FISCAL IMPACT

As per City Council's direction, this Tentative Agreement for a Successor Memorandum of Understanding between the City of Morro Bay and the Morro Bay Peace Officers' Association reflects the following deal points and associated costs to the City:

1. 2% longevity pay is rolled into the base salary for employees and no longer considered Special Pay, effective with the pay period including July 1, 2018, at an estimated cost to the City of \$4,600;
2. 2% Cost of Living Adjustment (COLA), effective with the pay period including July 1, 2018, at an estimated cost to the City of \$40,000;
3. \$600.00 lump sum signing bonus per employee effective the first full pay period after City Council adoption of the Tentative Agreement at an estimated cost to the City of \$9,000;
4. Increase current cafeteria health plan by 1% effective July 1, 2018, at an estimated cost to the City of \$2,700;

Fiscal Impact Not Identified at this Point Due to Unknown Conditions:

5. An additional 1% COLA to represented employees with an additional 1% employee payment to CalPERS as cost sharing for Tier 1 and Tier 2 employees, and one-half of the total normal cost or 13% for represented PEPRAs employees, effective the first full payroll period after City Council approval of a CalPERS contract Amendment;

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

6. 2% COLA increase to base salaries, effective July 1, 2019, subject to the City meeting defined economic thresholds for the FY 2018/19 fiscal year;
7. Additional 1% COLA increase to base salaries, effective July 1, 2019 and a 1% CalPERS cost share for Tier 1 and Tier 2 employees, and one half of the normal cost or 14% contribution for PEPRAs employees, conditioned on City meeting defined economic thresholds; and
8. An additional two days of paid bereavement leave, per occurrence, where the funeral service is held out-of-state.

### **BACKGROUND/DISCUSSION**

City representatives met and conferred with Morro Bay Peace Officers Association (MBPOA) representatives to reach a Tentative Agreement (TA) for a successor MBPOA MOU, which is attached. The fiscal impact to the City is estimated to be \$56,195 in fiscal year 2018/19 (actual impact will be less as it will likely take several months for the CalPERS contract amendment to be approved by CalPERS and the City, the estimated cost is based on a full fiscal year). The TA is for a two-year period ending June 30, 2020 and includes a COLA and cost sharing provisions for FY 2019/20 if defined economic conditions are met during the FY 2018/19 fiscal year. The economic conditions are the same conditions identified in the Service Employees International Union MOU and Morro Bay Firefighters Association MOU. The TA has been ratified by the MBPOA and the authorizing resolution is provided as Attachment 1. The Previous MBPOA MOU and Amendments are provided as Attachment 2.

### **ATTACHMENTS**

1. Resolution No. 57-18
2. MBPOA MOU 2016-18, with Amendments

**RESOLUTION NO. 57-18**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
APPROVING THE TENTATIVE AGREEMENT FOR A SUCCESSOR MEMORANDUM OF  
UNDERSTANDING BETWEEN THE CITY OF MORRO BAY AND  
THE MORRO BAY PEACE OFFICERS' ASSOCIATION, INC. FOR THE PERIOD  
OF JULY 1, 2018 THROUGH JUNE 30, 2020**

**THE CITY COUNCIL  
Morro Bay, California**

**WHEREAS**, the City of Morro Bay (City) has, and continues to, recognize the Morro Bay Peace Officers' Association, Inc. (MBPOA) as the sole exclusive employee organization for those City employees designated as being in the Law Enforcement Unit, including the classifications of Police Officer, Senior Officer, Corporal and Sergeant, for all matters concerning wages, hours and working conditions; and

**WHEREAS**, the most recent Memorandum of Understanding (MOU) between the City and the MBPOA expired on June 30, 2018; and

**WHEREAS**, the City labor relations representatives and MBPOA labor representatives successfully met and conferred to negotiate a successor MOU between the parties, pursuant to both the Meyers-Milias-Brown Act (MMBA) (Government Code Sections 3500-3511), and the City's Employer-Employee Relations Resolution No. 74-69, and have jointly prepared and executed the attached Tentative Agreement for a Successor MOU between the City and the MBPOA, for the period July 1, 2018 through, and including, June 30, 2020, which has been ratified by the MBPOA but remains subject to City Council determination and approval, which is made a part hereof by this reference; and

**WHEREAS**, MMBA Section 3505.1 provides: "If a tentative agreement is reached by the authorized representatives of the public agency and a recognized employee organization, or recognized employee organizations, the governing body shall vote to accept or reject the tentative agreement, within 30 days of the date it is first considered, at a duly noticed public meeting. If the governing body adopts the tentative agreement, the parties shall jointly prepare a written memorandum of understanding;" and

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA**, the City Council accepts, approves and adopts the Tentative Agreement for a Successor MOU between the City and the MBPOA for the period of July 1, 2018 through and including June 30, 2020, a copy of which is attached hereto as Exhibit 1, and directs the parties to jointly prepare a written memorandum of understanding reflecting same to be brought back for City Council approval at a later date.

**PASSED AND ADOPTED**, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 10th day of July 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

JAMIE L. IRONS, Mayor

ATTEST:

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DANA SWANSON, City Clerk



**TENTATIVE AGREEMENT  
FOR A SUCCESSOR MEMORANDUM OF UNDERSTANDING  
Per California Government Code Section 3505.1  
Between  
The City of Morro Bay and  
Morro Bay Peace Officers' Association Inc.**

The current Memorandum of Understanding ("MOU") and related MOU Amendments between the City and the Morro Bay Peace Officers' Association Inc. ("MBPOA") expired by their own terms on June 30, 2018 ("MBPOA MOU 2016-18"). The parties began meeting on April 30, 2018 regarding a successor MOU. The parties reached an oral tentative agreement on the terms for a successor MOU, the deal points of which are set forth below and affirmed by the execution of this formal written Tentative Agreement by the parties' labor representatives. By executing this Tentative Agreement, the MBPOA further represents that this Tentative Agreement has been ratified by the MBPOA. This Tentative Agreement, however, shall not become effective until accepted, approved, and adopted by the City of Morro Bay City Council per California Government Code Section 3505.1, which provides:

"If a tentative agreement is reached by the authorized representatives of the public agency and a recognized employee organization or recognized employee organizations, the governing body shall vote to accept or reject the tentative agreement within 30 days of the date it is first considered at a duly noticed public meeting. A decision by the governing body to reject the tentative agreement shall not bar the filing of a charge of unfair practice for failure to meet and confer in good faith. If the governing body adopts the tentative agreement, the parties shall jointly prepare a written memorandum of understanding."

All terms and conditions of the prior MBPOA MOU 2016-18 and any Amendments thereto shall be maintained unless expressly modified or changed herein until the successor MBPOA MOU is accepted, approved and adopted by City Council.

**1. ARTICLE 6 – WITHHOLDING OF ASSOCIATION DUES AND INSURANCE**

The parties agree to a re-opener to negotiate the impacts of the United States Supreme Court decision in Janus v. AFSCME ((2018) 585 U.S. \_\_) and the recently enacted AB 119 and SB 866 and any changes to be made accordingly in the MBPOA MOU.

**2. ARTICLE 7 -TERM [Replace existing language]**

Two year contract July 1, 2018 to June 30, 2020.

**3. ARTICLE 11, SUBSECTION 11.4 – ASSOCIATION LEAVE**

The parties agree to a re-opener to work on initiating a process in which the Unit members can donate to a time bank for Association business.

**4. ARTICLE 13 – BEREAVEMENT [Replace existing language with the following]**

Employees shall be permitted to utilize three (3) days of paid bereavement leave, per occurrence, in the case of the death of members of the employee's immediate family (as defined in the Personnel Rules) where the funeral service will be held in state and five (5) days paid bereavement leave for funeral services held out-of-state. The three or five days shall be regardless of shift length, subject to a maximum of 12 hours per day. Any necessary extra time shall be taken from the employee's accrued sick leave. In cases where sick leave is exhausted, vacation time shall be charged. Paid leave beyond the initial three or five days is subject to department approval.

**5. ARTICLE 15 – HEALTH BENEFITS [Modify existing language as follows]**

15.1.1 City agrees to increase its current cafeteria plan contributions by 1% effective July 1, 2018.

15.4 Parties agree to update this section to reflect that stated City contributions remain effective through June 30, 2019, but with a reopener to discuss any health provider rate changes effective calendar year 2019.

**6. ARTICLE 18 – SALARIES [Replace existing language]**

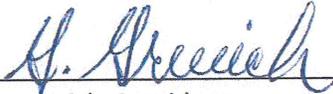
- A. For Unit members employed as of July 1, 2018, the City will pay a one-time, lump sum signing bonus payment of \$600 to be paid the next full pay period after City Council approval and adoption of this Tentative Agreement. The lump sum payment shall not be PERSable compensation and shall be treated as off-salary schedule as defined under Section 571 of the California Code of Regulations.
- B. Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the City upon City Council adoption of this Tentative Agreement, Longevity Pay shall be rolled into salary for all Unit classifications and eliminated as a separate pay item per the attached revised salary schedule. Article 19-Special Pay Practices Subsection 19.11 is thereby null and void moving forward and shall be deleted from the successor MBPOA MOU.
- C. Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the City upon City Council adoption of this Tentative Agreement, the City shall provide a Cost of Living Adjustment (COLA) increase to base salaries for all Unit classifications by 2% per the attached revised salary schedule.
- D. Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRAs members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher, the City shall provide an additional 1% COLA increase to base salaries for all Unit classifications.
- E. Effective July 1, 2019, the City shall provide a 2% COLA increase to base salaries for all Unit classifications with a condition precedent being that the City meets the following economic

thresholds on three key revenue sources (Property Tax, Sales Tax and TOT) based on 10-year budget forecasts shown below:

- Total major General Fund Revenues (Property Tax, Sales Tax and Transient Occupancy Tax) must meet or exceed the combined forecasted amount of \$9,395,906 (matches 10-year forecast presented to Council in February 2017). These figures are based on current tax rates. Increased tax rates would not count towards increased revenue receipts for this purpose (currently 1% Property Tax, 1.0% City Sales Tax, 10% TOT).
- The CalPERS investment rate of return (i.e. "Discount Rate") to take effect in FY18-19 does not drop below rates announced on Dec 22, 2016, causing the City's contribution to CalPERS to increase more than \$100,000 beyond the current budgeted amounts for the General Fund.
- The City does not become responsible, during FY18/19, for any state/federally imposed unfunded mandates from any external source(s) that require significant unplanned / un-forecasted General Fund expenditure(s) of more than \$300,000 in a fiscal year, including significant natural disasters affecting the City. Any such expenditure will be counted as a reduction in the combined revenue amount discussed in this section on which the various conditions are based, resulting either in a lower employee bonus or reduction in the intended COLA increase to 1% or 0%.
- For timing purposes, the COLA adjustment shall take effect on July 1, 2019 if the City determines, based on revenues received as of June 1, 2019, that it is reasonable to assume the combined receipts will meet or exceed the stated thresholds. If meeting the stated thresholds is not a reasonable assumption as of June 1, 2019, then the parties agree to wait for actual receipts to be posted which are normally by the end of August. If the thresholds are met at the time actual receipts are received, then the City agrees to implement the 2% COLA retroactive to July 1, 2019.
- If total major General Fund Revenues are less than \$71,000 below the forecasted amount (i.e. more than \$9,322,906), then the COLA will still be 2%, effective July 1, 2019. If total major General Fund Revenues are between \$71,000 and \$141,999 below the forecasted amount (i.e. between \$9,253,907 - \$9,335,194), then the COLA will be 1%, effective July 1, 2019. If total major General Fund Revenues are \$142,000 or more below the forecasted amount (i.e. less than \$9,253,906), then there will be no COLA effective July 1, 2019.
- If the conditions precedent described above are satisfied, and total major General Fund Revenues for FY 2018/19 are above forecast, then in addition to the 2% COLA, 20% of the amount above the forecast amount will be divided equally by the number of full-time equivalent (FTE) employees then working at the City and paid to Unit members in the form of a one-time lump sum payment which shall not be PERSable compensation and shall be treated as off-salary schedule as defined under Section 571 of the California Code of Regulations.

- F. Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the City meets the economic thresholds in Subsection E above, and only after City Council approval of an additional CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRAs members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher, the City shall provide an additional 1% COLA increase to base salaries for all Unit classifications.

**Morro Bay Peace Officers' Association, Inc.**

  
\_\_\_\_\_  
Greg Gruich, President

**City of Morro Bay**

  
\_\_\_\_\_  
Scott Collins, City Manager

**ATTACHMENT A**

**POLICE SALARY SCHEDULE**

**EFFECTIVE PAY PERIOD INCLUDING JULY 1, 2018**

<b>POSITION</b>	<b>ANNUAL COMPENSATION RANGE</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Sergeant	\$ 78,089	\$ 81,993	\$ 86,093	\$ 90,398	\$ 94,918	\$ 99,664
Corporal	\$ 66,357	\$ 69,675	\$ 73,159	\$ 76,817	\$ 80,658	\$ 84,691
Special Assignments: Detective School Resource Officer Senior Officer	\$ 65,747	\$ 69,034	\$ 72,486	\$ 76,111	\$ 79,916	\$ 83,912
Police Officer	\$ 62,616	\$ 65,746	\$ 69,034	\$ 72,485	\$ 76,110	\$ 79,915

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Human Resources and the City Manager and SEIU. All are in concurrence with the job descriptions and salary ranges provided. It is necessary to have approved job descriptions in place to begin recruitment for these positions. The proposed job descriptions are provided as Attachments 2 and 3. With approval, staff will update the FTE schedules in the approved budget to reflect a change of 1.0 FTE Records Clerk/Training Coordinator to a 0.75 FTE Support Services Technician.

### *Salary Schedules*

Since adoption of the Combined Salary Schedule on June 26, 2018, City staff and the MBPOA have reached a tentative agreement for a Successor MOU which would trigger a 2% COLA increase for members of the MBPOA effective the first pay period including July 1, 2018. Therefore, staff has prepared an updated Combined Salary Schedule including the 2% COLA for the members of the MBPOA, adding the Property and Evidence Clerk position and updating the effective date to June 30, 2018 which is the first pay period including July 1, 2018. Attachment 1 contains the updated Combined Salary Schedule, effective June 30, 2018.

### **CONCLUSION**

Staff recommends Council approve the referenced and attached Combined Salary Schedule and job descriptions. This action is consistent with approved FY18/19 budgeted figures, and Council action to add the noted positions.

### **ATTACHMENTS**

1. Updated FY 2018-19 Combined Salary Schedule
2. Revised Support Services Technician Job Description
3. Property and Evidence Clerk Job Description

**CITY OF MORRO BAY  
COMBINED SALARY SCHEDULE  
FISCAL YEAR 2018-19**

TITLE	GROUP	STEP 1 Annual	STEP 2 Annual	STEP 3 Annual	STEP 4 Annual	STEP 5 Annual	STEP 6 Annual
ACCOUNT CLERK IN-TRAINING	S	31,824	33,415	35,086	36,840	38,682	
ACCOUNT CLERK I	S	38,474	40,398	42,418	44,538	46,765	
CONSOLIDATED MAINTENANCE WRK I	S	38,474	40,398	42,418	44,538	46,765	
OFFICE ASST. III	S	38,474	40,398	42,418	44,538	46,765	
OFFICE ASST. IV	S	41,596	43,676	45,860	48,153	50,560	
ACCOUNT CLERK II	S	43,215	45,376	47,645	50,027	52,528	
COLLECTION SYS OPERATOR II	S	43,215	45,376	47,645	50,027	52,528	
CONSOLIDATED MAINTENANCE WRK II	S	43,215	45,376	47,645	50,027	52,528	
WATER SYSTEM OPERATOR I	S	43,215	45,376	47,645	50,027	52,528	
WASTEWATER SYSTEMS OIT	S	43,215	45,376	47,645	50,027	52,528	
PERMIT TECHNICIAN	S	44,258	46,470	48,794	51,234	53,795	
ACCOUNT CLERK III	S	46,284	48,598	51,028	53,580	56,259	
COLLECTION SYS OPERATOR III	S	46,284	48,598	51,028	53,580	56,259	
CONSOLIDATED MAINTENANCE WRK III	S	46,284	48,598	51,028	53,580	56,259	
WASTEWATER SYSTEM OP I	S	46,284	48,598	51,028	53,580	56,259	
ADMINISTRATIVE TECHNICIAN	S	47,102	49,457	51,930	54,526	57,253	
PERMIT TECHNICIAN - CERTIFIED	S	47,102	49,457	51,930	54,526	57,253	
SUPPORT SERVICES TECHNICIAN	S	47,102	49,457	51,930	54,526	57,253	
PROPERTY EVIDENCE CLERK	S	47,102	49,457	51,930	54,526	57,253	
MECHANIC	S	48,609	51,039	53,591	56,270	59,084	
LEGAL ASSISTANT/DEPUTY CITY CLERK	C	51,062	53,615	56,296	59,110	62,066	
WATER SYSTEM OPERATOR II	S	51,487	54,062	56,765	59,603	62,583	
WASTEWATER SYSTEMS OP II	S	51,487	54,062	56,765	59,603	62,583	
WWTP OPERATOR II	S	51,487	54,062	56,765	59,603	62,583	
SUPPORT SERVICES COORDINATOR	C	53,618	56,299	59,114	62,070	65,173	
HARBOR PATROL OFFICER	S	53,703	56,389	59,208	62,168	65,277	

CONSOLIDATED MAINT LW	S	53,858	56,551	59,379	62,348	65,465	
ENGINEERING TECHNICIAN III	S	53,858	56,551	59,379	62,348	65,465	
WATER SYSTEM OPERATOR III	S	54,061	56,764	59,603	62,583	65,712	
WASTEWATER SYSTEMS OP III	S	54,061	56,764	59,603	62,583	65,712	
WWTP OPERATOR II/LAB ANALYST	S	54,061	56,764	59,603	62,583	65,712	
RECREATION SUPERVISOR	S	55,057	57,810	60,700	63,735	66,922	
ASSISTANT PLANNER	S	55,400	58,170	61,079	64,133	67,339	
ASSISTANT CIVIL ENGINEER	S	57,613	60,494	63,519	66,694	70,029	
BUILDING INSPECTOR	S	57,613	60,494	63,519	66,694	70,029	
ENGINEERING TECHNICIAN IV	S	57,613	60,494	63,519	66,694	70,029	
WASTEWATER SYSTEMS LEADWORKER	S	57,613	60,494	63,519	66,694	70,029	
FIREFIGHTER	F	57,907	60,802	63,842	67,034	70,386	
HUMAN RESOURCES ANALYST	C	59,890	62,884	66,028	69,330	72,796	
SENIOR ACCOUNTING TECHNICIAN	C	59,890	62,884	66,028	69,330	72,796	
POLICE SUPPORT SERVICES MANAGER	M	59,890	62,884	66,028	69,330	72,796	
HARBOR BUSINESS COORD	S	59,970	62,968	66,117	69,422	72,894	
RECREATION COORDINATOR	S	59,970	62,968	66,117	69,422	72,894	
POLICE OFFICER	P	62,616	65,746	69,034	72,485	76,110	79,915
HARBOR PATROL SUPERVISOR	S	63,257	66,420	69,741	73,228	76,890	
FIRE ENGINEER	F	63,307	66,473	69,796	73,286	76,950	
ASSOCIATE CIVIL ENGINEER	S	64,476	67,699	71,084	74,639	78,371	
ASSOCIATE PLANNER	S	64,476	67,699	71,084	74,639	78,371	
BUILDING INSPECTOR/PLANS EXAMINER	S	64,476	67,699	71,084	74,639	78,371	
COLLECTION SYSTEM SUPERVISOR	S	64,476	67,699	71,084	74,639	78,371	
CONSOLIDATED MAINT FIELD SUPV	S	64,476	67,699	71,084	74,639	78,371	
WATER SYSTEM SUPERVISOR	S	64,476	67,699	71,084	74,639	78,371	
MANAGEMENT ANALYST	M	65,831	69,123	72,579	76,208	80,018	
POLICE DETECTIVE	P	65,747	69,034	72,486	76,111	79,916	83,912
POLICE SCHOOL RESOURCE OFFICER	P	65,747	69,034	72,486	76,111	79,916	83,912
POLICE SENIOR OFFICER	P	65,747	69,034	72,486	76,111	79,916	83,912
POLICE CORPORAL	P	66,357	69,675	73,159	76,817	80,658	84,691
FIRE CAPTAIN	F	72,772	76,410	80,231	84,242	88,455	
WASTEWATER SYSTEMS SUPV	S	74,146	77,853	81,746	85,833	90,125	

BUDGET/ACCOUNTING MANAGER	M	76,992	80,841	84,883	89,127	93,584	
SENIOR CIVIL ENGINEER	M	76,992	80,841	84,883	89,127	93,584	
CONSOLIDATED MAINTENANCE SUPT	M	76,992	80,841	84,883	89,127	93,584	
ENVIRONMENTAL PROGRAMS MANAGER	M	76,992	80,841	84,883	89,127	93,584	
INFORMATION SERVICES TECHNICIAN	M	76,992	80,841	84,883	89,127	93,584	
RECREATION SERVICES MANAGER	M	76,992	80,841	84,883	89,127	93,584	
SENIOR PLANNER	M	76,992	80,841	84,883	89,127	93,584	
TOURISM MANAGER	M	76,992	80,841	84,883	89,127	93,584	
POLICE SERGEANT	P	78,089	81,993	86,093	90,398	94,918	99,664
PLANNING MANAGER	M	84,693	88,927	93,374	98,042	102,945	
CITY CLERK / RISK MANAGER	M	85,105	89,360	93,828	98,519	103,445	
FIRE MARSHAL	F	86,386	90,706	95,241	100,003	105,003	
COMMUNITY DEVELOPMENT MANAGER	M	99,812	104,802	110,043	115,545	121,322	
UTILITY DIVISION MANAGER	M	99,812	104,802	110,043	115,545	121,322	
WASTEWATER DIVISION MANAGER	M	99,812	104,802	110,043	115,545	121,322	
POLICE COMMANDER	M	112,058	117,661	123,544	129,722	136,208	
DEPUTY CITY MANAGER	E	122,339	128,455	134,878	141,622	148,703	
COMMUNITY DEVELOPMENT DIRECTOR	E	122,339	128,455	134,878	141,622	148,703	
FINANCE DIRECTOR	E	122,339	128,455	134,878	141,622	148,703	
PUBLIC WORKS DIRECTOR	E	126,901	133,246	139,908	146,903	154,249	
ADMINISTRATIVE SERVICES DIRECTOR	E	126,901	133,246	139,908	146,903	154,249	
HARBOR DIRECTOR	E	129,268	135,731	142,518	149,643	157,126	sworn
FIRE CHIEF	E	129,268	135,731	142,518	149,643	157,126	sworn
POLICE CHIEF	E	129,268	135,731	142,518	149,643	157,126	sworn
ASSISTANT CITY MANAGER	E	131,912	138,508	145,433	152,705	160,340	
CITY MANAGER	E	171,044	175,320	179,703	184,195	188,800	

Updated 7/3/18

Effective FY 06/29/2018

**CITY OF MORRO BAY**  
**SUPPORT SERVICES TECHNICIAN**

**DEFINITION:**

Under general supervision, performs a wide variety of police-related clerical and recordkeeping duties; collects, indexes, processes, maintains, retrieves, copies, distributes and updates confidential police records and reports; provides requested information to law enforcement personnel and the public, as appropriate; works within a police department setting and is required to type crime reports which may contain extremely unpleasant or offensive material; responsible for maintaining the confidentiality of highly sensitive information in strict compliance with established codes, rules, and regulations; may assist with property and evidence; and performs related work as required.

**CHARACTERISTICS:**

1. Employees in this classification are non-sworn, and part of miscellaneous employee group, which is represented by the Service Employees International Union, Local 620.
2. The customary work schedule is Monday through Friday from 8am to 5 pm.
3. FLSA status is non-exempt.
4. Employees in this classification report to the Support Services Manager.

**ESSENTIAL DUTIES AND RESPONSIBILITIES:**

The responsibilities and essential duties performed on a frequent and recurring basis by an incumbent include the following:

1. Performs a wide variety of technical and clerical duties, accurately and with attention to detail, in support of departmental operations, including collecting, indexing, processing, maintaining, retrieving, copying, and distributing police reports, records, and information.
2. Receives complaints and reports from the public by telephone and over the counter.
3. Operates a personal computer, printer, applicable software and various other office machines to enter data, prepare/transcribe reports, process forms and produce correspondence.
4. Enter, inquire, and retrieve information from records management systems, such as CLETS, NLETS, NCIC, and other related databases.
5. Maintains and updates individual case and crime reports.
6. Processes bookings, arrests, citations, stolen vehicle and traffic collision reports, fingerprint cards and officer statistics.
7. Receives and processes warrants, subpoenas and court reports.
8. Completes, types and processes forms, reports and correspondence from rough drafts, notes or verbal instructions.

9. Answers telephone calls and counter inquiries, and responds to questions regarding department procedures.
10. Provide a variety of services to the public, including receipt of monies owed to the City, and providing copies of reports to citizens, insurance companies and other agencies.
11. May provide LiveScan fingerprinting services.
12. May assist with receiving, processing, storing, safeguarding, delivering, releasing, and disposing of property and evidence.
13. Performs a variety of specialized clerical or recordkeeping duties and other tasks related to the Police Department as needed.
14. As the Training Coordinator, other essential duties may include administering the department training budget; arrange in-house training including but not limited to briefing training, POST DVD's, etc.; prepare training bulletins; maintain department training files; prepare an annual draft training plan for submission to the management team; maintain and update the department master training plan on an annual basis under the supervision of the training sergeant.

#### **CONTACTS AND RELATIONSHIPS:**

1. The Support Services Technician has substantial contact with police records and Police Department staff.
2. Additional contact is made with law enforcement representatives from other agencies, court officials, and the general public.

#### **QUALIFICATION GUIDELINES:**

The knowledge and abilities which are required to perform the duties and responsibilities of this class are as follows:

##### **Knowledge of:**

1. Modern office procedures, practices, and equipment.
2. English usage, spelling, grammar and punctuation.
3. Recordkeeping principals and procedures.
4. Computer programs and word processing applications as they relate to area assigned.
5. Basic math.
6. Filing and indexing methods.
7. Receptionist and telephone techniques.
8. Customer service.

##### **Ability to:**

1. Perform a variety of responsible and sensitive clerical work and maintain the confidentiality of information as prescribed by law.
2. Understand and carry out oral and written directions.
3. Identify with Department and City goals and objectives, and understand City priorities and needs.

4. Assemble data and prepare reports.
5. Multi-task.
6. Learn and apply rules, regulations and policies applicable to the area assigned.
7. Make accurate mathematical calculations.
8. Operate a personal computer and use applicable software programs.
9. Operate standard office equipment/machines such as copier, typewriter, scanner and facsimile.
10. Communicate effectively, both orally and in writing.
11. Interact with the public with courtesy and tact.
12. Establish and maintain effective relationships with those contacted in the course of work.
13. Read and write at the level required for successful job performance.

**Education:**

Graduation from high school.

**Experience:**

One year of performing responsible clerical duties, to include some public contact work. Prior experience in a law enforcement agency is preferred.

**Physical Tasks and Working Conditions Include the Following:**

1. Work is performed in an office environment and requires sitting for prolonged periods of time, using a computer keyboard and screen.
2. An incumbent stands, walks, and may twist, reach, bend, crouch and kneel.
3. An incumbent may also climb stairs and ladders and grasp, push, pull, drag, and lift boxes of files and other office items, weighing 30 pounds or less.
4. An incumbent must be able to meet the physical requirements of the class and have mobility, vision, hearing and dexterity levels appropriate to the duties to be performed.
5. The noise level in the work environment is generally moderate.

**Licenses and/or Certificates Required:**

Must possess a valid California Class C driver's license.

**SELECTION GUIDELINES**

1. Formal application, rating of education and experience, oral interview and reference check; job-related tests may be required. Selection process shall also include complete background, polygraph, psychological, and pre-employment drug screening.
2. The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

3. The job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.

Approved by the Morro Bay City Council on August 26, 2014.

## **CITY OF MORRO BAY**

### **PROPERTY AND EVIDENCE CLERK**

#### **DEFINITION**

Under general supervision, receives, organizes, preserves, secures, releases and/or disposes of property and evidence confiscated by the Police Department. Ensures compliance with state and local laws, codes and regulations regarding property and evidence. Maintains record keeping systems related to property and evidence. Performs a variety of clerical duties related to the work. Performs related work as assigned.

#### **CHARACTERISTICS:**

This single position classification provides property and evidence support to the Police Department, and reports to the Support Services Manager. Employees in this classification are non-sworn, and part of the miscellaneous employee group, which is represented by the Service Employees International Union, Local 620. The customary work schedule is Monday through Friday from 8am to 5 pm, and FLSA status is non-exempt.

#### **ESSENTIAL DUTIES AND RESPONSIBILITIES**

The responsibilities and essential duties performed on a frequent and recurring basis by an incumbent include the following:

1. Responsible for the receipt, custody, safekeeping, release, purging and destruction of all property and evidence received through the Police Department.
2. Keep appropriate records in accordance with legal and departmental requirements; and testifying in court when necessary.
3. Monitor the status of property lockers and annex container for new property or evidence items. Remove items and enter that property/evidence into the Property Management computer database, and place the property item(s) in an appropriate location within the Property Room or Annex container.
  - a. While entering evidence items into the database, ensure ***all*** items listed are accounted for and are entered into the database.
  - b. When entering found/safekeeping items, check to see if a Field Property Report was issued. If one was not, initiate a Property Letter to the property owner regarding the return of the property item(s).
4. Certify Mail evidence items to the appropriate lab as directed by investigators or the District Attorney's.
5. Monitor adjudicated cases, via court Minute Orders routed to MBPD or the CJIS computer database, and purge those items per legal statutes and as appropriate.
6. Make appointments to return items to owners/finders or property/evidence items and return items when appropriate. Update binders and report management system to show items are no longer in department custody.

## PROPERTY AND EVIDENCE CLERK

7. Prepare items for auction and make arrangements with auction companies to process and auction items.
8. The Property Room, Property Room Office and Annex container must be kept in a clean, orderly, and secure condition.
9. Assist with providing livescan services to the public and city employees.
10. Other duties as assigned.

**NOTE:** Maintaining the chain-of-custody, integrity and location of **all** property items within the Property Management System is of the utmost concern. Care **must** be taken so that **all** items are accounted for and that **no** items are overlooked or misplaced.

### **QUALIFICATIONS**

The knowledge and abilities which are required to perform the duties and responsibilities of this class are as follows:

#### Knowledge of:

- Practices and procedures pertaining to property and evidence collection, storage, handling, tracking, release and disposal.
- Laws, regulations and ordinances related to property and evidence.
- Packaging, storing and disposing of materials.
- Processes and procedures for requesting court orders.
- Electronic record keeping and file systems.
- Proper report writing and record keeping practices and procedures.
- Computer operations, and general office practices and procedures.
- Safety practices and procedures

#### Ability to:

- Operate office equipment including: computer, photocopier, typewriter, and multi-line phone system.
- Maintain accurate reports and records related to duties performed and equipment used.
- Read and interpret laws and regulations.
- Communicate effectively with both orally and in writing.
- Perform light to moderately heavy lifting.
- Maintain security and confidentiality of confidential and restricted information.
- Exercise sound judgment and work independently.
- Establish and maintain effective working relationships with those contacted in the performance of required duties.
- Perform related duties similar to the above in scope and function as required.
- Pass a background investigation, which may include a polygraph examination.
- Ensure all property has been packaged correctly and assist in training Police Officers in proper evidence packaging.
- Research adjudicated criminal cases to determine if evidence can be disposed.
- Provide phone and in person assistance and answer questions from the public regarding topics that fall within the scope of the job duties.

## PROPERTY AND EVIDENCE CLERK

- Access the California Law Enforcement Telecommunications System (CLETS) and other public safety telecommunications and departmental information databases.
- Maintain evidence information in the Police Department records management system and maintain accurate inventory records.
- Respond to requests for examination of evidence items by other criminal justice agencies and release evidence for court proceedings.
- Obtain court orders for the destruction or return of property.
- Arrange for transfer/disposal/destruction and transportation of firearms, narcotics and money; arrange for and release property for auction.
- Assist in the processing of photographs, video or media and makes copies when requested.
- Assist with audit and inventory of property and evidence rooms.
- Perform a variety of typing and clerical work as needed.
- Determine legal owners of property and contacts them for pickup or disposal.
- Collects and disposes of prescription medication from Operation Medicine Cabinet.
- Maintains, orders, and issues assorted equipment and supplies.
- May testify in court regarding the chain of evidence.
- Release property as required by law to property owners

### Education and Experience:

High School graduation or G.E.D.

**and**

One year of experience in law enforcement, records management, or a related field.

### **PHYSICAL DEMANDS**

Work is performed in an office environment and requires sitting for prolonged periods of time, using a computer keyboard and screen. An incumbent stands, walks, and may twist, reach, bend, crouch and kneel.

An incumbent may also climb stairs and ladders and grasp, push, pull, drag, and lift boxes of files and other office items, weighing 30 pounds or less.

An incumbent must be able to meet the physical requirements of the class and have mobility, vision, hearing and dexterity levels appropriate to the duties to be performed.

### **Licenses and/or Certificates Required:**

Must possess a valid California Class C driver's license.

### **SELECTION GUIDELINES**

Formal application, rating of education and experience, oral interview and reference check; job-related tests may be required. Selection process shall also include complete background, polygraph, psychological, and pre-employment drug screening.

## PROPERTY AND EVIDENCE CLERK

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

The job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.

Approved by the Morro Bay City Council on.

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AGENDA NO: A-8

MEETING DATE: July 10, 2018

## Staff Report

TO: Honorable Mayor and City Council

DATE: June 26, 2018

FROM: Eric Endersby, Harbor Director

SUBJECT: Adoption of Resolution No. 58-18 Approving Amendment No. 2 to the New Master Lease Agreement Between the City of Morro Bay and Boatyard LLC for Lease Site 89/89W, Located at 845 Embarcadero, and Commonly Known as "The Boatyard"

### RECOMMENDATION

Staff recommend the City Council adopt Resolution No. 58-18, approving Amendment No. 2 to the new Master Lease Agreement for Lease Site 89/89W, as proposed.

### ALTERNATIVES

Council may elect not to approve Resolution No. 58-18 for the Master Lease Agreement (MLA) as-proposed, and direct staff accordingly.

### FISCAL IMPACT

Under this proposal, the Harbor Fund will see an additional \$9,700 per year decrease in total rent paid on this site for ten years, whereinafter the rent will revert to rent levels as stipulated in the lease. This \$97,000 over a ten-year period has a net present value of approximately \$81,000.

This concession is in recognition of Boatyard LLC (Tenant) expending considerable additional sums on a new requirement from the Coastal Commission to expand the HarborWalk adjacent to the site's southern building from eight feet to ten feet wide. That change raises significant site redesign challenges, and cascades through the Tenant's current site rehabilitation plans, as currently designed in the agreement to settle the failed seawall issue. That provides the basis for granting a further lease rent concession and represents a pragmatic method to ensuring the City and Tenant continue to agree to release each other from any and all potential liability that could have likely resulted from the seawall failure and associated legal and other costs.

### BACKGROUND

In 2015, a large portion of the seawall at the Boatyard site suffered a major failure, the cause of and legal responsibility for which is of significant dispute. To prevent the wall from completely failing, the Tenant obtained emergency repair permits and Associated Pacific Constructors effected a temporary repair.

After nearly two years of discussions with the Tenant, staff negotiated a cooperative and beneficial "package" to deal with the seawall failure and provide a global resolution of all legal claims resultant of that failure and other disputed lease management issues, with the end result being on October 11, 2016, the City Council approved a new Master Lease Agreement.

01181.0024/485452.1

Prepared By: EE

Dept Review: EE

City Manager Review: \_\_\_\_\_

City Attorney Review: JWP

Because of several possible remaining financial unknowns with the estimated \$1.4M seawall and revetment repair that could reveal themselves as time and work on the project progressed, the new MLA included a proviso wherein the Tenant could “reopen” negotiations if a \$60,000 estimated project spending cap above \$1.4M was reached. That cap was met in the spring of 2017, and the City and Tenant negotiated Amendment #1 to the MLA to accommodate the additional cost issues, which was approved on December 12, 2017.

One contingency of Amendment #1, that allows the Tenant to reopen negotiations again, or abandon the new master lease agreement and seawall repair project altogether, was occurrence of major structural or material changes in the physical properties of the project plans, as-proposed, mandated by a permitting or other agency.

As the Tenant has shepherded the site rehabilitation plans (both on the Boatyard site and adjacent Otter Rock site) through the permitting process, the Coastal Commission recently added the requirement the HarborWalk walkway on the western side of the Tenant’s southern building be widened from its current eight feet wide, as originally permitted nearly two decades ago, to the current standard of ten feet wide. The City and Tenant agree that constitutes a “major structural or material change” to the project as it requires significant physical site redesign and layout factors that cascade through several elements of the site, and thus the tenant’s contingency is triggered.

Staff and the Council’s subcommittee dedicated to this lease issue have negotiated an amendment to the Boatyard MLA, once again to settle the dispute over the seawall failure, and accommodate this new development.

## **DISCUSSION**

The proposed Amendment #2 to the new MLA for the Boatyard lease site, included with this staff report as Attachment #1 contains the following significant lease section element highlights:

1. Section 1.02, Lease Contingency: adds a new contingency the City must approve the sublease application for Willows Market, LLC (Willows) to occupy the Otter Rock Café lease site restaurant, provided the Tenant and Willows adequately provide the necessary and required approval documents in a timely manner.
2. Section 2.07, Semi-Annual Credit: increases the current semi-annual rent credit by \$4,850, or \$9,700 annually, bringing the total rent credit to \$24,650 semi-annually, or \$49,300 annually.

The current rent credit is \$19,800 semi-annually, or \$39,600 per fiscal year. While the new total credit will apply to both the minimum and percent rents as-proposed by the Tenant, no “excess” credit would need to be refunded nor carried-over to a subsequent fiscal year.

3. Off the Hook Deck Encroachment: the City agrees to remove or have removed the portion of the semi-enclosed outdoor deck on the Off the Hook site that encroaches on the southwest corner of the Boatyard site by January 1, 2020. The Off the Hook plans currently under permitting review by Community Development for complete redevelopment of the Off the Hook site do cure this issue, and the Consent of Landowner approval issued for said redevelopment stipulate commencement of construction must be underway by August 31, 2020. Assuming that redevelopment project continues as-planned, and depending on how quickly it can move

forward, that could be a moot issue by January 1, 2020.

In addition to the above lease section changes, the new amendment contains several other non-substantive statements and procedural clarification sections. A copy of Amendment #2 to the new MLA is included with this staff report as Attachment #1.

### **CONCLUSION**

Approval of Amendment #2 to the Boatyard site MLA will ensure the continued global resolution and settlement of numerous issues and potential litigation resulting from the failure of a significant portion of a seawall and other matters related to the adjoining sites. When completed, the adjoining sites will be significantly improved, and in the long run should generate significantly more revenues than are currently produced.

As such, staff and the Council subcommittee recommend the City Council approve Resolution No. 58-18, included with this staff report as Attachment 2.

### **ATTACHMENTS**

1. Amendment No.2 to the new Master Lease Agreement for Boatyard lease site 89/89W.
2. Resolution 58-18.

**AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR  
LEASE SITE 89/89W, LOCATED AT 845  
EMBARCADERO**

This Amendment ("Amendment #2") is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 2018, by and among the City of Morro Bay, a municipal corporation of the State of California, hereinafter called "City," and Boatyard, LLC, a California limited liability company, hereinafter called "Tenant." (Collectively, City and Tenant are sometimes referred to herein as the "Parties.")

WHEREAS, this Amendment #2 is to that certain Lease, which was signed on behalf of the Parties and is effective as of October 11, 2016 (the "Master Lease") and that certain Amendment #1 dated December 12, 2017;

WHEREAS, the California Coastal Commission has indicated that as part of the approval process of the Rehabilitation Project, they will likely require a two (2) foot expansion in the width of a section of the Harbor Walk on Premises (the "CCC Additional Condition");

WHEREAS, due solely to the CCC Additional Condition, without waiving any rights or contingencies, the parties do not believe that all Permits can reasonably be obtained without material design and/or structural change required to the Rehabilitation Project on or before October 31, 2018;

WHEREAS, Tenant and Joseph Steinmann ("Steinmann") and Jaime Parker ("J. Parker") entered into escrows for Tenant to purchase the Otter Rock Cafe and the Otter Rock Cafe leasehold interest for Lease Site 90/90W;

WHEREAS, Tenant and Steinmann and J. Parker are negotiating an extension of the closing date of both the Otter Rock Cafe and the Otter Rock Cafe leasehold interest for Lease Site 90/90W to on or before October 31, 2018;

WHEREAS, Tenant and Willow Market, LLC, a California limited liability company ("Willow Market"), are in negotiations to enter into a sublease with an option to purchase the lease for Lease Site 90 (does not include Lease Site 90W), if and when Tenant closes the Otter Rock Cafe escrow and the Otter Rock Cafe leasehold interest with Steinmann and J. Parker;

WHEREAS, before Willow Market will enter into any sublease with Tenant, Willow Market is requiring as a condition precedent that all necessary governmental permits will be obtained for the Rehabilitation Project(s);

WHEREAS, City and Tenant agree the CCC Additional Condition allows Tenant, at Tenant's option, to terminate the Master Lease, but rather than exercise that right of termination, Tenant has proposed changes to the Master Lease; and

WHEREAS, the Parties desire to amend the Master Lease so the Rehabilitation Project will proceed.

**NOW THEREFORE**, Tenant and City agree, as follows:

1. Unless expressly stated herein, words used in this Amendment #2 shall have the same meaning as stated in the Master Lease and Amendment #1, except to the extent the context requires otherwise.
2. The foregoing recitals are incorporated into this Amendment #2 as true and correct.
3. The Parties acknowledge and agree the Current Lease Agreement and all of the terms and conditions of the Current Lease Agreement are in full force and effect, including but not limited to the tolling period to bring any claim or action until the Commencement Date of the Master Lease.
4. If the California Coastal Commission requires CCC Additional Condition, then the parties agree to modify the plans for the Rehabilitation Project, attached as Exhibit B to Amendment #1 by replacing in its entirety Sheet 3 of the plans for the Rehabilitation Project with the new Sheet 3 attached hereto as Schedule "1"; and such modification shall be considered minor by City and City's Community Development Director shall authorize such modification, pursuant to the authority set forth in the Morro Bay Municipal Code.
5. The first paragraph of Section 1.02 of Amendment #1 is hereby amended and restated in its entirety to read as follows:

**Section 1.02 Lease Contingency.**

TENANT shall have the right to give CITY written notice of termination of this Lease, if, (i) all Permits (as defined in Subdivision 13.03 A.) cannot be obtained without any material design and/or structural change required to the Rehabilitation Project (excluding a potential two (2) foot wide expansion of the Harbor Walk on the Premises) on or before October 31, 2018; and/or (ii) the seawall/revetment on Lease Site 89/89W has collapsed prior to TENANT'S contractor's commencement of the Rehabilitation Project for the repair of the seawall/revetment to the extent a material design and/or structural change is then required to repair the seawall/revetment; and/or (iii) TENANT does not close the escrow for the purchase of the Otter Rock Cafe and/or escrow for the purchase of the leasehold interest for Lease Site 90/90W with Steinmann and J. Parker; and/or (iv) if CITY'S Harbor Director has not approved Willow Market as the sublessee of the lease for Lease Site 90 (excluding Lease Site 90W) within three weeks after CITY'S Harbor Director has received from TENANT and/or Willow Market:

- (a) a completed CITY application for sublease approval, including payment of the applicable fee,
- (b) a copy of the final version of the proposed sublease between

TENANT and Willow Market,  
(c) proof of Willow Market's business tax certificate having been issued by CITY, and  
(d) proof of Willow Market's general liability insurance, including an endorsement naming CITY and its officers, employees and agents as additionally insureds,

Upon the occurrence of any of those contingencies, TENANT may deliver written notice to CITY of termination of this Lease, and neither Party shall have any further obligation to the other Party and this Lease shall be null and void, and the Current Lease Agreement shall continue in full force and effect. The parties agree, prior to the effective date of this Amendment a timely application has been filed with City and with the California Coastal Commission.

6. Section 2.07 Amendment #1 is hereby amended and restated in its entirety to read as follows:

**Section 2.07 Semi-Annual Credit**

In partial consideration of completion of the Rehabilitation Project and Release, established by Section 7.11 and changes made to Section 1.02 and Subdivision 13.03 A. by that certain Amendment #1 to this Lease, effective December 12, 2017, CITY agrees to credit against each semi-annual payment of both the Minimum Rent and Percentage Rent, as reconciled annually and as otherwise due to CITY pursuant to this Lease, \$24,650 for twenty consecutive semi-annual payments due to CITY, commencing with the first full semi-annual payment due after the Commencement Date. Notwithstanding anything in this paragraph above, if the foregoing credit is greater than the total amount of the Minimum Rent and Percentage Rent that TENANT owes CITY during any annual reconciled period from July 1<sup>st</sup> to June 30<sup>th</sup>, the Parties agree that the excess credit shall not be refunded or carried over as a credit for any subsequent July 1<sup>st</sup> to June 30<sup>th</sup> period. For illustration purposes only, attached hereto is Schedule "2" that shows an example of how the semi-annual credits shall be applied on the City's current Annual Report of Gross Receipts form.

7. If Willow Market and/or Smith Livestock LLC, or any entity owned by Sonny Smith exercises any option to purchase the lease for Lease Site 90, then City and Tenant agree to amend the Master Lease to add Lease Site 90W to Lease Site 89/89W as part of the definition of the "Premises,"
8. On or before January 1, 2020, City agrees to remove or cause to be removed from the Premises the portion of the Off the Hook deck encroaching on and across the lot line between the Premises and the Off the Hook.
9. Except as expressly stated herein, all provisions of the Master Lease and

Amendment #1 shall remain in full force and effect.

10. The effective date of this Amendment #2 is the date first written above.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment #2 as of the date written above.

CITY OF MORRO BAY

BOATYARD, LLC

By: \_\_\_\_\_  
Jamie L. Irons, Mayor

By: \_\_\_\_\_  
Cliff Branch, Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
Joseph W. Pannone, City Attorney

ATTEST:

\_\_\_\_\_  
Dana Swanson, City Clerk

**RESOLUTION NO. 58-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
APPROVING AMENDMENT NO. 2 TO THE  
NEW MASTER LEASE AGREEMENT  
FOR LEASE SITE 89/89W, LOCATED AT 845 EMBARCADERO**

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

**WHEREAS**, the City of Morro Bay ("City") is the lessor of certain properties on the Morro Bay Waterfront described as City Tidelands leases and properties; and

**WHEREAS**, Boatyard LLC ("Tenant") has been the lessee of Lease Site 89/89W since 2006 and is a tenant in good standing; and

**WHEREAS**, on October 11, 2016, Tenant and City entered into that certain new master lease agreement for the Lease Site (the "New Master Lease Agreement"); and

**WHEREAS**, City and Tenant wish to resolve issues over a failing portion of the seawall on the Lease Site and modify various provisions of the New Master Lease Agreement, including the contingency provisions, by approving Amendment No. 2 of the New Master Lease Agreement for the Lease Site.

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

1. The attached Amendment No. 2 to the New Master Lease Agreement for Lease Site 89/89W is hereby approved.
2. The Mayor is hereby authorized to execute said Amendment No. 2.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 10<sup>th</sup> day of July, 2018 on the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
Jamie L. Irons, Mayor

ATTEST:

\_\_\_\_\_  
Dana Swanson, City Clerk



AGENDA NO: C-1

MEETING DATE: July 10, 2018

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** July 5, 2018

**FROM:** Scott Collins – City Manager  
Rob Livick, PE/PLS – Public Works Director/City Engineer  
Eric Casares – Water Reclamation Facility Program Manager

**SUBJECT:** Review Preliminary Recommendations for Water and Sewer Rates, Approve the Proposition 218 Notice and Set August 28, 2018, as the Date for a Public Hearing and to Establish New Water and Sewer Rates

## RECOMMENDATION

Council:

1. Approve the proposed Water Reclamation Facility (WRF) sewer and water surcharges; and
2. Set August 28, 2018, for the public hearing to consider and establish new water and sewer rates.

## ALTERNATIVES

Continue the item and provide direction to staff regarding any modifications to the sewer or water rates or rate structures.

## FISCAL IMPACT

The Sewer and Water Study prepared by Bartle Wells Associates (BWA) recommends establishing water and sewer WRF surcharges for residents and businesses to fund the proposed wastewater/water reclamation project.

The direct costs for printing and mailing out the Proposition 218 notices is approximately \$8,500 and will be split between the water and sewer funds.

## BACKGROUND

The City Council reviewed the proposed WRF surcharges (rates) at a Special Council meeting on June 28, 2018, as the rate study anticipates surcharges on top of the existing approved rate structures to fund a new WRF. The existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to age and condition, as well as capacity and regulatory deficiencies. The existing plant was not designed to meet current ocean discharge regulatory requirements. In addition, the Regional Water Quality Control Board recently issued a Time Schedule Order (TSO), which stipulates the City must meet the regulatory requirements within five years. The City can meet that requirement by building a new treatment plant. If it fails to meet the TSO, then the City could face significant fines.

The new treatment plant must also be constructed inland, as the existing treatment plant is located in a FEMA-mapped floodplain, as well as a State of California Emergency Management Agency

Prepared By: SC/RL/JC/EC

City Manager Review: SC

City Attorney Review: JWP

identified tsunami inundation zone. In 2013, the California Coastal Commission denied the City's permit to construct a new treatment facility on the existing site, due to a variety of reasons in addition to coastal hazards.

The City is pursuing a water reclamation facility at the, Council-directed, preferred location of South Bay Boulevard. The WRF will replace the existing wastewater treatment plant and provide another source of potable water to augment the City's water security.

Following receipt of a report from City staff and rate consultant Alex Handlers of Bartle Wells, the Council directed staff to prepare the required Proposition 218 notices for the Council to consider at the July 10, 2018 meeting. The below charts show a summary of the information regarding the potential WRF surcharges, that are in addition to already approved rates.

<b>Proposed WRF Sewer Surcharges</b>		<b>Proposed WRF Water Surcharges</b>	
<b>Residential WRF Sewer Surcharges</b>		<b>Residential WRF Water Surcharges</b>	
<i>Fixed monthly surcharge per residential dwelling unit</i>		<i>Fixed monthly surcharge per residential dwelling unit</i>	
Single Family Home	\$25.00	Single Family Home	\$16.00
Multi-Family/Condominium Unit	20.00	Multi-Family/Condominium Unit	12.80
<b>Non-Residential WRF Sewer Surcharges</b>		<b>Non-Residential WRF Water Surcharges</b>	
<i>Volumetric surcharge per hcf of metered water use</i>		<i>Volumetric surcharge per hcf of metered water use</i>	
Class A - Low Strength	\$3.43	Surcharge per hcf of water use	\$3.64
Class B - Domestic Strength	4.10	Minimum Monthly Charge	12.80
Class C - Moderate Strength	4.77		
Class D - Mod-High Strength	5.43		
Class E - High Strength	6.77		
Minimum Monthly Charge	20.00		

The City Council supported the option to place the WRF surcharges on the monthly water and sewer bill, as opposed to placing them on the County property tax rolls. In addition, the Council supported front loading the WRF surcharges, as opposed to phasing in the corresponding increase (*i.e.*, the maximum surcharge will appear on the water and sewer bill beginning July 01, 2019). The rationale for front loading the surcharge is that it will reduce the project's debt burden on the City and lead to lower water and sewer rates overall in the long-term.

**DISCUSSION**

**Water and Sewer WRF Surcharges**

The City is proposing to adopt WRF water and sewer surcharges to fund the WRF project. The water and sewer surcharges for residential customers are fixed monthly surcharges billed per residential dwelling unit, and will total \$41/month for single-family homes. Multi-family/condominium units will incur a \$32.80/month total surcharge. WRF surcharges for non-residential customers vary by customer class and wastewater strength and are billed based on metered water use.

As proposed, the WRF surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF project is paid off, or otherwise directed by City Council.

**Impacts on Monthly Utility Bills**

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With full implementation of the previously adopted water and sewer rate increases and the WRF surcharges beginning July 1, 2019, the total combined monthly utility bill for a single-family home with low water use (2 units, or 50 gallons of water per day) would be \$168, a single-family home with average water use (5 units, or 125 gallons of water per day) would be \$191, and a single-family home with high water use (10 units, or 225 gallons of water per day) would be \$233.50.

### **Annual Water and Sewer Rate Review**

City Council has directed staff to bring back an annual water and sewer rate review policy for consideration and adoption. That policy would allow the City not to impose the maximum water and sewer rates or WRF surcharges if it can either reduce the WRF project costs or obtain additional grants or low-interest-rate financing. The City Council would review the utility rates every year as part of the annual budget process to determine if any amount less than the maximum approved rates or surcharges are feasible.

### **Utility Discount Program Review**

City Council recently revised the Utility Discount Program on June 13, 2018. The program extends a 10% discount to customers that participate in Pacific Gas & Electric's (PG&E) CARE program. City Council has expressed interest in further revising the program to extend the enrollment period beyond its existing July 1 – July 31 period. In addition, staff has reached out to the Community Connection program to help get the word out to low-income residents. The program is currently funded through rate fines and forfeitures, but to make the program viable for the approximately 1,000 households in Morro Bay that may qualify, City funding other than water/sewer rate revenue may be required. After further discussion, staff will bring back revisions to the Utility Discount Program to pilot an ongoing enrollment period in August 2018.

### **Proposition 218 Process**

Staff recommends City Council authorize the release of the Proposition 218 notice for the WRF surcharges. If that recommendation is approved, then staff would mail the attached notice, with any Council modifications, shortly after the July 10, 2018 Council meeting to all Morro Bay parcel owners who receive water and sewer services, as well as all water and sewer customers in Morro Bay. Parcel owners and rate payers would have 45 days to submit a written protest to the City, all the way through the proposed public hearing (scheduled for August 28, 2018, at 6:00p.m. in the Veterans Hall). The attached resolution provides detailed information regarding how the Proposition 218 process will be conducted and methods of protest. It is important to remember, no matter how many property owners or customers are associated with a single parcel, which includes the individual units of common interest developments (condominiums), that receives water or sewer services, only one protest vote per parcel will be counted toward the 50% plus 1 required, by law, to stop the surcharge from being imposed.

### **CONCLUSION**

The proposed WRF surcharges will fund the new WRF project, which complies with water quality regulations and Coastal Act permitting requirements and will provide a local water supply to the Morro Bay community. The rate surcharges are subject to the Proposition 218 protest process for disapproval. The Proposition 218 process will commence on or about Friday, July 13, 2018 and conclude with the public hearing currently scheduled for August 28, 2018, at 6:00 p.m.

### **ATTACHMENTS**

1. Water and Sewer Rate Study
2. Draft Proposition 218 Notice
3. Resolution 44-18 Proposition 218 Process

01181.0025/246663.1





# City of Morro Bay



## Financial Plan & Rate Analysis for a New Water Reclamation Facility

*Draft 07/05/18*



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



July 5, 2018

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

Bartle Wells Associates is pleased to submit the attached *Financial Plan & Rate Analysis for a New Water Reclamation Facility*. The report develops financial projections and recommends rate surcharges to support the funding of a new Water Reclamation Facility (WRF) to replace and upgrade the City's aging wastewater treatment plant and provide recycled water to improve local supply reliability.

The report recommends the City adopt new water and sewer rate surcharges to help fund each utility's share of costs for the WRF Project. These WRF surcharges would be levied in addition to the City's previously-adopted water and sewer rates and would remain in effect while debt service incurred to fund the WRF Project remains outstanding.

Financial projections and rate surcharges were developed under two key scenarios including a) a Base Case Scenario with front-loaded WRF surcharges totaling \$41 per month per single family home starting 2019/20; b) a Phase-In Scenario with WRF surcharges phased in over a few years resulting in less cash funding for the WRF Project and total WRF surcharges of \$44 per month per single family home.

BWA also evaluated the impacts of c) securing a low-rate State Revolving Fund (SRF) loan to supplement the City's anticipated WIFIA financing, which would result in a roughly \$7 monthly reduction to the WRF surcharges, and d) a wastewater-only project with no recycled water facilities under which the savings due to reduced project costs are largely offset by the increase in debt service assuming all bond financing without WIFIA financing or additional SRF loans.

I enjoyed working with the City on this assignment and appreciate the input and assistance received from the City's project team and Blue Ribbon Commission in evaluating financial scenarios and rate alternatives. Please contact me anytime if you have questions about the findings and recommendations presented in the report or any related issues.

Sincerely,

BARTLE WELLS ASSOCIATES

Alex Handlers, CIPMA  
Principal/Vice-President

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# City of Morro Bay

## Financial Plan & Rate Analysis for a New Water Reclamation Facility

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### 1. Background

The City of Morro Bay is located on the Central California coast in San Luis Obispo County, about 12 miles northwest of the City of San Luis Obispo. The City has a population of approximately 10,500. The City provides water and wastewater service to residents and businesses within the City.

The City's existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to a number of factors including age and condition, as well as capacity and regulatory deficiencies. The existing plant was originally built in 1953 and last underwent major upgrades in 1984. The existing plant does not meet current wastewater discharge permit requirements and needs to be rebuilt to comply with the City's new Waste Discharge Permit requirement within a maximum of five years, as required by the Central Coast Regional Water Quality Control Board (RWQCB). Failure to meet the RWQCB's permit requirements can result in substantial fines.

Adding to the City's challenges, the wastewater treatment plant cannot be rebuilt at its current location. The existing plant is located on the coast in a flood plain and tsunami inundation zone. In 2013, the California Coastal Commission denied the City's development permit to build a new treatment plant near the existing site. In 2015 the Commission issued Sea Level Rise Policy Guidance that strongly discourages siting facilities in areas where they could be adversely affected by the impacts of sea level rise over the full life of the structure. The current location is also inconsistent with other provisions of the Coastal Act and Local Coastal Program.

Based on evaluation of a wide range of project and site alternatives, the City is now moving forward with a new Water Reclamation Facility (WRF) at a proposed site near the intersection of South Bay Boulevard and Highway 1, approximately 1 mile east of downtown Morro Bay. In June 2018, pursuant to a competitive proposal process, the City selected a team to construct the new WRF via a design-build process.

The full WRF project includes a new wastewater treatment plant, pumping facilities, a pipeline to convey wastewater to the new WRF, and water recycling facilities for potable reuse. Water recycling facilities are included in the WRF project for a number of reasons including:

- The City predominantly relies on imported water from the State Water Project for the

community's water supply. Recycled water provides the City with a relatively drought-proof local supply that improves water supply security and reliability.

- While water recycling infrastructure adds significant cost to the WRF project, it also helps make the WRF project eligible and competitive for grants and low-interest-rate loans. Financial analysis indicates that the impact of the added costs of the recycled water facilities would be largely offset by the financial benefits of subsidized financing available with recycling.
- Water recycling was identified as a community goal for the new WRF.

Over the past year, the City has been working to minimize the cost of the WRF Project. Together, the combined efforts of the City, various citizen-advisory groups and engineering consultants have helped substantially reduce costs from prior estimates developed in 2017. The City is currently in negotiations with the selected design-build team and hopes to further reduce costs during the design-build process.

## 2. Study Overview

Bartle Wells Associates (BWA) was retained to develop a financial plan and rate recommendations to support funding for the new WRF as well ongoing operating and capital improvement needs. This report presents findings and rate recommendations developed under a few financial scenarios. The proposed WRF Facility Surcharges were developed with input from City staff, Carollo Engineers, and the City's Blue Ribbon Commission -- a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and help evaluate the costs and potential rate increases needed to support the new WRF.

The City's water and sewer utilities are financially self-supporting enterprises funded primarily from monthly service charges. *In order to secure financing for the WRF, the City will need to first adopt utility rate surcharges adequate to support repayment of debt service for the new WRF.*

BWA developed financial projections and rate recommendations under four alternative scenarios.

- Base Case Scenario:** This scenario assumes the WRF project is funded by a combination of WIFIA financing, revenue bonds, and pay-as-you go cash funding from rates and fund reserves. Under this scenario, the City would levy the full WRF Facility Surcharges beginning fiscal year 2019/20.
- Phase-In Scenario:** This scenario is similar to the Base Case Scenario, but assumes the WRF Facility Surcharges would be phased in from fiscal year 2019/20 through 2021/22.

- C. **SRF Financing Scenario:** This scenario assumes the City obtains low-rate SRF financing, instead of bonds, to supplement the anticipated WIFIA loan and cash funding.
- D. **No Water Recycling Scenario:** This scenario eliminates the water recycling facilities resulting in a reduced-cost, wastewater-only WRF project, and also assumes no WIFIA financing with all project funding from bonds and pay-as-you-go cash contributions.

### 3. Prior Rate Increases & Need for WRF Surcharges

In 2015, the City adopted 5-years of water and sewer rate increases. The adopted rates were designed to phase in funding to support the cost of providing utility service and help provide funding for capital improvements to aging infrastructure. As of July 1, 2018, the City will have implemented 4 of the 5 years of adopted rate increases. Prior to these rate increases, the City had not adopted any water rate increases in 20 years but had periodically adopted some sewer rate adjustments.

The previously-adopted sewer rates were also designed to help support funding for a new wastewater treatment plant assuming Morro Bay would need to fund approximately \$56 million of project costs, equal to 75% of an estimated \$75 million wastewater treatment plant that would be jointly owned with Cayucos funding the remaining 25%. The \$75 million preliminary cost estimate from 2015 was based on a conceptual design and parametric estimates.

In addition, the adopted rates were not designed to fund recycled water facilities, which were previously expected to be a future phase of the project. The adopted sewer rates also assumed the City would be able to obtain low-rate financing from the State Revolving Fund (SRF) for all debt financing needs of the new treatment plant. SRF financing was previously fairly easy to obtain but is now substantially more difficult to secure.

The adopted rates substantially strengthened the financial condition of the City's water and sewer utilities but do not provide adequate funding to support each utility's share of costs for the new WRF. Additional water and sewer charges are needed to provide adequate funding for each utility's share of debt service for the WRF project.

BWA recommends the City adopt new water and sewer WRF Facility Surcharges to supplement the previously-adopted rates in order to provide adequate funding for WRF-related debt repayment. These would be separate surcharges levied in addition to the City's adopted utility rates.

#### 4. Summary of Proposed WRF Facility Surcharges

Table 1 shows proposed WRF Facility Surcharges for single family residential customers under the four financial scenarios. Note that the surcharges shown under the Phase-In Scenario are maximum surcharges with full phase-in starting 2022/23. Surcharges for residential customers are structured as fixed monthly charges. Surcharges for all customer classes are detailed later in this report.

**Table 1 – Summary of Maximum Single Family Residential WRF Facility Surcharges**

	Base Case	Phase-In	WIFIA & SRF	No Recycling*
	WRF+Recycling WIFIA+Bonds	Base Case with Rate Phase In	WRF+Recycling WIFIA+SRF	No Recycling All Bonds
<b>WRF Facility Surcharges</b>				
Sewer WRF Facility Surcharge	\$25.00	\$27.00	\$20.00	\$44.00
Water WRF Facility Surcharge	16.00	17.00	14.00	-
<b>Total</b>	<b>41.00</b>	<b>44.00</b>	<b>34.00</b>	<b>44.00*</b>

\* Under the No Recycling Scenario, the fifth and final year of the previously-adopted water rate increases would not need to be implemented, resulting in a \$4.50 reduction in the monthly water bill for a typical single family home using 5 units of water per month compared to other scenarios. This results in a net reduction of \$1.50 per month compared to the Base Case Scenario.

#### 5. Key Alternative for Implementing & Billing WRF Facility Surcharges

The City has options for implementing and billing the proposed WRF Facility Surcharge noted below.

##### Timing of Surcharge Implementation

At this stage, the City is considering two approaches regarding the timing of implementing the WRF Facility Surcharges, including:

- **Front-Load** - Levy the full WRF Facility Surcharges starting fiscal year 2019/20 (Base Case Scenario)
- **Phase-In** - Phase-in the WRF Facility Surcharges in upcoming years (Phase-In Scenario)

The Phase-In Scenario results in a lower level of surcharge revenues than the front-loaded Base Case Scenario until the surcharges are fully phased-in. The Phase-In Scenario results in approximately \$4.3 million less of pay-as-you-go cash funding which results in the need for a corresponding increase in debt financing, higher annual debt service, and ultimately a higher surcharge.

### **Method of Bill Collection**

The City currently bills customers monthly via a combined utility bill for water and sewer service. The City is considering two methods of bill collection for recovering the WRF Facility Surcharges, including:

- **Monthly Billing** - Add the WRF Facility Surcharges as a new line-item in the monthly bills.
- **Property Tax Rolls** - Recover the proposed WRF Facility Surcharges on the property tax rolls.

The WRF Facility Surcharges would be the same under both billing alternatives and in many cases would be paid by the same people; only the method of billing and collection would vary. Additional information regarding potential billing on the property tax rolls is included later in this report.

### **Community & Advisory Board/Committee Input Received**

The City conducted a community workshop to discuss the WRF project and proposed rate surcharges on Saturday, June 23, 2018. During the workshop, community members were requested to provide their preferences regarding: a) either phasing in or front-loading the WRF Facility Surcharges, and b) billing the WRF Facility Surcharges as a separate line-item on the monthly utilities bill vs. submitting the surcharges for recovery via the property tax rolls. Community members who participated at the workshop were fairly evenly split regarding their preferences on both the potential phase-in and method of bill collection.

The same feedback was sought from members of the Public Works Advisory Board (PWAB), Water Reclamation Facility Citizens Advisory Committee (WRFCAC), and Citizens Finance Advisory Committee (CFAC) during a joint meeting between these three committees held on June 25, 2018. Advisory board and committee members slightly favored phasing in the surcharges and strongly favored including the surcharges on the monthly utilities bill, not on the property tax rolls.

## 6. Total Monthly Water & Sewer Charges with WRF Facility Surcharges

Tables 2A and 2B show the total combined monthly water and sewer charges – *including water and sewer service charges and the proposed WRF Facility Surcharges* – for a typical single family home using 5 units (hcf) of water use per month under the Base Case and Phase-In Scenarios. Under the Phase-In Scenario, pay-as-you-go cash funding for the WRF Project generated by the Surcharges would be reduced by approximately \$4.3 million compared to the Base Case Scenario. This results in the need for a corresponding amount of additional debt financing which results in slightly higher debt service and a higher maximum surcharge.

*Note that monthly single family residential use has averaged about 4.6 units (hcf) over the past year. BWA estimates that roughly 2/3rds of single family residential bills are at or below 5 hcf.*

**Table 2A – Base Case Scenario: Total Monthly Charges with WRF Surcharges**

Typical Single Family Home with 5 Units (hcf) Monthly Water Use

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$77.00	\$83.00	\$83.00	\$83.00	\$83.00
Water Monthly Charge	62.50	67.00	67.00	67.00	67.00
Subtotal Monthly Bill	139.50	150.00	150.00	150.00	150.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Facility Surcharge	-	25.00	25.00	25.00	25.00
Water WRF Facility Surcharge	-	16.00	16.00	16.00	16.00
Subtotal Monthly Bill		41.00	41.00	41.00	41.00
<b>Total Monthly Charges</b>	<b>139.50</b>	<b>191.00</b>	<b>191.00</b>	<b>191.00</b>	<b>191.00</b>

**Table 2B – Phase-In Scenario: Total Monthly Charges with WRF Surcharges**

Typical Single Family Home with 5 Units (hcf) Monthly Water Use

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$77.00	\$83.00	\$83.00	\$83.00	\$83.00
Water Monthly Charge	62.50	67.00	67.00	67.00	67.00
Subtotal Monthly Bill	139.50	150.00	150.00	150.00	150.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Facility Surcharge	-	9.00	18.00	27.00	27.00
Water WRF Facility Surcharge	-	8.00	12.00	17.00	17.00
Subtotal Monthly Bill		17.00	30.00	44.00	44.00
<b>Total Monthly Charges</b>	<b>139.50</b>	<b>167.00</b>	<b>180.00</b>	<b>194.00</b>	<b>194.00</b>

## 7. WRF Project Costs & Timing

Table 3 shows projected WRF project capital and operating costs based on the winning design-build proposal received by the City (which is subject to final negotiation) and engineering cost estimates provided by Carollo Engineers. The WRF project is currently estimated to cost \$122.8 million including expenses incurred to date; the financial and rate projections are based on this amount. The total cost with roughly \$3 million of additional unallocated project reserve contingency is estimated at \$126 million.

**Table 3 – WRF Project Cost Estimates**

	Construction Costs <sup>1</sup>	Soft Costs	Project Reserves <sup>2</sup>	Total Cost
<b>Projected Capital Costs</b>				
<i>Includes permitting, design, procurement, construction, and management.</i>				
Water Reclamation Facility	\$62,616,000	\$8,489,000	\$3,131,000	\$74,236,000
Conveyance Facilities	21,086,000	2,820,000	2,343,000	26,249,000
Offsite Recycled Water Facilities <sup>3</sup>	8,592,000	2,648,000	859,000	12,099,000
General Program Implementation	0	5,160,000	0	5,160,000
Subtotal	92,294,000	19,117,000	6,333,000	117,744,000
Prior Project Expenditures	0	5,063,000		5,063,000
Total	92,294,000	24,180,000		122,807,000
<i>Total with Reserve Contingency</i>				<i>126,000,000</i>
<b>Annual Operating &amp; Maintenance Expenses</b>				
<i>Projected online starting January 1, 2022.</i>		<u>2018 Estimate</u>	<u>Cost Inflation</u>	<u>2022 Projection</u>
WRF Wastewater Operations		\$2,383,000	\$299,000	\$2,682,000
Conveyance to WRF		246,000	31,000	277,000
Recycled Water Operations		193,000	24,000	217,000

Source: Carollo Engineers, WRF Program Revised Cost Estimates as of 6/20/18.

1 Construction costs Include estimated cost inflation to construction mid-point where applicable.

2 Project Reserves are placeholder estimates for additional project funding requirements (e.g. outside project scope) with funding subject to City control.

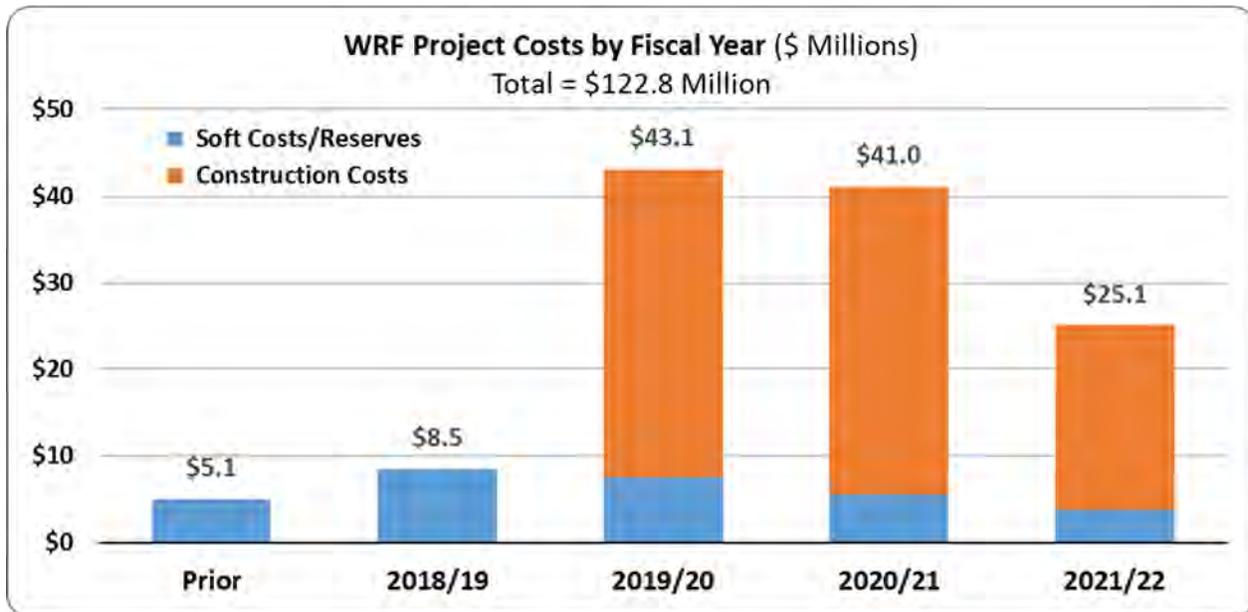
3 Offsite Recycled Water Facilities assume West alternative and include property acquisition estimate.

Without recycled water infrastructure, the cost of the project is reduced by approximately \$20 million to an estimated total of \$102.2 million. The reduction includes elimination of \$12 million of Offsite Recycled Water Facilities, and an \$8 million reduction in costs for the wastewater treatment plant. Tables detailing financial projections for a No Water Recycling Scenario are included in the appendix.

Table 4 shows projected WRF costs by fiscal year. The City estimates that a little over \$5 million will have been spent by the end of fiscal year 2017/18, with future costs totaling about \$117.7 million including estimated cost inflation to the projected mid-point of construction for each project component. The City anticipates incurring costs primarily for design in 2018/19, with construction occurring during the subsequent 3 fiscal years. The new wastewater treatment facility is targeted for completion by October 2021 with operations targeted to start January 2022.

**Table 4 – Projected WRF Costs by Fiscal Year**

	Prior Costs			Projected Costs			
	Prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Soft Costs	2,800,000	1,423,000	840,000	8,490,000	5,218,000	3,160,000	2,248,000
Construction					35,512,000	35,512,000	21,271,000
Project Reserves					2,377,000	2,377,000	1,579,000
Annual Total	2,800,000	1,423,000	840,000	8,490,000	43,107,000	41,049,000	25,098,000
<i>Subtotal</i>			5,063,000				117,744,000
<i>Total</i>							122,807,000



## 8. Water vs. Wastewater Cost Allocation

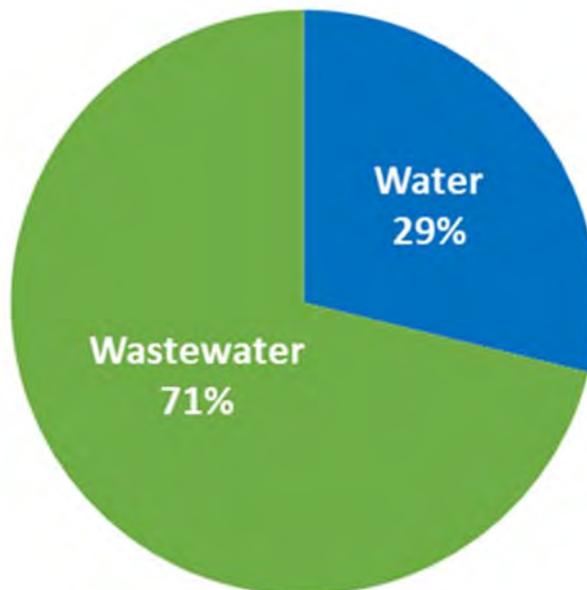
Table 5 shows an allocation of WRF project costs to water vs. wastewater based on analysis developed by Carollo Engineers. Costs allocated to the water utility include all facility costs related to recycled water production that are in excess of the costs that would be incurred for constructing a new WRF for wastewater only. Each utility is responsible for funding its share of project costs.

**Table 5 – WRF Project Cost Allocation to Water vs. Wastewater**

Project Component	Total Cost	Water		Wastewater	
Water Reclamation Facility	\$74,236,000	\$21,528,000	29.0%	\$52,708,000	71.0%
Conveyance Facilities	26,249,000	0	0.0%	26,249,000	100.0%
Offsite Recycled Wtr Facilities	12,099,000	12,099,000	100.0%	0	0.0%
General Program Implementation *	5,160,000	1,541,000	29.9%	3,619,000	70.1%
Prior Project Expenditures	<u>5,063,000</u>	<u>244,000</u>	<u>4.8%</u>	<u>4,819,000</u>	<u>95.2%</u>
<b>Total</b>	<b>122,807,000</b>	<b>35,412,000</b>	<b>28.8%</b>	<b>87,395,000</b>	<b>71.2%</b>

\* Allocated based on proportionate share of total future facility costs.

### Water vs. Wastewater Costs



## 9. WRF Project Funding Sources

The City anticipates funding the WRF project via a combination of long-term debt and pay-as-you-go cash funding provided by utility rates and available fund reserves. The Base Case Scenario assumes the City secures WIFIA funding for the maximum allowable 49% of the WRF project cost, with remaining funding provided by cash funding and revenue bonds. Table 6 and the chart below show a breakdown of anticipated funding sources for the WRF project under the Base Case Scenario. For comparison, the Phase-In Scenario results in \$4.3 million of reduced cash funding for the WRF and a corresponding \$4.3 million increase in Revenue Bond financing.

**Table 6A – Base Case: WRF Project Funding Sources**

	Total	% of Ttl	Water	% of Source	Wastewater	% of Source
<b>WRF Total Project Costs</b>	\$122,807,000		\$35,412,000	28.8%	87,395,000	71.2%
<b>Projected Funding Sources</b>						
WIFIA Loan	60,175,000	49.0%	17,352,000	28.8%	42,823,000	71.2%
SRF Planning Loan	10,300,000	8.4%	2,970,000	28.8%	7,330,000	71.2%
Revenue Bonds	24,700,000	20.1%	10,246,000	41.5%	14,454,000	58.5%
Sewer New Cash Funding	17,969,000	14.6%	0	0.0%	17,969,000	100.0%
Water New Cash Funding	4,600,000	3.7%	4,600,000	100.0%	0	0.0%
Prior Cash Contributions	<u>5,063,000</u>	<u>4.1%</u>	<u>244,000</u>	<u>4.8%</u>	<u>4,819,000</u>	<u>95.2%</u>
<b>Total</b>	<b>122,807,000</b>	<b>100.0%</b>	<b>35,412,000</b>	<b>28.8%</b>	<b>87,395,000</b>	<b>71.2%</b>

**Base Case: WRF Project Funding Sources**

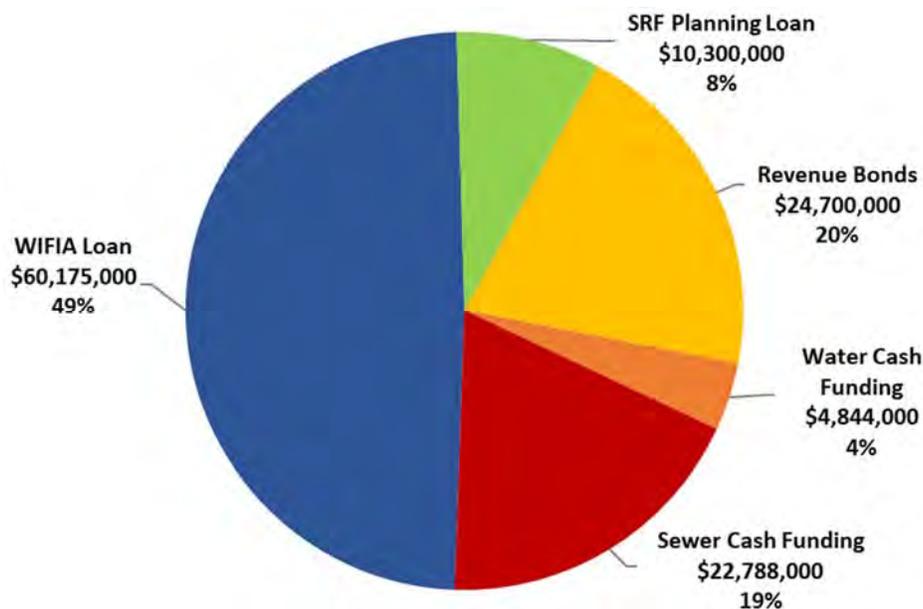


Table 7 shows a breakdown of anticipated funding sources for the WRF Project by fiscal year under the Base Case Scenario.

**Table 7 – Base Case: WRF Funding Sources by Year**

	Prior	2018/19	2019/20	2020/21	2021/22
<b>WRF Project Costs</b>	\$5,063,000	\$8,490,000	\$43,107,000	\$41,049,000	\$25,098,000
<b>WRF Funding Sources</b>					
SRF Planning Loan		5,800,000	4,500,000		
WIFIA Loan			31,100,000	29,075,000	
Revenue Bonds				7,400,000	17,300,000
Sewer Cash Contribution	4,819,000	2,390,000	5,307,000	3,374,000	6,898,000
Water Cash Contribution	244,000	300,000	2,200,000	1,200,000	900,000
<b>Total</b>	<b>5,063,000</b>	<b>8,490,000</b>	<b>43,107,000</b>	<b>41,049,000</b>	<b>25,098,000</b>

The City has been pursuing state and federal grants and low-interest-rate loans to help finance the WRF project. The City has been successful in obtaining commitments for a substantial amount of low-interest-rate financing to date and continues to seek additional financial assistance. The City has retained Kestrel Consulting, a grant specialist, to assist in identifying and applying for grants and subsidized financing programs.

- The City was awarded a \$10.3 million Planning Loan from California’s Clean Water State Revolving Fund (SRF) Financing Program with a subsidized interest rate of 1.70%.
- Morro Bay was as one of 12 communities nationwide invited to apply for low-interest-rate financing from the Water Infrastructure and Financing Innovation Act (WIFIA) funding program administered by the United State Environmental Protection Agency (EPA). WIFIA financing can be used to fund up to 49% of the WRF project cost and has favorable repayment terms including low interest rates. The rate for a long-term WIFIA loan is currently in the 3% range but would not be formally set until final approval is obtained.
- The City was previously awarded a small Recycled Water Planning Feasibility Study Grant.
- The City is pursuing additional financing from Clean Water SRF Financing Program, which offers low-interest-rate loans – currently below 2% -- and repayment terms up to 30 years.
- The City has been pursuing grant financing from the United States Bureau of Reclamation.

Any additional grant or subsidized loan financing received would result in lower future debt service and could reduce annual funding needs from future water and sewer charges.

## 10. Debt Service Estimates

Tables 8A and 8B show debt service estimates under the Base Case and Phase-In Scenarios. Debt service is partially structured around the 10-year repayment term of the SRF Planning Loan to result in level annual future debt service. The debt service estimates for the anticipated WIFIA Loan and projected Revenue Bonds are based on slightly conservative assumptions of interest rates. Interest rates are currently lower but would be established when the WIFIA financing agreement is finalized and when Revenue Bonds are issued.

**Table 8A – Base Case: Debt Service Estimates**

	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total
Project Funding	\$10,300,000	\$60,175,000	\$24,700,000	\$95,175,000
Term	10 Years	35 Years	30 Years	All-In TIC
Avg Interest Rate	1.70%	3.25%	4.70%	3.48%
<b>Debt Service</b>				
Through 2029/30	\$1,130,000	\$2,973,000	\$1,190,000	\$5,293,000
After 2029/30	-	\$3,422,000	\$1,871,000	\$5,293,000

The Phase-In Scenario generates less cash funding for the WRF Project which results in a corresponding increase in debt financing needs from revenue bonds and a resulting increase in debt financing and debt service.

**Table 8B – Phase-In: Debt Service Estimates**

	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total
Project Funding	\$10,300,000	\$60,175,000	\$29,000,000	\$99,475,000
Term	10 Years	35 Years	30 Years	All-In TIC
Avg Interest Rate	1.70%	3.25%	4.70%	3.51%
<b>Debt Service</b>				
Through 2029/30	\$1,130,000	\$3,051,000	\$1,396,000	\$5,577,000
After 2029/30	-	\$3,383,000	\$2,194,000	\$5,577,000

## 11. Capital Improvement Plans

The City recently collaborated with Carollo Engineers to evaluate and prioritize capital improvement needs to the City's aging water and sewer infrastructure resulting in the development of updated Capital Improvement Plans (CIPs) for the water and sewer utilities. The CIP projects include replacement and rehabilitation of old water and sewer pipelines, water pump stations, sewer lift stations, and water storage tanks. The CIPs are designed to address the highest priority needs the soonest. The City plans to continue evaluating its capital improvement needs and may re-prioritize projects in future years.

Tables 9 and 10 summarize annual water and sewer CIP funding needs. The City plans to fund these improvements on a pay-as-you-go basis with no additional debt. A detailed list of CIP projects and costs is included in the appendix to this report. Note that costs are shown in current dollars.

**Table 9 – Water Capital Improvement Plan Summary**

	Near-Term Years 1 - 5	Mid-Term Years 6 - 10	Long-Term Through 2040
CIP Cost Estimates	\$6,788,000	\$4,977,000	\$11,586,000
Average Annual Cost	1,357,600	995,400	965,500

**Table 10 – Sewer Capital Improvement Plan Summary**

	Near-Term Years 1 - 5	Mid-Term Years 6 - 10	Long-Term Through 2040
CIP Cost Estimates	\$5,096,000	\$5,726,000	\$7,349,000
Average Annual Cost	1,019,200	1,145,200	612,417

## 12. Financial Projections

BWA developed 10-year water and sewer utility financial projections to evaluate annual revenue requirements and project rate increases under each of the four financial scenarios. The projections are based on reasonable and slightly conservative assumptions including:

- Operating expenses are based on the 2018/19 preliminary budget.
- Operating costs escalate at the annual rate of 4% per year for planning purposes.
- Future costs for a) wastewater treatment at the new WRF and b) wastewater conveyance to the new WRF, and c) recycled water operations are based on engineering estimates developed by Carollo Engineers and account for future cost inflation.
- The projections assume a low-growth scenario of 5 new single family homes or equivalents per year.
- Water and sewer service charge revenues assume monthly water use remains constant based on usage over the past fiscal year. Note that residential sewer rates and all WRF Facility Surcharges are fixed monthly charges that do not vary with changes in water use.
- Sewer financial projections assume that Cayucos Sanitary District funds 25% of the operating costs of the existing wastewater treatment plant for two more fiscal years – through 2019/20 – after which Cayucos anticipates transitioning to its own planned treatment facility. *Note: The reduction in wastewater flow from Cayucos SD is not projected to result in a significant decrease in operating costs. Most of the treatment plant's operating and maintenance costs are fixed costs (e.g. staffing) that do not vary with changes in wastewater flow.*
- The sewer cash flow projections show how the entire WRF Project is funded and include the full debt service payments which are offset by the debt service paid by the water utility.
- Water and sewer capital improvement plans are funded entirely on a pay-as-you-go basis from revenues generated each year by water and sewer service charges.
- The City has accrued some fund reserves that can eventually be applied toward the WRF Project and anticipates generating additional cash contributions for the project from future rates and WRF Facility Surcharges. BWA recommends the City maintain its water and sewer fund reserves while the WRF Project is being built. The City can draw down a portion of its water and sewer fund reserves during fiscal year 2021/11, the final year of construction. Over the longer-term, the cash flow projections assume the City would maintain at least \$4 million in fund reserves for each utility.

Tables 11A and 12A show 10-year sewer cash flow projections and water cash flow projections under the Base Case Scenario. Tables 11B and 12B show financial projections under the Phase-In Scenario.

**Table 11A - City of Morro Bay - Sewer Cash Flow Projections**

**Base Case Scenario**

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Monthly Single Family Sewer Charge	\$70.00	\$77.00	\$83.00	\$83.00	\$83.00
Monthly Single Family Surcharge			\$25.00	\$25.00	\$25.00
Beginning Sewer Accounts	5,346	5,351	5,356	5,361	5,366
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,445	\$5,550	\$5,660	\$5,770	\$5,890
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$6,402,000	\$8,112,000	\$8,251,000	\$8,274,000	\$8,357,000
<b>REVENUES</b>					
Sewer Service Charges	6,100,000	6,716,000	7,246,000	7,253,000	7,260,000
Sewer WRF Facility Surcharges	0	0	2,173,000	2,173,000	2,173,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	80,000	142,000	165,000	165,000	167,000
Rental Income/Other (Excl Penalties)	25,000	30,000	30,000	30,000	30,000
Subtotal	6,235,000	6,916,000	9,642,000	9,650,000	9,659,000
<b>WRF Debt Financing</b>					
SRF Planning Loan		5,800,000	4,500,000		
WIFIA Loan			31,100,000	29,075,000	
Bond Proceeds				7,400,000	17,300,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Sewer Collection	1,100,000	1,480,000	1,539,000	1,601,000	1,665,000
Wastewater Treatment Existing	2,000,000	2,210,000	2,298,000	2,390,000	1,247,000
Wastewater Treatment New WRF	-	-	-	-	1,500,000
Conveyance to New WRF	-	-	-	-	140,000
Less Cayucos SD Reimbursements	(495,000)	(553,000)	(575,000)	0	0
Subtotal	2,605,000	3,137,000	3,262,000	3,991,000	4,552,000
<b>Debt Service</b>					
SRF Planning Loan: Sewer Share	-	-	-	804,000	804,000
WRF WIFIA Loan: Sewer Share	-	-	-	-	-
WRF Revenue Bonds: Sewer Share	-	-	-	348,000	696,000
Subtotal	0	0	0	1,152,000	1,500,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	840,000	2,390,000	5,307,000	3,374,000	6,898,000
Sewer System Pay-Go CIP	630,000	1,200,000	1,000,000	1,000,000	1,000,000
Vehicle/Equipment Replacement	450,000	50,000	50,000	50,000	50,000
Subtotal	1,920,000	3,640,000	6,357,000	4,424,000	7,948,000
Total Sewer Expenses	4,525,000	6,777,000	9,619,000	9,567,000	14,000,000
<b>Revenues Less Expenses</b>	1,710,000	139,000	23,000	83,000	(4,341,000)
<b>Ending Fund Reserves</b>	8,112,000	8,251,000	8,274,000	8,357,000	4,016,000
Debt Service Coverage	-	-	-	4.91	3.40

**Table 11A - City of Morro Bay - Sewer Cash Flow Projections**

**Base Case Scenario**

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Monthly Residential Sewer Charge	\$83.00	\$85.00	\$87.00	\$90.00	\$92.00
Monthly Single Family WRF Surcharge	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Beginning Sewer Accounts	5,371	5,376	5,381	5,386	5,391
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$6,010	\$6,130	\$6,250	\$6,380	\$6,510
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,016,000	\$4,245,000	\$4,445,000	\$4,604,000	\$4,802,000
<b>REVENUES</b>					
Sewer Service Charges	7,267,000	7,449,000	7,631,000	7,901,000	8,084,000
Sewer WRF Facility Surcharges	2,173,000	2,173,000	2,173,000	2,173,000	2,173,000
Development Impact Fees	30,000	31,000	31,000	32,000	33,000
Interest Earnings	86,000	91,000	95,000	98,000	102,000
Rental Income/Other (Excl Penalties)	30,000	30,000	30,000	30,000	30,000
Subtotal	9,586,000	9,774,000	9,960,000	10,234,000	10,422,000
<u>WRF Debt Financing</u>					
SRF Planning Loan					
WIFIA Financing					
Bond Financing					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Sewer Collection	1,732,000	1,801,000	1,873,000	1,948,000	2,026,000
Wastewater Treatment Existing	0	0	0	0	0
Wastewater Treatment New WRF	2,682,000	2,789,000	2,901,000	3,017,000	3,138,000
Conveyance to New WRF	277,000	288,000	300,000	312,000	324,000
<i>Less Cayucos SD Reimbursements</i>	0	0	0	0	0
Subtotal	4,691,000	4,878,000	5,074,000	5,277,000	5,488,000
<b>Debt Service</b>					
SRF Planning Loan: Sewer Share	804,000	804,000	804,000	804,000	804,000
WRF WIFIA Loan: Sewer Share	2,116,000	2,116,000	2,116,000	2,116,000	2,116,000
WRF Revenue Bonds: Sewer Share	696,000	696,000	696,000	696,000	696,000
Subtotal	3,616,000	3,616,000	3,616,000	3,616,000	3,616,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	0	0	0	0	0
Sewer System Pay-Go CIP	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,050,000	1,080,000	1,111,000	1,143,000	1,176,000
Total Expenses	9,357,000	9,574,000	9,801,000	10,036,000	10,280,000
<b>Revenues Less Expenses</b>	229,000	200,000	159,000	198,000	142,000
<b>Ending Fund Reserves</b>	4,245,000	4,445,000	4,604,000	4,802,000	4,944,000
Debt Service Coverage	1.35	1.35	1.35	1.37	1.36

**Table 12A - City of Morro Bay - Water Cash Flow Projections**

**Base Case Scenario**

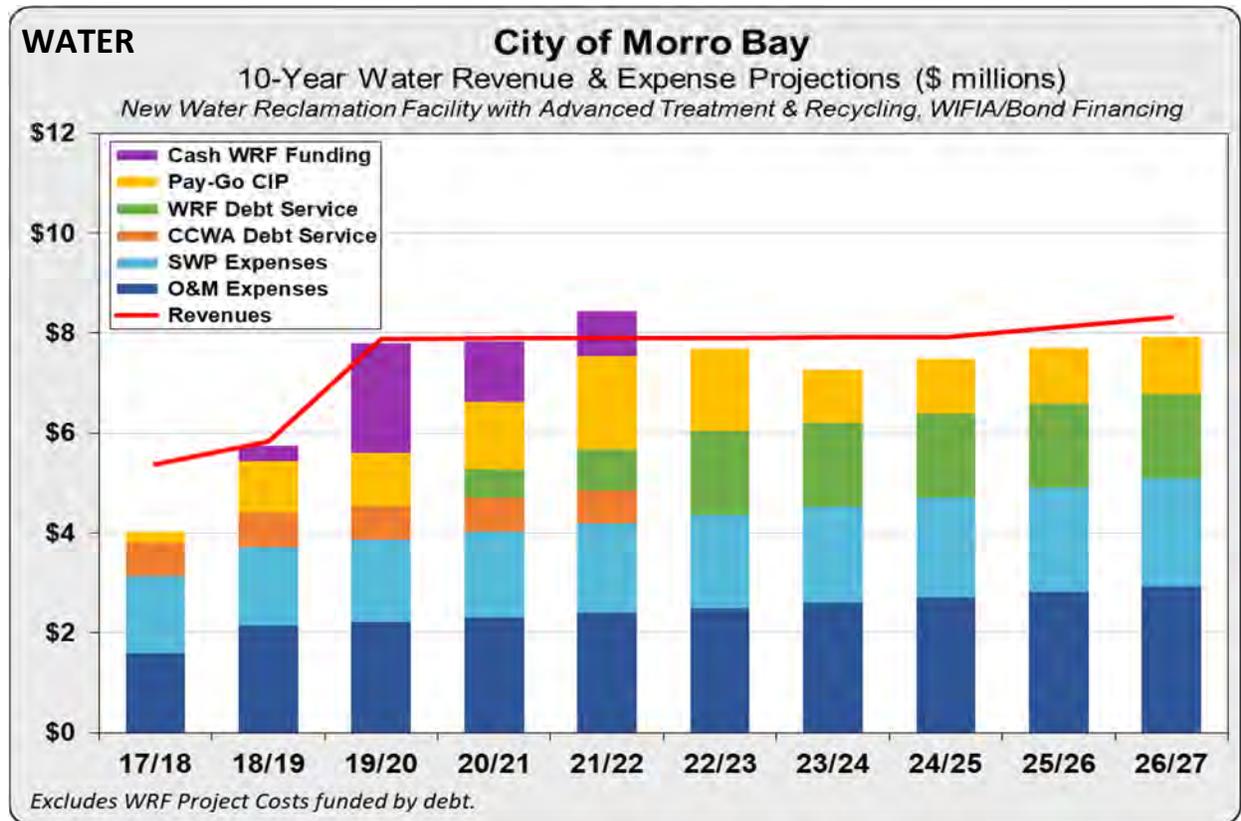
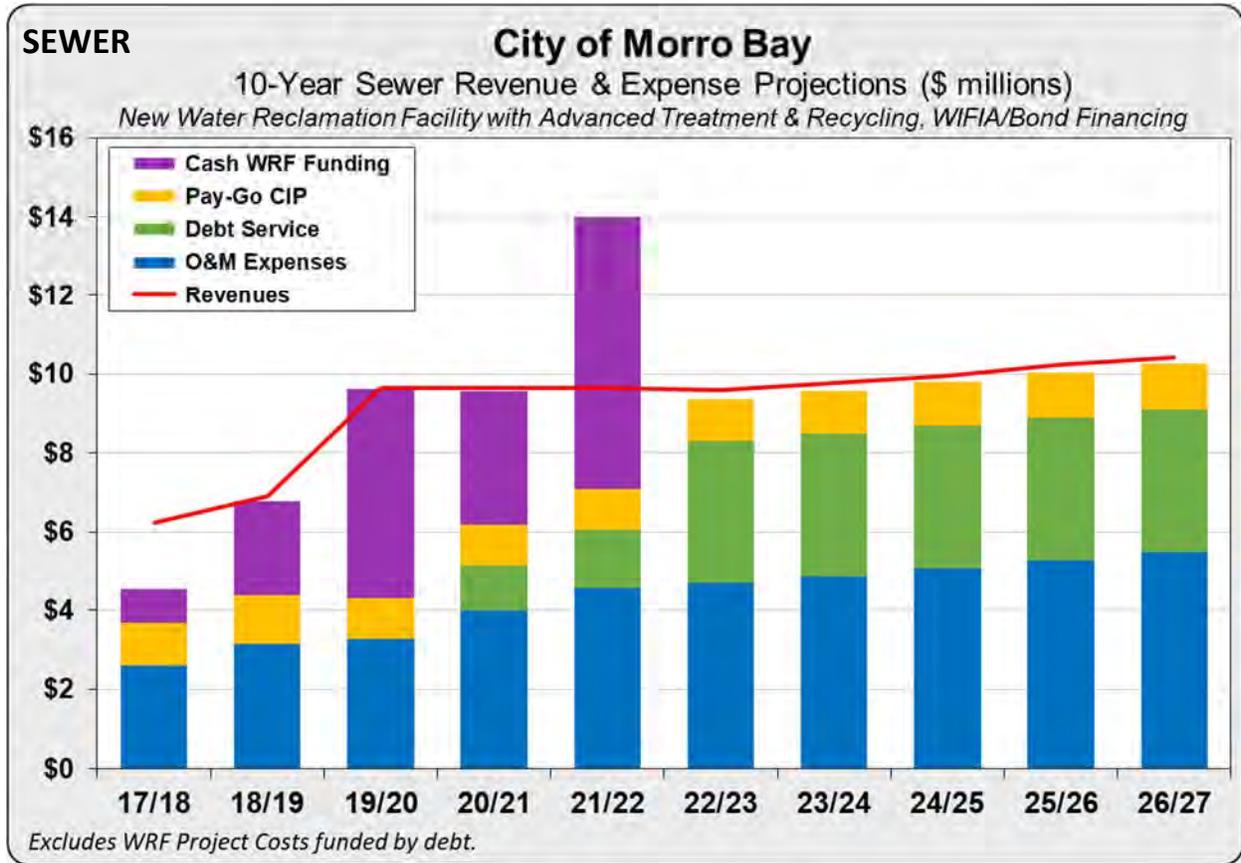
Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Fixed Monthly Water Charge	\$28.00	\$30.00	\$32.00	\$32.00	\$32.00
Fixed Monthly Single Family WRF Surcharge	-	-	\$16.00	\$16.00	\$16.00
Water Rate Adjustment %		7.1%	6.7%	0.0%	0.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales		0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,392	\$5,500	\$5,610	\$5,720	\$5,830
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
State Water Project Cost Escalation			4.0%	4.0%	4.0%
Operating Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$3,132,000	\$4,456,000	\$4,537,000	\$4,622,000	\$4,687,000
<b>REVENUES</b>	<u>Estimated</u>	<u>Projected</u>			
Water Service Charges	5,280,000	5,700,000	6,086,000	6,092,000	6,098,000
Water WRF Facility Surcharges	0	0	1,654,000	1,654,000	1,654,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	39,000	78,000	91,000	92,000	94,000
Other (Excludes Penalties)	16,000	20,000	20,000	20,000	20,000
Subtotal	5,365,000	5,826,000	7,879,000	7,887,000	7,895,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Water System Operations	1,591,000	2,130,000	2,215,000	2,304,000	2,396,000
State Water Project Payments	1,535,000	1,595,000	1,659,000	1,725,000	1,794,000
Recycled Water Operations	-	-	-	-	110,000
Subtotal	3,126,000	3,725,000	3,874,000	4,029,000	4,300,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	-	-	-	326,000	326,000
WRF WIFIA Loan: Water Share	-	-	-	-	-
WRF Revenue Bonds: Water Share	-	-	-	247,000	494,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	665,000	670,000	670,000	670,000	670,000
Subtotal	665,000	670,000	670,000	1,243,000	1,490,000
<b>Capital Improvements</b>					
Water System Pay-Go CIP	250,000	1,000,000	1,000,000	1,300,000	1,800,000
Water Cash Contribution to WRF	0	300,000	2,200,000	1,200,000	900,000
Vehicle/Equipment Replacement	0	50,000	50,000	50,000	50,000
Subtotal	250,000	1,350,000	3,250,000	2,550,000	2,750,000
Total Expenses	4,041,000	5,745,000	7,794,000	7,822,000	8,540,000
<b>Revenues Less Expenses</b>	1,324,000	81,000	85,000	65,000	(645,000)
<b>Ending Fund Reserves</b>	4,456,000	4,537,000	4,622,000	4,687,000	4,042,000
CCWA Bond Debt Service Coverage	1.72	1.63	2.43	2.33	2.19
City Debt Service Coverage	3.37	3.14	5.98	3.10	2.41

**Table 12A - City of Morro Bay - Water Cash Flow Projections**

**Base Case Scenario**

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Fixed Monthly Residential Water Charge	\$32.00	\$32.00	\$32.00	\$33.00	\$34.00
Fixed Monthly Single Family WRF Surcharge	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
Water Rate Adjustment %	0.0%	0.0%	0.0%	3.1%	3.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales	0.0%	0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,950	\$6,070	\$6,190	\$6,310	\$6,440
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
State Water Project Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,042,000	\$4,031,000	\$4,442,000	\$4,647,000	\$4,825,000
<b>REVENUES</b>					
Water Service Charges	6,104,000	6,110,000	6,116,000	6,313,000	6,510,000
Water WRF Facility Surcharges	1,654,000	1,654,000	1,654,000	1,654,000	1,654,000
Development Impact Fees	30,000	30,000	31,000	32,000	32,000
Interest Earnings	86,000	86,000	94,000	99,000	102,000
Other (Excludes Penalties)	20,000	20,000	20,000	20,000	20,000
Subtotal	7,894,000	7,900,000	7,915,000	8,118,000	8,318,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Water System Personnel	2,492,000	2,592,000	2,696,000	2,804,000	2,916,000
State Water Project Payments	1,866,000	1,941,000	2,019,000	2,100,000	2,184,000
Recycled Water Operations	220,000	229,000	238,000	248,000	258,000
Subtotal	4,578,000	4,762,000	4,953,000	5,152,000	5,358,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	326,000	326,000	326,000	326,000	326,000
WRF WIFIA Loan: Water Share	857,000	857,000	857,000	857,000	857,000
WRF Revenue Bonds: Water Share	494,000	494,000	494,000	494,000	494,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	0	0	0	0	0
Subtotal	1,677,000	1,677,000	1,677,000	1,677,000	1,677,000
<b>Capital Improvements</b>					
Water System Pay-Go CIP	1,600,000	1,000,000	1,030,000	1,061,000	1,093,000
Water Cash Contribution to WRF	0	0	0	0	0
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,650,000	1,050,000	1,080,000	1,111,000	1,143,000
Total Expenses	7,905,000	7,489,000	7,710,000	7,940,000	8,178,000
<b>Revenues Less Expenses</b>	(11,000)	411,000	205,000	178,000	140,000
<b>Ending Fund Reserves</b>	4,031,000	4,442,000	4,647,000	4,825,000	4,965,000
CCWA Bond Debt Service Coverage	-	-	-	-	-
Debt Service Coverage	1.98	1.87	1.77	1.77	1.77

## Base Case Scenario



**Table 11B - City of Morro Bay - Sewer Cash Flow Projections**

**Phase-In Scenario**

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Monthly Single Family Sewer Charge	\$70.00	\$77.00	\$83.00	\$83.00	\$83.00
Monthly Single Family Surcharge			\$9.00	\$18.00	\$27.00
Beginning Sewer Accounts	5,346	5,351	5,356	5,361	5,366
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,445	\$5,550	\$5,660	\$5,770	\$5,890
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$6,402,000	\$8,112,000	\$8,251,000	\$8,379,000	\$8,480,000
<b>REVENUES</b>					
Sewer Service Charges	6,100,000	6,716,000	7,246,000	7,253,000	7,260,000
Sewer WRF Facility Surcharges	0	0	778,000	1,563,000	2,347,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	80,000	142,000	165,000	168,000	170,000
Rental Income/Other (Excl Penalties)	25,000	30,000	30,000	30,000	30,000
Subtotal	6,235,000	6,916,000	8,247,000	9,043,000	9,836,000
<b>WRF Debt Financing</b>					
SRF Planning Loan		5,900,000	4,400,000		
WIFIA Loan			33,800,000	26,375,000	
Bond Proceeds				11,700,000	17,300,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Sewer Collection	1,100,000	1,480,000	1,539,000	1,601,000	1,665,000
Wastewater Treatment Existing	2,000,000	2,210,000	2,298,000	2,390,000	1,247,000
Wastewater Treatment New WRF	-	-	-	-	1,500,000
Conveyance to New WRF	-	-	-	-	140,000
Less Cayucos SD Reimbursements	(495,000)	(553,000)	(575,000)	0	0
Subtotal	2,605,000	3,137,000	3,262,000	3,991,000	4,552,000
<b>Debt Service</b>					
SRF Planning Loan: Sewer Share	-	-	-	804,000	804,000
WRF WIFIA Loan: Sewer Share	-	-	-	-	-
WRF Revenue Bonds: Sewer Share	-	-	-	423,000	845,000
Subtotal	0	0	0	1,227,000	1,649,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	840,000	2,390,000	3,607,000	2,274,000	6,598,000
Sewer System Pay-Go CIP	630,000	1,200,000	1,200,000	1,400,000	1,400,000
Vehicle/Equipment Replacement	450,000	50,000	50,000	50,000	50,000
Subtotal	1,920,000	3,640,000	4,857,000	3,724,000	8,048,000
Total Sewer Expenses	4,525,000	6,777,000	8,119,000	8,942,000	14,249,000
<b>Revenues Less Expenses</b>	1,710,000	139,000	128,000	101,000	(4,413,000)
<b>Ending Fund Reserves</b>	8,112,000	8,251,000	8,379,000	8,480,000	4,067,000
Debt Service Coverage	-	-	-	4.12	3.20

**Table 11B - City of Morro Bay - Sewer Cash Flow Projections**

**Phase-In Scenario**

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Monthly Residential Sewer Charge	\$83.00	\$85.00	\$87.00	\$90.00	\$92.00
Monthly Single Family WRF Surcharge	\$27.00	\$27.00	\$27.00	\$27.00	\$27.00
Beginning Sewer Accounts	5,371	5,376	5,381	5,386	5,391
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$6,010	\$6,130	\$6,250	\$6,380	\$6,510
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,067,000	\$4,267,000	\$4,437,000	\$4,565,000	\$4,732,000
<b>REVENUES</b>					
Sewer Service Charges	7,267,000	7,449,000	7,631,000	7,901,000	8,084,000
Sewer WRF Facility Surcharges	2,347,000	2,347,000	2,347,000	2,347,000	2,347,000
Development Impact Fees	30,000	31,000	31,000	32,000	33,000
Interest Earnings	87,000	91,000	94,000	97,000	100,000
Rental Income/Penalties/Other	30,000	30,000	30,000	30,000	30,000
Subtotal	9,761,000	9,948,000	10,133,000	10,407,000	10,594,000
<u>WRF Debt Financing</u>					
SRF Planning Loan					
WIFIA Financing					
Bond Financing					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Sewer Collection	1,732,000	1,801,000	1,873,000	1,948,000	2,026,000
Wastewater Treatment Existing	0	0	0	0	0
Wastewater Treatment New WRF	2,682,000	2,789,000	2,901,000	3,017,000	3,138,000
Conveyance to New WRF	277,000	288,000	300,000	312,000	324,000
<i>Less Cayucos SD Reimbursements</i>	0	0	0	0	0
Subtotal	4,691,000	4,878,000	5,074,000	5,277,000	5,488,000
<b>Debt Service</b>					
SRF Planning Loan	804,000	804,000	804,000	804,000	804,000
WIFIA Financing	2,171,000	2,171,000	2,171,000	2,171,000	2,171,000
Revenue Bonds (structured around SRF)	845,000	845,000	845,000	845,000	845,000
Subtotal	3,820,000	3,820,000	3,820,000	3,820,000	3,820,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	0	0	0	0	0
Sewer System Pay-Go CIP	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,050,000	1,080,000	1,111,000	1,143,000	1,176,000
Total Expenses	9,561,000	9,778,000	10,005,000	10,240,000	10,484,000
<b>Revenues Less Expenses</b>	200,000	170,000	128,000	167,000	110,000
<b>Ending Fund Reserves</b>	4,267,000	4,437,000	4,565,000	4,732,000	4,842,000
Debt Service Coverage	1.33	1.33	1.32	1.34	1.34

**Table 12B - City of Morro Bay - Water Cash Flow Projections**

**Phase-In Scenario**

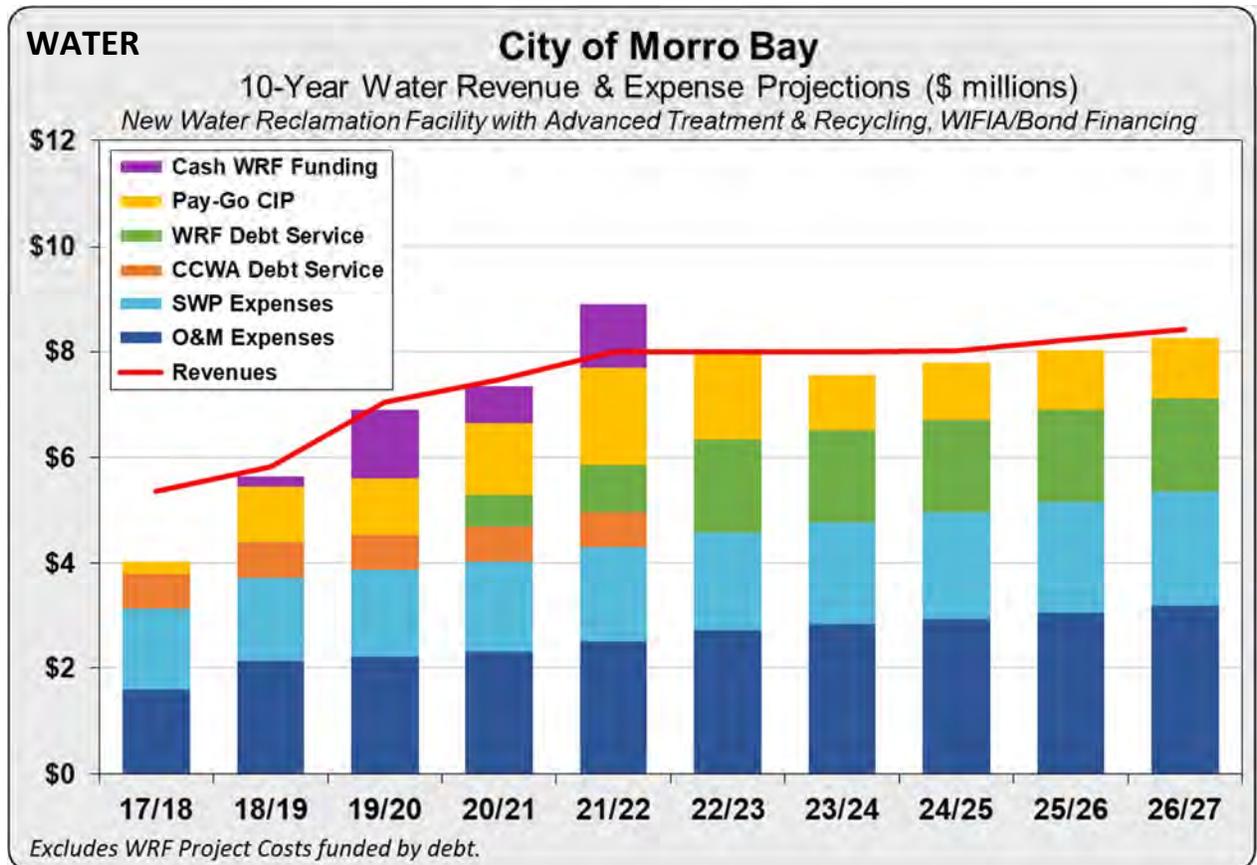
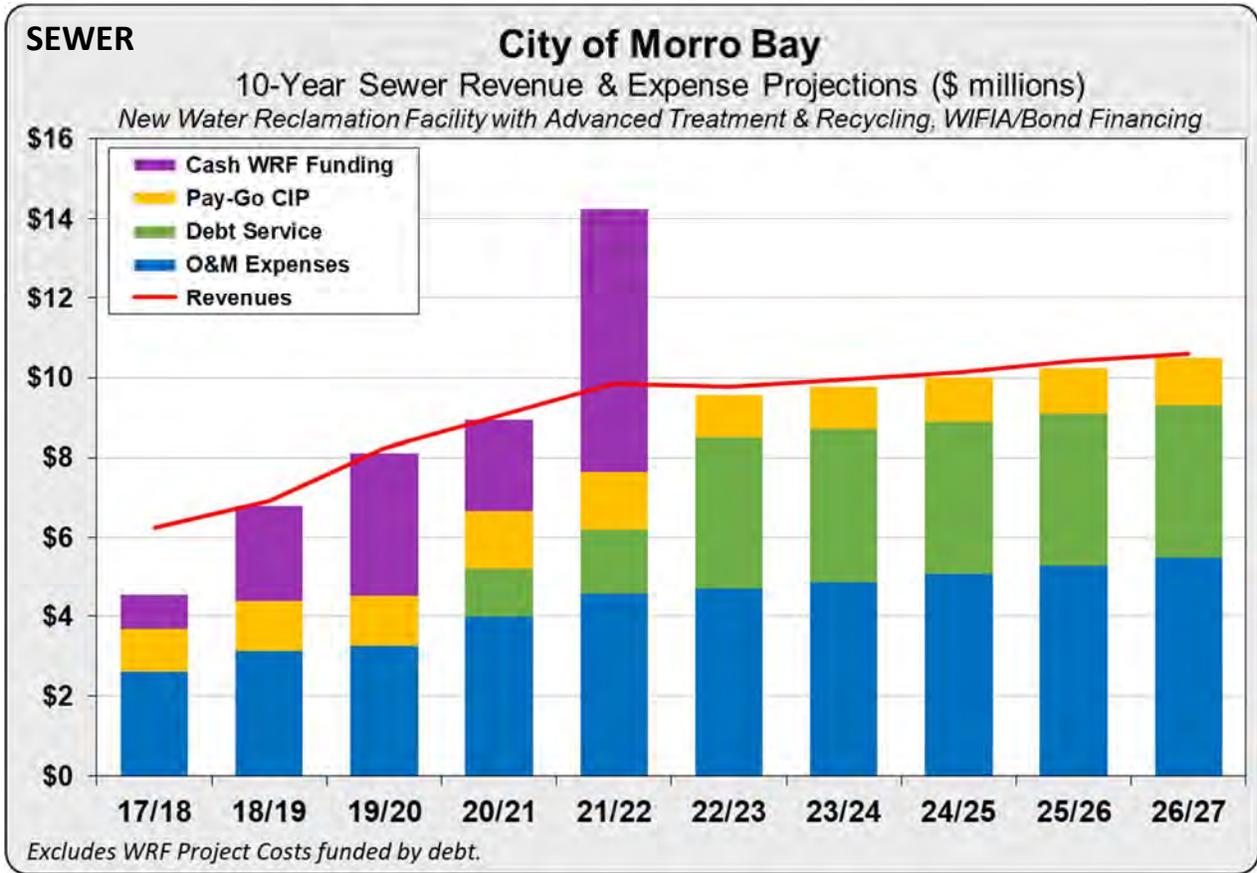
Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Fixed Monthly Water Charge	\$28.00	\$30.00	\$32.00	\$32.00	\$32.00
Fixed Monthly Single Family WRF Surcharge			\$8.00	\$12.00	\$17.00
Water Rate Adjustment %		7.1%	6.7%	0.0%	0.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales		0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,392	\$5,500	\$5,610	\$5,720	\$5,830
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
State Water Project Cost Escalation			4.0%	4.0%	4.0%
Operating Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$3,132,000	\$4,456,000	\$4,637,000	\$4,797,000	\$4,924,000
<b>REVENUES</b>	<u>Estimated</u>	<u>Projected</u>			
Water Service Charges	5,280,000	5,700,000	6,086,000	6,092,000	6,098,000
Water WRF Facility Surcharges	0	0	827,000	1,240,000	1,757,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	39,000	78,000	93,000	96,000	98,000
Other (Excludes Penalties)	16,000	20,000	20,000	20,000	20,000
Subtotal	5,365,000	5,826,000	7,054,000	7,477,000	8,002,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Water System Operations	1,591,000	2,130,000	2,215,000	2,304,000	2,396,000
State Water Project Payments	1,535,000	1,595,000	1,659,000	1,725,000	1,794,000
Recycled Water Operations	-	-	-	-	110,000
Subtotal	3,126,000	3,725,000	3,874,000	4,029,000	4,300,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	-	-	-	326,000	326,000
WRF WIFIA Loan: Water Share	-	-	-	-	-
WRF Revenue Bonds: Water Share	-	-	-	275,000	551,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	665,000	670,000	670,000	670,000	670,000
Subtotal	665,000	670,000	670,000	1,271,000	1,547,000
<b>Capital Improvements</b>					
Water System Pay-Go CIP	250,000	1,000,000	1,000,000	1,300,000	1,800,000
Water Cash Contribution to WRF	0	200,000	1,300,000	700,000	1,200,000
Vehicle/Equipment Replacement	0	50,000	50,000	50,000	50,000
Subtotal	250,000	1,250,000	2,350,000	2,050,000	3,050,000
Total Expenses	4,041,000	5,645,000	6,894,000	7,350,000	8,897,000
<b>Revenues Less Expenses</b>	1,324,000	181,000	160,000	127,000	(895,000)
<b>Ending Fund Reserves</b>	4,456,000	4,637,000	4,797,000	4,924,000	4,029,000
CCWA Bond Debt Service Coverage	1.72	1.63	2.08	2.16	2.23
City Debt Service Coverage	3.37	3.14	4.75	2.71	2.39

**Table 12B - City of Morro Bay - Water Cash Flow Projections**

**Phase-In Scenario**

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Fixed Monthly Residential Water Charge	\$32.00	\$32.00	\$32.00	\$33.00	\$34.00
Fixed Monthly Single Family WRF Surcharge	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00
Water Rate Adjustment %	0.0%	0.0%	0.0%	3.1%	3.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales	0.0%	0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,950	\$6,070	\$6,190	\$6,310	\$6,440
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
State Water Project Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,029,000	\$4,041,000	\$4,475,000	\$4,704,000	\$4,906,000
<b>REVENUES</b>					
Water Service Charges	6,104,000	6,110,000	6,116,000	6,313,000	6,510,000
Water WRF Facility Surcharges	1,757,000	1,757,000	1,757,000	1,757,000	1,757,000
Development Impact Fees	30,000	30,000	31,000	32,000	32,000
Interest Earnings	86,000	86,000	95,000	100,000	104,000
Other (Excludes Penalties)	20,000	20,000	20,000	20,000	20,000
Subtotal	7,997,000	8,003,000	8,019,000	8,222,000	8,423,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Water System Operations	2,492,000	2,592,000	2,696,000	2,804,000	2,916,000
State Water Project Payments	1,866,000	1,941,000	2,019,000	2,100,000	2,184,000
Recycled Water Operations	220,000	229,000	238,000	248,000	258,000
Subtotal	4,578,000	4,762,000	4,953,000	5,152,000	5,358,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	326,000	326,000	326,000	326,000	326,000
WRF WIFIA Loan: Water Share	880,000	880,000	880,000	880,000	880,000
WRF Revenue Bonds: Water Share	551,000	551,000	551,000	551,000	551,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	0	0	0	0	0
Subtotal	1,757,000	1,757,000	1,757,000	1,757,000	1,757,000
<b>Capital Improvements</b>					
Water System Pay-Go CIP	1,600,000	1,000,000	1,030,000	1,061,000	1,093,000
Water Cash Contribution to WRF	0	0	0	0	0
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,650,000	1,050,000	1,080,000	1,111,000	1,143,000
Total Expenses	7,985,000	7,569,000	7,790,000	8,020,000	8,258,000
<b>Revenues Less Expenses</b>	12,000	434,000	229,000	202,000	165,000
<b>Ending Fund Reserves</b>	4,041,000	4,475,000	4,704,000	4,906,000	5,071,000
CCWA Bond Debt Service Coverage	-	-	-	-	-
Debt Service Coverage	1.95	1.84	1.75	1.75	1.74

## Phase-In Scenario



### 13. Debt Service Coverage

Tables 13A and 13B show projected debt service coverage independently for the sewer and water utilities as well as combined coverage for both utilities under the Base Case and Phase-In Scenarios. Debt service coverage is calculated based on Net Revenues – defined as total revenues less operating and maintenance expenses – divided by annual debt service. Additional funding generated after paying debt service is available to help fund the City’s water and sewer CIP projects.

**Table 13A – Base Case: Debt Service Coverage**

	2022/23	2023/24	2024/25	2025/26	2026/27
<b>SEWER</b>					
Net Revenues	\$4,895,000	\$4,896,000	\$4,886,000	\$4,957,000	\$4,934,000
Debt Service	3,616,000	3,616,000	3,616,000	3,616,000	3,616,000
Debt Service Coverage	1.35	1.35	1.35	1.37	1.36
Add'l Funding Generated	1,279,000	1,280,000	1,270,000	1,341,000	1,318,000
<b>WATER</b>					
Net Revenues	\$3,316,000	\$3,138,000	\$2,962,000	\$2,966,000	\$2,960,000
Debt Service	1,677,000	1,677,000	1,677,000	1,677,000	1,677,000
Debt Service Coverage	1.98	1.87	1.77	1.77	1.77
Add'l Funding Generated	1,639,000	1,461,000	1,285,000	1,289,000	1,283,000
<b>COMBINED</b>					
Net Revenues	\$8,211,000	\$8,034,000	\$7,848,000	\$7,923,000	\$7,894,000
Debt Service	5,293,000	5,293,000	5,293,000	5,293,000	5,293,000
Debt Service Coverage	1.55	1.52	1.48	1.50	1.49
Add'l Funding Generated	2,918,000	2,741,000	2,555,000	2,630,000	2,601,000

**Table 13B – Phase-In: Debt Service Coverage**

	2022/23	2023/24	2024/25	2025/26	2026/27
<b>SEWER</b>					
Net Revenues	\$5,070,000	\$5,070,000	\$5,059,000	\$5,130,000	\$5,106,000
Debt Service	3,820,000	3,820,000	3,820,000	3,820,000	3,820,000
Debt Service Coverage	1.33	1.33	1.32	1.34	1.34
Add'l Funding Generated	1,250,000	1,250,000	1,239,000	1,310,000	1,286,000
<b>WATER</b>					
Net Revenues	\$3,419,000	\$3,241,000	\$3,066,000	\$3,070,000	\$3,065,000
Debt Service	1,757,000	1,757,000	1,757,000	1,757,000	1,757,000
Debt Service Coverage	1.95	1.84	1.75	1.75	1.74
Add'l Funding Generated	1,662,000	1,484,000	1,309,000	1,313,000	1,308,000
<b>COMBINED</b>					
Net Revenues	\$8,489,000	\$8,311,000	\$8,125,000	\$8,200,000	\$8,171,000
Debt Service	5,577,000	5,577,000	5,577,000	5,577,000	5,577,000
Debt Service Coverage	1.52	1.49	1.46	1.47	1.47
Add'l Funding Generated	2,912,000	2,734,000	2,548,000	2,623,000	2,594,000

## 14. Sewer WRF Facility Surcharges

Tables 14A and 14B show proposed sewer WRF Facility Surcharges under the Base Case and Phase-In Scenarios. These surcharges would be levied as separate surcharges in addition to the City's previously-adopted sewer rates. The surcharges maintain the same rate structure as the City's existing sewer rates. Residential surcharges are fixed monthly surcharges and Non-Residential surcharges are volumetric rates applied to monthly water use – with higher charges for customer classes with higher wastewater strength -- subject to a minimum charge as shown.

**Table 14A – Base Case: Proposed Monthly Sewer WRF Facility Surcharges**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>RESIDENTIAL</b>					
<i>Charge per residential dwelling unit</i>					
Single Family		\$25.00	\$25.00	\$25.00	\$25.00
Multi-Family/Condo		20.00	20.00	20.00	20.00
<b>NON-RESIDENTIAL</b>					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength		\$3.43	\$3.43	\$3.43	\$3.43
Class B - Domestic Strength		4.10	4.10	4.10	4.10
Class C - Moderate Strength		4.77	4.77	4.77	4.77
Class D - Mod-High Strength		5.43	5.43	5.43	5.43
Class E - High Strength		6.77	6.77	6.77	6.77
<i>Minimum Monthly Charge</i>		20.00	20.00	20.00	20.00

**Table 14B – Phase-In: Proposed Monthly Sewer WRF Facility Surcharges**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>RESIDENTIAL</b>					
<i>Charge per residential dwelling unit</i>					
Single Family		\$9.00	\$18.00	\$27.00	\$27.00
Multi-Family/Condo		7.20	14.40	21.60	21.60
<b>NON-RESIDENTIAL</b>					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength		\$1.24	\$2.47	\$3.71	\$3.71
Class B - Domestic Strength		1.48	2.95	4.43	4.43
Class C - Moderate Strength		1.72	3.43	5.15	5.15
Class D - Mod-High Strength		1.96	3.91	5.87	5.87
Class E - High Strength		2.44	4.87	7.31	7.31
<i>Minimum Monthly Charge</i>		7.20	14.40	21.60	21.60

## 15. Water WRF Facility Surcharges

Tables 15A and 15B show proposed water WRF Facility Surcharges under the Base Case and Phase-In Scenarios. Again, these surcharges would be levied in addition to the City’s previously-adopted water rates. Residential surcharges are fixed monthly surcharges and Non-Residential surcharges are volumetric rates applied to monthly water use, subject to a minimum charge as shown. The rates for each customer class are designed to recover a proportionate share of revenues based on each class’ proportionate share of water use, based on the most recent year of annual water use data available from May 2017 through April 2018.

**Table 15A – Base Case: Proposed Monthly Water WRF Facility Surcharges**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>RESIDENTIAL</b>					
<i>Charge per residential dwelling unit</i>					
Single Family		\$16.00	\$16.00	\$16.00	\$16.00
Multi-Family/Condo		12.80	12.80	12.80	12.80
<b>NON-RESIDENTIAL</b>					
<i>Rate per hcf of metered water use</i>					
Surcharge on all water use		\$3.64	\$3.64	\$3.64	\$3.64
<i>Minimum Monthly Charge</i>		12.80	12.80	12.80	12.80

**Table 15B – Phase-In: Proposed Monthly Water WRF Facility Surcharges**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>RESIDENTIAL</b>					
<i>Charge per residential dwelling unit</i>					
Single Family		\$8.00	\$12.00	\$17.00	\$17.00
Multi-Family/Condo		6.40	9.60	13.60	13.60
<b>NON-RESIDENTIAL</b>					
<i>Rate per hcf of metered water use</i>					
Surcharge on all water use		\$1.82	\$2.73	\$3.87	\$3.87
<i>Minimum Monthly Charge</i>		6.40	9.60	13.60	13.60

## 16. Previously-Adopted Water & Sewer Rates

In 2015, the City adopted 5-years of water and sewer rate increases. As of July 1, 2018, the City will have implemented 4 of the 5 years of previously-adopted rate increases. The final rate increase – scheduled to become effective July 1, 2019 – equates to a roughly 7.5% increase for a typical single family home with 5 hcf monthly water use. The adopted rates substantially strengthened the financial condition of the City’s water and sewer utilities but do not provide adequate funding to support each utility’s share of costs for the new WRF.

In particular, the previously-adopted sewer rates were designed to help support funding for approximately \$56 of project costs. This amount was based on a) Morro Bay funding 75% of a \$75 million wastewater treatment plant, b) Cayucos funding the other 25% of facility costs, c) no funding provided for recycled water facilities, and d) an assumption of full availability of low-interest-rate SRF financing for all debt financing needs. The additional water and sewer WRF Facility Surcharges are needed to provide adequate funding for each utility’s share of debt service for the WRF project.

Based on the financial projections, if the WRF Facility Surcharges are adopted, then no additional water or sewer rate increases – above those previously adopted – would likely need to be implemented over at least the next 5 years. However, the City should periodically evaluate its utility rates in future years to ensure future rates continue to recover the cost of providing service and each utility continues to meet its future financial obligations.

**Table 16 – Adopted Monthly Water Rates (Excluding Proposed Surcharges)**

	2018/19	2019/20	2020/21	2021/22	2022/23
	Adopted	Adopted	No Change Projected		
<b>Fixed Monthly Charge</b>	\$30.00	\$32.00	\$32.00	\$32.00	\$32.00
<b>Water Quantity Charges</b>					
<i>Billed per 100 cubic feet of metered water use (\$/hcf)</i>					
<u>Tier</u>	<u>Use in Tier</u>				
Tier 1	0 - 3 hcf	\$5.50	\$6.00	\$6.00	\$6.00
Tier 2	4 - 10 hcf	8.00	8.50	8.50	8.50
Tier 3	11- 50 hcf	10.50	11.00	11.00	11.00
Tier 4	>50 hcf	13.50	14.00	14.00	14.00

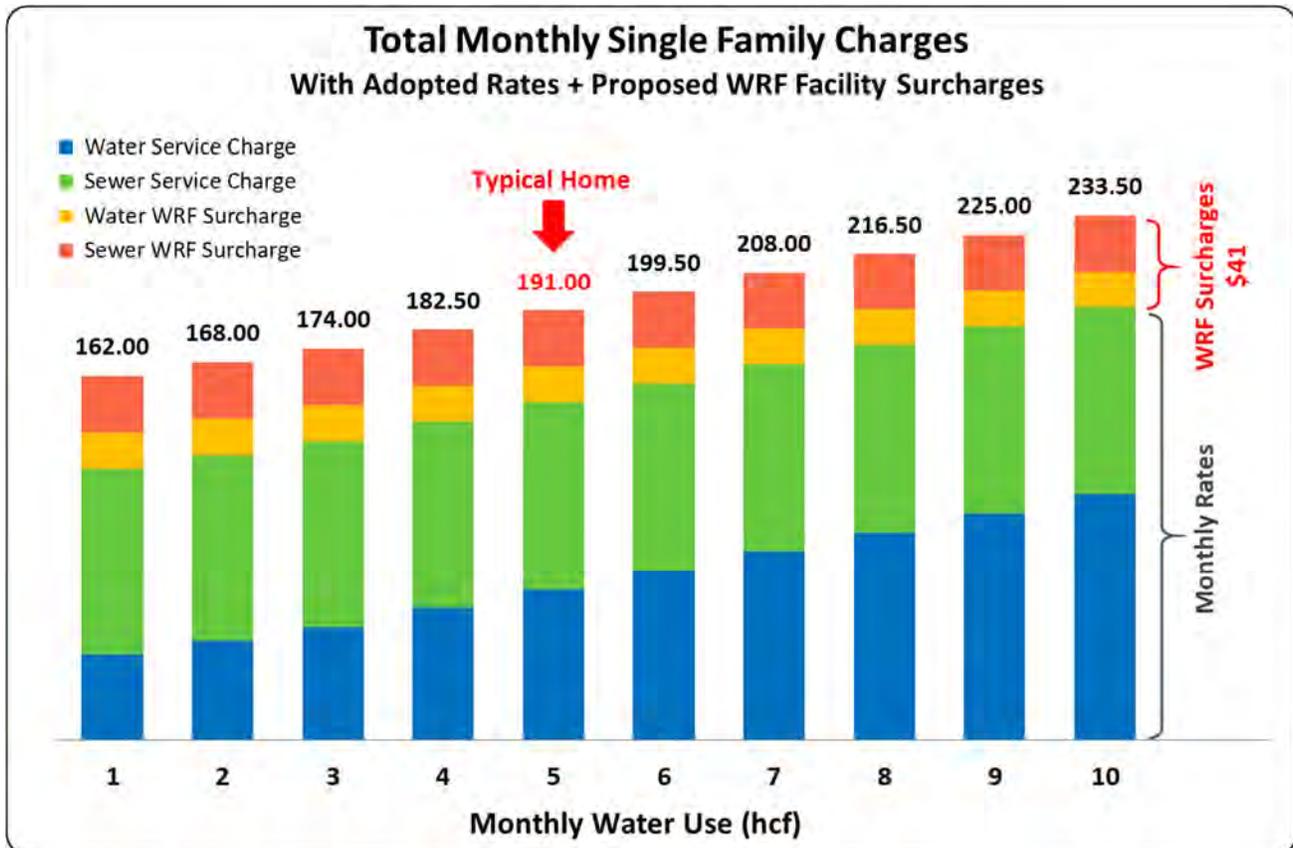
**Table 17 – Adopted Monthly Sewer Rates (Excluding Proposed Surcharges)**

	2018/19	2019/20	2020/21	2021/22	2022/23
	Adopted	Adopted	No Change Projected		
<b>RESIDENTIAL</b>					
<i>Charge per residential dwelling unit</i>					
Single Family	\$77.00	\$83.00	\$83.00	\$83.00	\$83.00
Multi-Family/Condo	61.60	66.40	66.40	66.40	66.40
<b>NON-RESIDENTIAL</b>					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength	\$10.57	\$11.40	\$11.40	\$11.40	\$11.40
Class B - Domestic Strength	12.67	13.61	13.61	13.61	13.61
Class C - Moderate Strength	14.89	15.82	15.82	15.82	15.82
Class D - Mod-High Strength	17.13	18.03	18.03	18.03	18.03
Class E - High Strength	21.36	22.46	22.46	22.46	22.46
<i>Minimum Monthly Charge</i>	61.60	66.40	66.40	66.40	66.40

## 17. Single Family Residential Bill Impacts

The following charts and tables show the total combined billing impacts – with full implementation of previously-adopted water and sewer rates and the proposed WRF Surcharges – on single family homes at different levels of monthly water use under the Base Case Scenario.

### Base Case Scenario

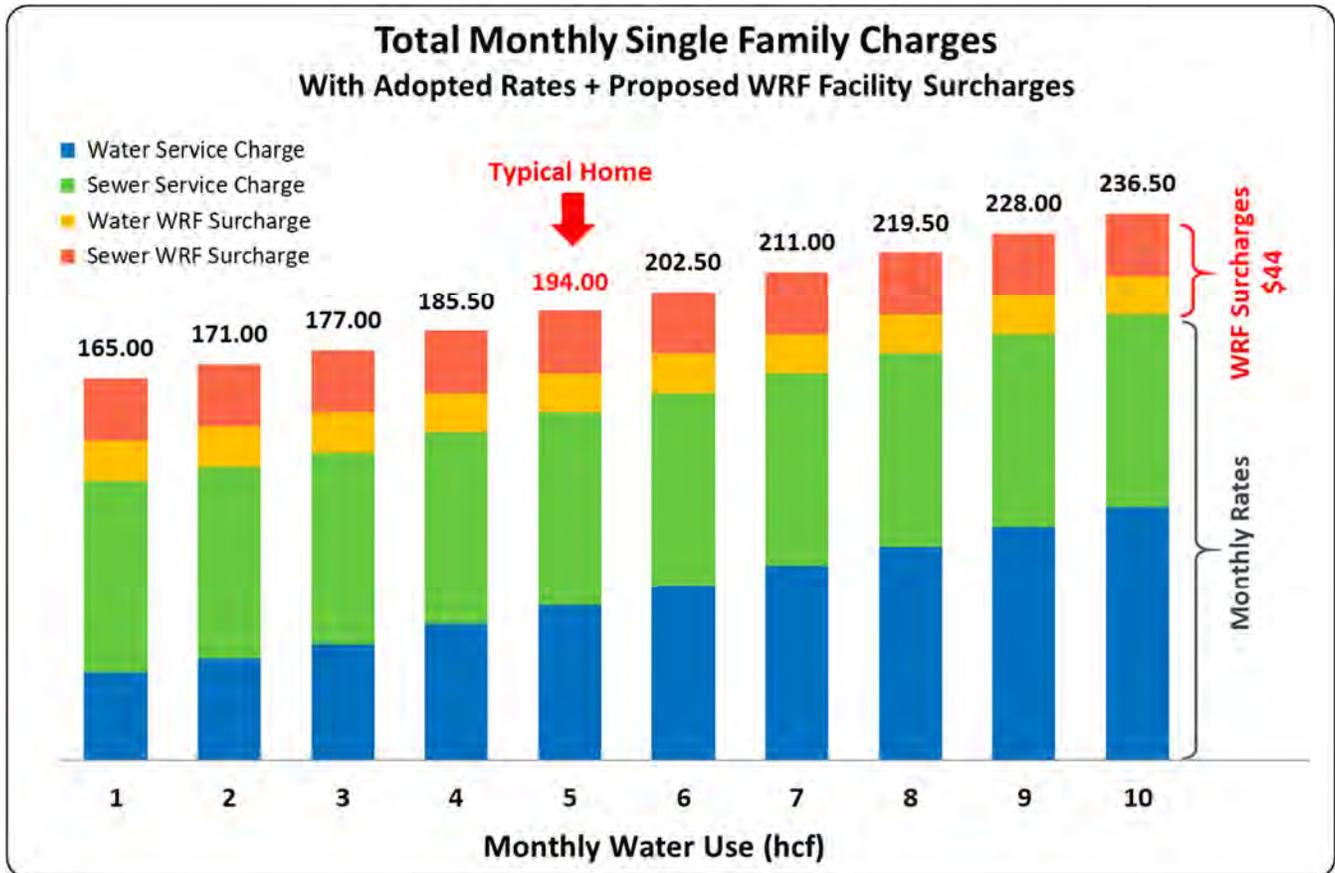


**Table 18A – Base Case: Total Combined Bill with Adopted Rates + Proposed WRF Surcharges**  
Single Family Home at Different Levels of Use

	Monthly Water Use (hcf)									
	1	2	3	4	5	6	7	8	9	10
Water Service Charge	\$38.00	\$44.00	\$50.00	\$58.50	\$67.00	\$75.50	\$84.00	\$92.50	\$101.00	\$109.50
Sewer Service Charge	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00
Subtotal	121.00	127.00	133.00	141.50	150.00	158.50	167.00	175.50	184.00	192.50
Water WRF Surcharge	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Sewer WRF Surcharge	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Subtotal	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00
<b>Combined Total</b>	<b>162.00</b>	<b>168.00</b>	<b>174.00</b>	<b>182.50</b>	<b>191.00</b>	<b>199.50</b>	<b>208.00</b>	<b>216.50</b>	<b>225.00</b>	<b>233.50</b>

The following charts and tables show the total combined billing impacts – with full implementation of previously-adopted water and sewer rates and the proposed WRF Facility Surcharges – on single family homes at different levels of monthly water use under the Phase-In Scenario.

### Phase-In Scenario



**Table 18B – Phase In: Total Combined Bill with Adopted Rates + Proposed WRF Surcharges**  
Single Family Home at Different Levels of Use

	Monthly Water Use (hcf)									
	1	2	3	4	5	6	7	8	9	10
Water Service Charge	\$38.00	\$44.00	\$50.00	\$58.50	\$67.00	\$75.50	\$84.00	\$92.50	\$101.00	\$109.50
Sewer Service Charge	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>	<u>83.00</u>
Subtotal	121.00	127.00	133.00	141.50	150.00	158.50	167.00	175.50	184.00	192.50
Water WRF Surcharge	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Sewer WRF Surcharge	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>	<u>27.00</u>
Subtotal	44.00	44.00	44.00	44.00	44.00	44.00	44.00	44.00	44.00	44.00
<b>Combined Total</b>	<b>165.00</b>	<b>171.00</b>	<b>177.00</b>	<b>185.50</b>	<b>194.00</b>	<b>202.50</b>	<b>211.00</b>	<b>219.50</b>	<b>228.00</b>	<b>236.50</b>

## 18. Commercial/Non-Residential Bill Impacts

The following tables show the total combined impacts – with full implementation of previously-adopted utility rates and the proposed WRF Surcharges – on a range of commercial accounts.

**Table 19A – Base Case: Total Combined Utility Bill for Sample Commercial Accounts**

	2018/19	Projected			
		2019/20	2020/21	2021/22	2022/23
<b>Med-Small Commercial Office (4 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$61.60	\$66.40	\$66.40	\$66.40	\$66.40
Water Monthly Charge	54.50	58.50	58.50	58.50	58.50
Subtotal Monthly Bill	116.10	124.90	124.90	124.90	124.90
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	20.00	20.00	20.00	20.00
Water WRF Project Debt Funding	-	14.56	14.56	14.56	14.56
Subtotal Monthly Bill		34.56	34.56	34.56	34.56
<b>Total Monthly Charges</b>	<b>116.10</b>	<b>159.46</b>	<b>159.46</b>	<b>159.46</b>	<b>159.46</b>

<b>Moderate Commercial Office (10 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$126.70	\$136.10	\$136.10	\$136.10	\$136.10
Water Monthly Charge	102.50	109.50	109.50	109.50	109.50
Subtotal Monthly Bill	229.20	245.60	245.60	245.60	245.60
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	40.99	40.99	40.99	40.99
Water WRF Project Debt Funding	-	36.39	36.39	36.39	36.39
Subtotal Monthly Bill		77.38	77.38	77.38	77.38
<b>Total Monthly Charges</b>	<b>229.20</b>	<b>322.98</b>	<b>322.98</b>	<b>322.98</b>	<b>322.98</b>

<b>Restaurant (20 hcf monthly use, High Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$427.20	\$449.20	\$449.20	\$449.20	\$449.20
Water Monthly Charge	207.50	214.50	214.50	214.50	214.50
Subtotal Monthly Bill	634.70	663.70	663.70	663.70	663.70
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	135.30	135.30	135.30	135.30
Water WRF Project Debt Funding	-	72.78	72.78	72.78	72.78
Subtotal Monthly Bill		208.08	208.08	208.08	208.08
<b>Total Monthly Charges</b>	<b>634.70</b>	<b>871.78</b>	<b>871.78</b>	<b>871.78</b>	<b>871.78</b>

**Table 20A – Base Case: Total Combined Utility Bill for Large Commercial Accounts**

	2018/19	Projected			
		2019/20	2020/21	2021/22	2022/23
<b>Larger Commercial Building (50 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$633.50	\$680.50	\$680.50	\$680.50	\$680.50
Water Monthly Charge	<u>522.50</u>	<u>529.50</u>	<u>529.50</u>	<u>529.50</u>	<u>529.50</u>
Subtotal Monthly Bill	1,156.00	1,210.00	1,210.00	1,210.00	1,210.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	204.97	204.97	204.97	204.97
Water WRF Project Debt Funding	-	<u>181.94</u>	<u>181.94</u>	<u>181.94</u>	<u>181.94</u>
Subtotal Monthly Bill		386.91	386.91	386.91	386.91
<b>Total Monthly Charges</b>	<b>1,156.00</b>	<b>1,596.91</b>	<b>1,596.91</b>	<b>1,596.91</b>	<b>1,596.91</b>

<b>Motel (50 hcf monthly water use, Moderate Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$744.50	\$791.00	\$791.00	\$791.00	\$791.00
Water Monthly Charge	<u>522.50</u>	<u>549.50</u>	<u>549.50</u>	<u>549.50</u>	<u>549.50</u>
Subtotal Monthly Bill	1,267.00	1,340.50	1,340.50	1,340.50	1,340.50
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	238.25	238.25	238.25	238.25
Water WRF Project Debt Funding	-	<u>181.94</u>	<u>181.94</u>	<u>181.94</u>	<u>181.94</u>
Subtotal Monthly Bill		420.19	420.19	420.19	420.19
<b>Total Monthly Charges</b>	<b>1,267.00</b>	<b>1,760.69</b>	<b>1,760.69</b>	<b>1,760.69</b>	<b>1,760.69</b>

<b>Large Hotel with Restaurant (250 hcf monthly water use, Mod-High Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$4,282.50	\$4,507.50	\$4,507.50	\$4,507.50	\$4,507.50
Water Monthly Charge	<u>3,222.50</u>	<u>3,449.50</u>	<u>3,449.50</u>	<u>3,449.50</u>	<u>3,449.50</u>
Subtotal Monthly Bill	7,505.00	7,957.00	7,957.00	7,957.00	7,957.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	1,357.68	1,357.68	1,357.68	1,357.68
Water WRF Project Debt Funding	-	<u>909.71</u>	<u>909.71</u>	<u>909.71</u>	<u>909.71</u>
Subtotal Monthly Bill		2,267.39	2,267.39	2,267.39	2,267.39
<b>Total Monthly Charges</b>	<b>7,505.00</b>	<b>10,224.39</b>	<b>10,224.39</b>	<b>10,224.39</b>	<b>10,224.39</b>

The following tables show the impacts by fiscal year under the Phase In Scenario.

**Table 19B – Phase In: Total Combined Utility Bill for Sample Commercial Accounts**

	2018/19	Projected			
		2019/20	2020/21	2021/22	2022/23
<b>Med-Small Commercial Office (4 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$61.60	\$66.40	\$66.40	\$66.40	\$66.40
Water Monthly Charge	54.50	58.50	58.50	58.50	58.50
Subtotal Monthly Bill	116.10	124.90	124.90	124.90	124.90
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	7.20	14.40	21.60	21.60
Water WRF Project Debt Funding	-	7.28	10.92	15.46	15.46
Subtotal Monthly Bill		14.48	25.32	37.06	37.06
Total Monthly Charges	116.10	139.38	150.22	161.96	161.96
<b>Moderate Commercial Office (10 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$126.70	\$136.10	\$136.10	\$136.10	\$136.10
Water Monthly Charge	102.50	109.50	109.50	109.50	109.50
Subtotal Monthly Bill	229.20	245.60	245.60	245.60	245.60
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	14.76	29.52	44.27	44.27
Water WRF Project Debt Funding	-	18.19	27.29	38.66	38.66
Subtotal Monthly Bill		32.95	56.81	82.94	82.94
Total Monthly Charges	229.20	278.55	302.41	328.54	328.54
<b>Restaurant (20 hcf monthly use, High Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$427.20	\$449.20	\$449.20	\$449.20	\$449.20
Water Monthly Charge	207.50	214.50	214.50	214.50	214.50
Subtotal Monthly Bill	634.70	663.70	663.70	663.70	663.70
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	48.71	97.42	146.13	146.13
Water WRF Project Debt Funding	-	36.39	54.58	77.32	77.32
Subtotal Monthly Bill		85.10	152.00	223.45	223.45
Total Monthly Charges	634.70	748.80	815.70	887.15	887.15

**Table 20B – Phase In: Total Combined Utility Bill for Large Commercial Accounts**

	2018/19	Projected			
		2019/20	2020/21	2021/22	2022/23
<b>Larger Commercial Building (50 hcf monthly water use, Domestic Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$633.50	\$680.50	\$680.50	\$680.50	\$680.50
Water Monthly Charge	522.50	529.50	529.50	529.50	529.50
Subtotal Monthly Bill	1,156.00	1,210.00	1,210.00	1,210.00	1,210.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	73.79	147.58	221.37	221.37
Water WRF Project Debt Funding	-	90.97	136.46	193.31	193.31
Subtotal Monthly Bill		164.76	284.03	414.68	414.68
Total Monthly Charges	1,156.00	1,374.76	1,494.03	1,624.68	1,624.68

<b>Motel (50 hcf monthly water use, Moderate Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$744.50	\$791.00	\$791.00	\$791.00	\$791.00
Water Monthly Charge	522.50	549.50	549.50	549.50	549.50
Subtotal Monthly Bill	1,267.00	1,340.50	1,340.50	1,340.50	1,340.50
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	85.77	171.54	257.31	257.31
Water WRF Project Debt Funding	-	90.97	136.46	193.31	193.31
Subtotal Monthly Bill		176.74	308.00	450.63	450.63
Total Monthly Charges	1,267.00	1,517.24	1,648.50	1,791.13	1,791.13

<b>Large Hotel with Restaurant (250 hcf monthly water use, Mod-High Strength)</b>					
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$4,282.50	\$4,507.50	\$4,507.50	\$4,507.50	\$4,507.50
Water Monthly Charge	3,222.50	3,449.50	3,449.50	3,449.50	3,449.50
Subtotal Monthly Bill	7,505.00	7,957.00	7,957.00	7,957.00	7,957.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Project Debt Funding	-	488.77	977.53	1,466.30	1,466.30
Water WRF Project Debt Funding	-	454.85	682.28	966.56	966.56
Subtotal Monthly Bill		943.62	1,659.81	2,432.86	2,432.86
Total Monthly Charges	7,505.00	8,900.62	9,616.81	10,389.86	10,389.86

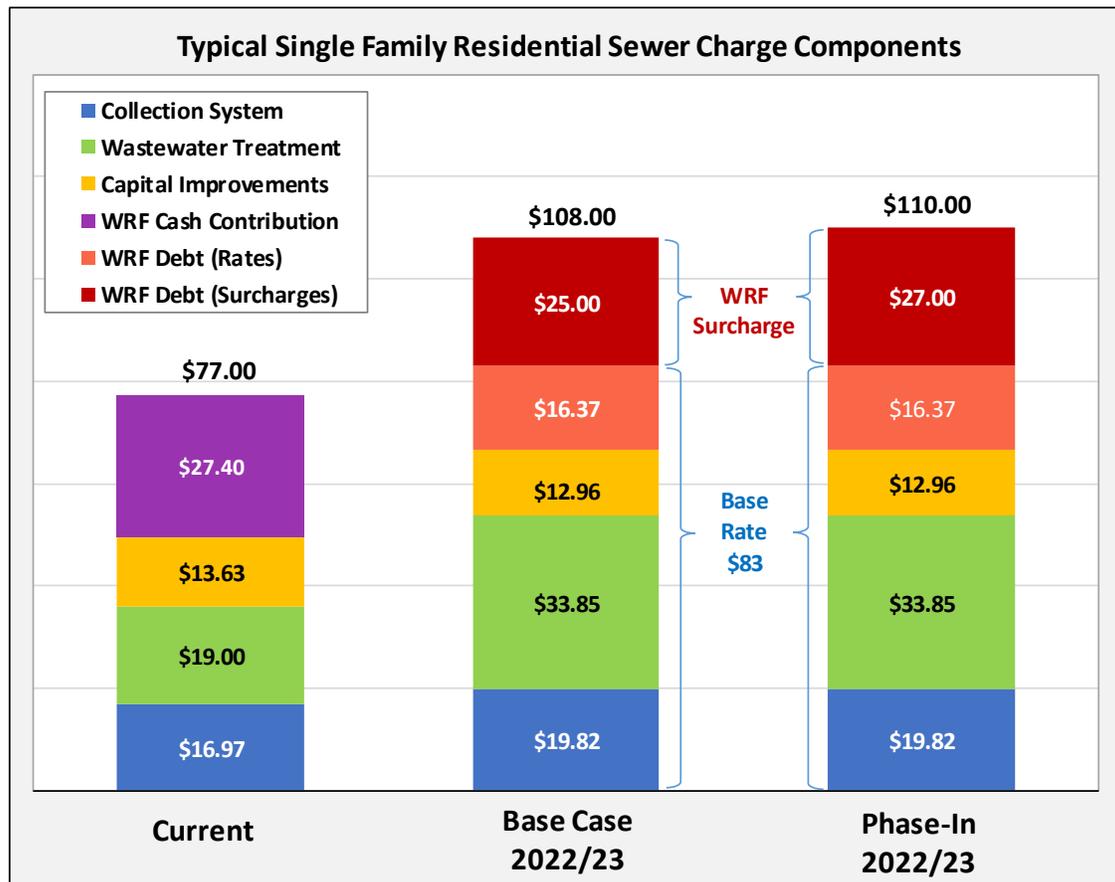
## 19. Sewer Rate & WRF Surcharge Cost Recovery

Table 21 shows an estimated breakdown of the cost components of monthly sewer charges for a typical single family home with 5 units (hcf) monthly water use. The table compares current charges vs. charges in 2022/23 with full implementation of adopted rates and the WRF Facility Surcharge.

**Table 21 – Sewer Rate Components**

	Current 2018/19	Base Case 2022/23	Phase-In 2022/23
<b>Base Monthly Sewer Rate</b>			
Sewer Collection System O&M	\$16.97	\$19.82	\$19.82
Wastewater Treatment O&M*	19.00	33.85	33.85
WRF Debt Service: Sewer Rates	0.00	16.37	16.37
Sewer CIP/Equipment/Other	13.63	12.96	12.96
WRF Cash Contribution	<u>27.40</u>	<u>0.00</u>	<u>0.00</u>
Subtotal Base Sewer Rate	77.00	83.00	83.00
<b>WRF Surcharge (for WRF Debt Service)</b>	0.00	25.00	27.00
<b>Total</b>	<b>77.00</b>	<b>83.00</b>	<b>83.00</b>

\* Current year wastewater treatment O&M is net of 25% cost-sharing by Cayucos SD



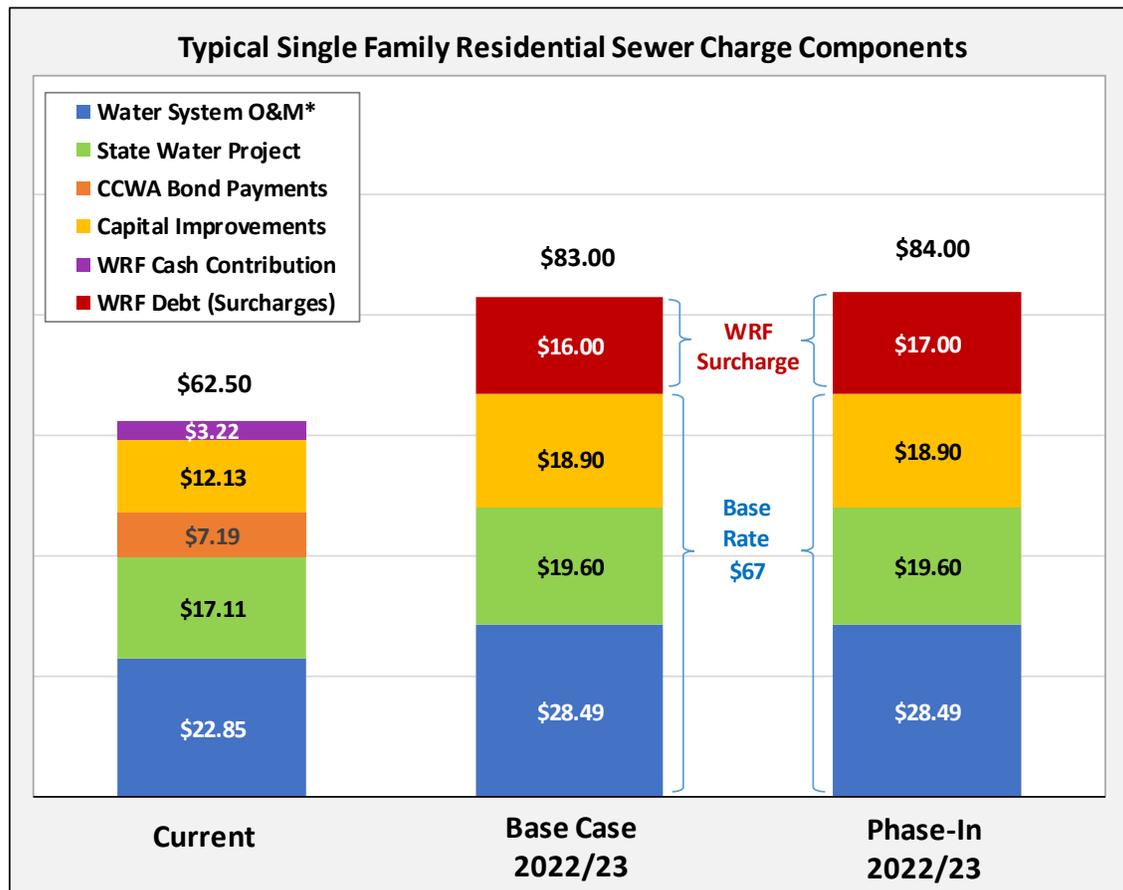
## 20. Water Rate & WRF Surcharge Cost Recovery

Table 22 shows an estimated breakdown of the cost components of monthly water charges for a typical single family home with 5 units (hcf) monthly water use. The table compares current charges vs. charges in 2022/23 with full implementation of adopted rates and the WRF Facility Surcharge.

**Table 22 – Water Rate Components**

	Current 2018/19	Base Case 2022/23	Phase-In 2022/23
<b>Base Monthly Water Rate</b>			
Water System O&M*	\$22.85	\$28.49	\$28.49
State Water Project Expenses	17.11	19.60	19.60
CCWA Bond Payments	7.19	0.00	0.00
Water CIP/Equipment/Other	12.13	18.90	18.90
WRF Cash Contribution	<u>3.22</u>	<u>0.00</u>	<u>0.00</u>
Subtotal Water Rate	62.50	67.00	67.00
<b>WRF Surcharge</b> (for WRF Debt Service)	0.00	16.00	17.00
<b>Total</b>	<b>62.50</b>	<b>83.00</b>	<b>84.00</b>

\* Water System O&M in 2022/23 includes recycled water operating expenses of \$220,000.



## 21. Billing Options for WRF Facility Surcharges

The City currently bills customers monthly via a combined utility bill for water and sewer service. The City is considering two methods of bill collection for recovering the WRF Facility Surcharges, including:

- **Monthly Billing** - Add the WRF Facility Surcharges as a new line-item in the monthly bills.
- **Property Tax Rolls** - Recover the proposed WRF Facility Surcharges on the property tax rolls.

The WRF Facility Surcharges would be the same under both alternatives; only the method of billing and collection would vary. For a single family home, adding the surcharges to the property tax rolls, would result in two payments of roughly \$250 that would be added to the semi-annual property tax assessments. Table 23 shows the timing of payments for WRF Facility Surcharges under the Base Case and Phase-In Scenarios with full implementation of the surcharges. Non-residential customers could be billed on the property tax rolls based on usage from the immediately-prior 12-month period.

**Table 23 – Example of Single Family WRF Surcharges Collected with Property Taxes**

	Annual Total	December Installment 1	April Installment 2
<b>WRF Facility Surcharges</b>			
Base Case Scenario	\$492.00	\$246.00	\$246.00
Phase-In Scenario	528.00	264.00	264.00

While there are some administrative differences for billing and collecting the WRF Facility Surcharges under the two billing options, the main difference is who will bear the financial burden of paying the surcharges: ratepayers or property owners. Note that many ratepayers are also property owners and would be the same people paying the same surcharges regardless of billing method. However, the City does serve a number of tenants who currently pay utility bills for their rental units.

Some potential pros, cons, and issues related to collecting the WRF Facility Surcharges on the property tax rolls include:

- In many (but not all) cases, property owners own substantial equity in their homes, whereas many renters do not have such equity and/or may not be able to afford to purchase a home. Hence billing the WRF Facility Surcharges via the property tax rolls would put the burden on a group that generally has more financial asset than renters. At the same time, there are number of homeowners who – although they may have substantial equity in their home – are also living on fixed incomes.

- The new WRF facility benefits homeowners by preserving property value with access to safe and reliable wastewater service.
- Adding the WRF Facility Surcharges to the combined monthly water and sewer bill could potentially result in an uptick in delinquencies. However, delinquencies can be ultimately recovered by placing a lien on the property, which results in the charge being put back on the property tax rolls in case of extreme delinquency.
- San Luis Obispo County is on the Teeter Plan and pays agencies for 100% of assessments or charges placed on the property tax rolls for collection, regardless of actual delinquencies. The County has indicated that if delinquencies exceed 3%, then the County retains the authority to end the Teeter Plan practice and instead provide only actual amounts collected. However, the County has never done this in the past.
- The cost of placing the surcharges on the property tax rolls currently costs \$2 per parcel and is roughly estimated to cost a total of about \$11,000 per year.
- Placing the surcharges on the tax roll would require the City Council to pass a Resolution adopting a schedule of charges to be levied on all affected properties by Assessor's Parcel Number (APN) each year. If the Resolution was not adopted, the charges could not be assessed on the property tax rolls. However, this does not mean that the City could not recover the charge, it would simply change the method of collection and would require the City to add the surcharges to the monthly bills instead.
- Regardless of the billing approach, the City would be under legal covenant to adopt rates and charges as needed to repay debt service, meet debt service coverage requirements, and meet other legal obligations.
- Collecting sewer charges on the property tax rolls would also result in a change in timing of receiving revenues. The County generally sends agencies payments twice per year (in December and April) based on actual tax collections. Subsequently, at the end of the fiscal year, the County does a true-up and would send the City the remainder of amounts billed on the tax rolls regardless of delinquencies. The County subsequently deals with the delinquencies and keeps any funds recovered from the delinquent properties including any penalties.
- If the City opted to collect the WRF Facility Surcharges on the property tax rolls, due to the change in timing of revenues, the City may need to strategically determine the payment dates for future debt service payments to ensure the debt payments are due after the City receives payment from the County in December and April.

In order to recover the WRF Facility Surcharges via the property tax rolls, the City would need to follow the process identified in the California Health and Safety Code Section 5470 – 5474, attached as an appendix to this report. The process is similar to the Proposition 218 process required for increasing utility rates and could be done concurrently when the City goes through the Proposition 218 rate increase process for potential water and sewer rate increases.

# **Appendix A**

## **Water & Sewer Capital Improvement Plans**



**City of Morro Bay**  
**One Water Morro Bay**  
**POTABLE WATER CAPITAL IMPROVEMENT PLAN SUMMARY**

DRAFT - WORK IN PROGRESS (June 21, 2018)

Pump Station	Existing Size/Type	Proposed Size/Type	Proposed Amount	CIP Cost Estimate <sup>(1)(2)(3)(4)</sup> (\$)	Existing User Cost (\$)	Future User Cost (\$)	CIP Phasing (\$)						
							Near-Term						Long-Term
							2019	2020	2021	2022	2023	2024-2028	2029-2040
Capacity Improvements				\$ 20,991,000	\$ 20,873,000	\$ 118,000	\$ 904,000	\$ 927,000	\$ 1,224,000	\$ 1,697,000	\$ 1,326,000	\$ 4,327,000	\$ 7,851,000
Fire Flow Improvements	Diameter (in)	Diameter (in)	Length (ft)	\$ 12,342,000	\$ 12,342,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,502,000	\$ 7,105,000
PWFF-1	Pipeline along Quintana Road	8	10	3,000	\$ 1,094,000	\$ 1,094,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PWFF-2	Pipeline along Quintana Road	8	16	3,300	\$ 1,641,000	\$ 1,641,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PWFF-3A	Pipeline along Main Street	8	12	1,650	\$ 615,000	\$ 615,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,000	\$ -
PWFF-3B	Pipeline along Main Street	8	10	600	\$ 219,000	\$ 219,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,000	\$ -
PWFF-4	Pipeline along Ridgeway Street	6	10	830	\$ 303,000	\$ 303,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,000	\$ -
PWFF-5A	Pipeline along Highway 41 and Main Street	--	8	270	\$ 78,000	\$ 78,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,000	\$ -
PWFF-5B	Pipeline along Highway 41 and Main Street	6	8	870	\$ 252,000	\$ 252,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,000	\$ -
PWFF-5C	Pipeline along Highway 41 and Main Street	6	10	950	\$ 346,000	\$ 346,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,000	\$ -
PWFF-6A	Pipeline along Highway 41 and Main Street	--	8/20	270	\$ 211,000	\$ 211,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,000	\$ -
PWFF-6B	PRV from Upper Kings Zone to Elena Zone	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000	\$ -
PWFF-7	Pipeline along Juniper Avenue	6	8	570	\$ 166,000	\$ 166,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,000	\$ -
PWFF-8A	Pipeline along San Joaquin Street	--	8	240	\$ 70,000	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000
PWFF-8B	Pipeline along San Joaquin Street	6	8	230	\$ 66,000	\$ 66,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,000
PWFF-8C	Pipeline along San Joaquin Street	--	8	100	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
PWFF-8D	Pipeline along San Joaquin Street	--	10	970	\$ 353,000	\$ 353,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353,000
PWFF-8E	PRV on San Joaquin Street	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000
PWFF-9A	Pipeline along Greenwood Avenue and San Jacinto Street	6	10	640	\$ 234,000	\$ 234,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,000
PWFF-9B	Pipeline along Greenwood Avenue and San Jacinto Street	--	10	850	\$ 310,000	\$ 310,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,000
PWFF-10	Pipeline along Sequoia Street	8	10	540	\$ 197,000	\$ 197,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,000
PWFF-11	Pipeline along Las Vegas Street and Main Street	6	8	1,610	\$ 467,000	\$ 467,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 467,000
PWFF-12	Pipeline along Highway 41 and Hill Street	--	8	1,290	\$ 375,000	\$ 375,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375,000
PWFF-13	Pipeline along Ponderosa Street	6	8	910	\$ 264,000	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,000
PWFF-14	Pipeline along Mimosa Street	6	8	580	\$ 169,000	\$ 169,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,000
PWFF-15A	Pipeline along Surf Street	6	8	640	\$ 186,000	\$ 186,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,000
PWFF-15B	Pipeline along Surf Street	--	8	420	\$ 123,000	\$ 123,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,000
PWFF-16	Pipeline along Piney Way and Alta Court	6	8	910	\$ 264,000	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,000
PWFF-17	Pipeline from Kings Avenue to Arbutus Avenue	--	8	1,050	\$ 305,000	\$ 305,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305,000
PWFF-18	Pipeline along Bolton Drive	6	8	700	\$ 204,000	\$ 204,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,000
PWFF-19	Pipeline along Norwich Avenue	--	8	220	\$ 65,000	\$ 65,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000
PWFF-20	Pipeline along Blanca Street and Tuscan Avenue	6	8	450	\$ 131,000	\$ 131,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,000
PWFF-21	Pipeline along Toro Lane	6	8	800	\$ 232,000	\$ 232,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,000
PWFF-22	Pipeline along Sequoia Court and Ironwood Avenue	6	8	385	\$ 111,000	\$ 111,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,000
PWFF-23	Pipeline along Paula Street	--	8	200	\$ 58,000	\$ 58,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,000
PWFF-24	Pipeline along Reno Court	6	8	450	\$ 131,000	\$ 131,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,000
PWFF-25	Pipeline along Errol Street	4	8	545	\$ 157,000	\$ 157,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,000
PWFF-26	Pipeline along Napa Avenue	6	8	210	\$ 61,000	\$ 61,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,000
PWFF-27A	Pipeline along Marina Street	2	8	220	\$ 65,000	\$ 65,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000
PWFF-27B	Pipeline along Marina Street	--	8	115	\$ 33,000	\$ 33,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,000
PWFF-28	Pipeline along Driftwood Street	--	8	370	\$ 108,000	\$ 108,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,000
PWFF-29	Pipeline along South Street	--	8	300	\$ 88,000	\$ 88,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,000
PWFF-30	Pipeline along Piney Lane	6	8	370	\$ 108,000	\$ 108,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,000



**City of Morro Bay**  
**One Water Morro Bay**  
**POTABLE WATER CAPITAL IMPROVEMENT PLAN SUMMARY**

DRAFT - WORK IN PROGRESS (June 21, 2018)

Pump Station	Existing Size/Type	Proposed Size/Type	Proposed Amount	CIP Cost Estimate <sup>(1)(2)(3)(4)</sup> (\$)	Existing User Cost (\$)	Future User Cost (\$)	CIP Phasing (\$)									
							Near-Term						Long-Term			
							2019	2020	2021	2022	2023	2024-2028	2029-2040			
PWFF-31	PRV on Avalon Street and Ironwood Avenue	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000		
PWFF-32	PRV on Highway 41 and Ironwood Avenue	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000		
PWFF-33	PRV on Dunes Street and Shasta Avenue	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000		
PWFF-34	PRV on Main Street and Quintana Place	--	8	--	\$ 312,000	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000		
PWFF-35	Pipeline along Sunset Road	6	8	--	\$ 580,000	\$ 580,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 580,000		
<b>Transmission &amp; Distribution Main</b>				<b>Diameter (in)</b>	<b>Diameter (in)</b>	<b>Length (ft)</b>	<b>\$ 2,658,000</b>	<b>\$ 2,558,000</b>	<b>\$ 100,000</b>	<b>\$ 904,000</b>	<b>\$ 595,000</b>	<b>\$ -</b>	<b>\$ 371,000</b>	<b>\$ -</b>	<b>\$ 788,000</b>	<b>\$ -</b>
PWP-1	Fill line for Blanca Tanks	4	8	2,210	\$ 750,000	\$ 735,000	\$ 15,000	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
PWP-2	Fill line for Nutmeg Tank	4	8	1,280	\$ 371,000	\$ 364,000	\$ 7,000	\$ -	\$ -	\$ -	\$ 371,000	\$ -	\$ -	\$ -	\$ -	
PWP-3	Fill line for Elena Tanks	--	10	1,730	\$ 788,000	\$ 725,000	\$ 63,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 788,000	\$ -		
PWP-4	Parallel pipeline on Juniper Avenue	--	8	2,050	\$ 595,000	\$ 583,000	\$ 12,000	\$ -	\$ 595,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
PWP-5	Pipeline on Sequoia Street	--	8	530	\$ 154,000	\$ 151,000	\$ 3,000	\$ 154,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Pump Station</b>				<b>Capacity (mgd)</b>	<b>Capacity (mgd)</b>	<b>Length (ft)</b>	<b>\$ 1,326,000</b>	<b>\$ 1,314,000</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 580,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 746,000</b>
PWPS-1	Elena Booster Pump Station Upgrade	0.44	0.50	--	\$ 580,000	\$ 568,000	\$ 12,000	\$ -	\$ -	\$ 580,000	\$ -	\$ -	\$ -	\$ -	\$ -	
PWPS-2	Kings Booster Pump Station Upgrade	--	2.16	--	\$ 746,000	\$ 746,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746,000		
<b>Storage Reservoir</b>				<b>Capacity (MG)</b>	<b>Capacity (MG)</b>	<b>Length (ft)</b>	<b>\$ 4,353,000</b>	<b>\$ 4,353,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 332,000</b>	<b>\$ 332,000</b>	<b>\$ 1,326,000</b>	<b>\$ 1,326,000</b>	<b>\$ 1,037,000</b>	<b>\$ -</b>
PWS-1	Nutmeg Tank Upgrade	0.14	1	--	\$ 3,316,000	\$ 3,316,000	\$ -	\$ -	\$ 332,000	\$ 332,000	\$ 1,326,000	\$ 1,326,000	\$ 1,326,000	\$ -	\$ -	
PWS-2	Elena Tank Upgrade	0.12	0.15	--	\$ 1,037,000	\$ 1,037,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,037,000	\$ -	
<b>PRV Station</b>				<b>Diameter (in)</b>	<b>Diameter (in)</b>	<b>Length (ft)</b>	<b>\$ 312,000</b>	<b>\$ 306,000</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 312,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
PWV-1	PRV on Juniper Avenue	--	8	--	\$ 312,000	\$ 306,000	\$ 6,000	\$ -	\$ -	\$ 312,000	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Rehabilitation and Replacement Projects</b>							<b>\$ 2,200,000</b>	<b>\$ 2,200,000</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 500,000</b>	<b>\$ 1,200,000</b>				
PWRR-1	Pipeline R&R Program	1-16	> 6	--	\$ 2,200,000	\$ 2,200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	\$ 1,200,000	
<b>Other Projects</b>							<b>\$ 2,895,000</b>	<b>\$ 2,895,000</b>	<b>\$ -</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 2,535,000</b>	
PWO-1	Water Master Plan Update	--	--	--	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000	\$ 300,000	\$ -	
PWO-2	Re-Skin Desalination Plant Building	--	--	--	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
PWO-3	Control Upgrades at Desalination Plant	--	--	--	\$ 1,472,000	\$ 1,472,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,472,000	
PWO-4	Add Screening at Desalination Plant	--	--	--	\$ 17,000	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,000	
PWO-5	Chlorination Upgrades	--	--	--	\$ 746,000	\$ 746,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746,000	
PWO-6	Desalination Plant Relocation	--	--	--	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>CIP Total</b>					<b>\$ 26,086,000</b>	<b>\$ 25,968,000</b>	<b>\$ 118,000</b>	<b>\$ 1,064,000</b>	<b>\$ 1,027,000</b>	<b>\$ 1,324,000</b>	<b>\$ 1,797,000</b>	<b>\$ 1,576,000</b>	<b>\$ 4,977,000</b>	<b>\$ 11,586,000</b>		
<b>Annual Cost</b>					<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 1,064,000</b>	<b>\$ 1,027,000</b>	<b>\$ 1,324,000</b>	<b>\$ 1,797,000</b>	<b>\$ 1,576,000</b>	<b>\$ 995,400</b>	<b>\$ 965,500</b>		

- Notes:
- (1) ENR 20 City Average Construction Cost Index for February 2018 is 10,889.
  - (2) Estimated Construction Cost includes a 30% contingency of the baseline construction cost.
  - (3) Total project costs includes a 10% markup for engineering, a 10% markup for construction management and a 7.5% markup for project administration of the estimated construction cost.
  - (4) Total Mark-Up is 65.8% of the baseline construction costs.





**City of Morro Bay**  
**One Water Morro Bay**  
**WASTEWATER COLLECTION SYSTEM CAPITAL IMPROVEMENT PLAN SUMMARY**

DRAFT - WORK IN PROGRESS (June 21, 2018)

Project	Existing Size/Type	Proposed Size/Type	Proposed Amount	CIP Cost Estimate <sup>(1)(2)(3)(4)</sup> (\$)	Existing User Cost (\$)	Future User Cost (\$)	CIP Phasing (\$)						
							Near-Term						Long-Term
							2019	2020	2021	2022	2023	2024-2028	2029-2040
<b>Capacity Related Improvements</b>				\$ 6,513,000	\$ 6,149,000	\$ 364,000	\$ 530,000	\$ -	\$ 1,371,000	\$ 587,000	\$ -	\$ 2,506,000	\$ 1,519,000
<b>Gravity Mains</b>	Diameter (in)	Diameter (in)	Length (ft)	\$ 4,994,000	\$ 4,630,000	\$ 364,000	\$ 530,000	\$ -	\$ 1,371,000	\$ 587,000	\$ -	\$ 2,506,000	\$ -
WWGM-1	Gravity Main along Atascadero Road	18	27	1,000	\$ 530,000	\$ 463,000	\$ 67,000	\$ 530,000	\$ -	\$ -	\$ -	\$ -	\$ -
WWGM-2	Gravity Main along Main Street	15	24	2,900	\$ 1,371,000	\$ 1,194,000	\$ 177,000	\$ -	\$ -	\$ 1,371,000	\$ -	\$ -	\$ -
WWGM-3	Gravity Main along Main Street	12	18	1,600	\$ 544,000	\$ 544,000	\$ -	\$ -	\$ -	\$ -	\$ 544,000	\$ -	\$ -
WWGM-4A	Gravity Main along San Joaquin Street	6	12	150	\$ 43,000	\$ 41,000	\$ 2,000	\$ -	\$ -	\$ -	\$ 43,000	\$ -	\$ -
WWGM-4B	Gravity Main along Alder Avenue, and San Jacinto Street	6	10	1,200	\$ 328,000	\$ 301,000	\$ 27,000	\$ -	\$ -	\$ -	\$ -	\$ 328,000	\$ -
WWGM-5	Gravity Main along Greenwood Avenue	6	12	1,850	\$ 537,000	\$ 537,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 537,000	\$ -
WWGM-6	Gravity Main along Coral Avenue	10	12	1,900	\$ 552,000	\$ 552,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 552,000	\$ -
WWGM-7	Gravity Main along Sienna Street	6	10	250	\$ 68,000	\$ 68,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,000	\$ -
WWGM-8A	Gravity Main along Main Street	10 & 12	15	2,600	\$ 819,000	\$ 728,000	\$ 91,000	\$ -	\$ -	\$ -	\$ -	\$ 819,000	\$ -
WWGM-8B	Gravity Main along Main Street	8 & 10	12	400	\$ 116,000	\$ 116,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,000	\$ -
WWGM-9	Gravity Main under Highway 41	6	8/20	110	\$ 86,000	\$ 86,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,000	\$ -
<b>Lift Stations</b>	Capacity (mgd)	Capacity (mgd)		\$ 1,439,000	\$ 1,439,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,439,000
WWLS-1	Lift Station 1 Replacement	0.98	1.65	N/A	\$ 1,439,000	\$ 1,439,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,439,000
<b>Force Main</b>	Diameter (in)	Diameter (in)	Length (ft)	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
WWFM-1	Lift Station 1 Force Main	6	8	300	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
<b>Rehabilitation and Replacement Projects</b>				\$ 10,818,000	\$ 10,818,000	\$ -	\$ 249,000	\$ 945,000	\$ -	\$ 602,000	\$ 602,000	\$ 3,010,000	\$ 5,410,000
<b>Gravity Mains</b>	Diameter (in)	Diameter (in)	Length (ft)	\$ 8,298,000	\$ 8,298,000	\$ -	\$ -	\$ 680,000	\$ -	\$ 602,000	\$ 602,000	\$ 3,010,000	\$ 3,404,000
WWRR-1A	Gravity Main Beachcomber Drive	12	12	570	\$ 166,000	\$ 166,000	\$ -	\$ -	\$ 166,000	\$ -	\$ -	\$ -	\$ -
WWRR-1B	Gravity Main Beachcomber Drive	10	10	960	\$ 262,000	\$ 262,000	\$ -	\$ -	\$ 262,000	\$ -	\$ -	\$ -	\$ -
WWRR-1C	Gravity Main Beachcomber Drive	8	8	950	\$ 252,000	\$ 252,000	\$ -	\$ -	\$ 252,000	\$ -	\$ -	\$ -	\$ -
WWRR-2	Pipe R&R Program Upstream of LS-1	6-12	8-12	27,000	\$ 5,418,000	\$ 5,418,000	\$ -	\$ -	\$ -	\$ 602,000	\$ 602,000	\$ 3,010,000	\$ 1,204,000
WWRR-3	I/I Reduction Projects	4-18	> 6	Varies	\$ 2,200,000	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,200,000
<b>Structures</b>	Type	Type	Quantity	\$ 2,520,000	\$ 2,520,000	\$ -	\$ 249,000	\$ 265,000	\$ -	\$ -	\$ -	\$ -	\$ 2,006,000
WWRR-4	Cap Replacement Upstream of LS-1	Cap	Manhole	31	\$ 514,000	\$ 514,000	\$ -	\$ 249,000	\$ 265,000	\$ -	\$ -	\$ -	\$ -
WWRR-5	Cap Replacement Program	Cap	Manhole	121	\$ 2,006,000	\$ 2,006,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,006,000
<b>Other Projects</b>				\$ 840,000	\$ 840,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,000	\$ 210,000	\$ 420,000
WVO-1	Sewer Master Plan Update	--	--	--	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000	\$ 300,000
WVO-2	Flow Monitoring Program	--	4 weeks	15 FM	\$ 240,000	\$ 240,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000	\$ 120,000
<b>CIP Total</b>				\$ 18,171,000	\$ 17,807,000	\$ 364,000	\$ 779,000	\$ 945,000	\$ 1,371,000	\$ 1,189,000	\$ 812,000	\$ 5,726,000	\$ 7,349,000
<b>Annual Cost</b>				N/A	N/A	N/A	\$ 779,000	\$ 945,000	\$ 1,371,000	\$ 1,189,000	\$ 812,000	\$ 1,145,000	\$ 612,000

- Notes:**
- (1) ENR 20 City Average Construction Cost Index for February 2018 is 10,889.
  - (2) Estimated Construction Cost includes a 30% contingency of the baseline construction cost.
  - (3) Total project costs includes a 10% markup for engineering, a 10% markup for construction management and a 7.5% markup for project administration of the estimated construction cost.
  - (4) Total Mark-Up is 65.8% of the baseline construction costs.



# **Appendix B**

## **Base Case Scenario Debt Financing Projections**

Table B-1  
 City of Morro Bay  
 WIFIA Sources & Uses

Base Case Scenario

<b>Sources</b>		
WIFIA Loan		\$67,800,000
<b>Uses</b>		
WRF Project Funding <sup>1</sup>	49% of total project cost	\$60,175,000
Application/Credit Reimbursement Fee	estimated	300,000
Other Issuance Costs (est)	estimated	50,000
Accrued Interest During Construction <sup>2</sup>	verify with WIFIA	3,911,000
Debt-Funded Reserve Fund	likely required	3,360,000
Contingency/Rounding		4,000
<b>Total Uses</b>		<b>67,800,000</b>

1 49% of Total WRF Project Cost  
 2 Assumes steady gradual drawdown of loan funds over 2 years, plus 1 year add'l accrued interest.

Table B-2  
City of Morro Bay  
Draft WIFIA Loan Repayment Schedule

WIFIA Loan Amount	\$67,800,000
Repayment Term	35 Years
Interest Rate	3.25%

Payment Number	Fiscal Year Ending	Principal	Interest	Total Debt Service	Principal Balance
1	2023	\$769,582	\$2,203,500	\$2,973,082	\$67,030,418
2	2024	794,593	2,178,489	2,973,082	66,235,824
3	2025	820,418	2,152,664	2,973,082	65,415,407
4	2026	847,081	2,126,001	2,973,082	64,568,325
5	2027	874,611	2,098,471	2,973,082	63,693,714
6	2028	903,036	2,070,046	2,973,082	62,790,678
7	2029	932,385	2,040,697	2,973,082	61,858,293
8	2030	962,688	2,010,395	2,973,082	60,895,605
9	2031	1,442,975	1,979,107	3,422,082	59,452,630
10	2032	1,489,872	1,932,210	3,422,082	57,962,758
11	2033	1,538,292	1,883,790	3,422,082	56,424,466
12	2034	1,588,287	1,833,795	3,422,082	54,836,179
13	2035	1,639,906	1,782,176	3,422,082	53,196,273
14	2036	1,693,203	1,728,879	3,422,082	51,503,069
15	2037	1,748,232	1,673,850	3,422,082	49,754,837
16	2038	1,805,050	1,617,032	3,422,082	47,949,787
17	2039	1,863,714	1,558,368	3,422,082	46,086,073
18	2040	1,924,285	1,497,797	3,422,082	44,161,788
19	2041	1,986,824	1,435,258	3,422,082	42,174,964
20	2042	2,051,396	1,370,686	3,422,082	40,123,568
21	2043	2,118,066	1,304,016	3,422,082	38,005,502
22	2044	2,186,903	1,235,179	3,422,082	35,818,599
23	2045	2,257,978	1,164,104	3,422,082	33,560,621
24	2046	2,331,362	1,090,720	3,422,082	31,229,259
25	2047	2,407,131	1,014,951	3,422,082	28,822,128
26	2048	2,485,363	936,719	3,422,082	26,336,765
27	2049	2,566,137	855,945	3,422,082	23,770,628
28	2050	2,649,537	772,545	3,422,082	21,121,091
29	2051	2,735,647	686,435	3,422,082	18,385,444
30	2052	2,824,555	597,527	3,422,082	15,560,889
31	2053	2,916,353	505,729	3,422,082	12,644,536
32	2054	3,011,135	410,947	3,422,082	9,633,401
33	2055	3,108,997	313,086	3,422,082	6,524,404
34	2056	3,210,039	212,043	3,422,082	3,314,365
35	2057	3,314,365	107,717	3,422,082	0
<b>Total</b>		<b>67,800,000</b>	<b>48,380,874</b>	<b>116,180,874</b>	<b>1,420,842,286</b>

Note: Debt repayment is partially reduced over first 8 years to result in roughly level annual debt service on total combined debt.

Table B-3  
City of Morro Bay  
Bond Debt Service Estimates

Base Case Scenario

		<b>30-Year Bonds w/22-Year Amort</b>
<b>Funding Target</b>		\$24,700,000
<b>Issue Size</b>		
Project Funding	<u>Estimates</u>	24,700,000
Underwriter's Discount	0.70%	177,300
Issuance Costs		200,000
Bond Insurance	0.40%	202,700
Reserve Surety Bond	2.25%	42,100
Rounding		<u>1,600</u>
Total		25,323,700
<b>Financing Terms</b>		
Repayment Term		30
Amortization Term (years)		22
Interest Rate <sup>2</sup>	Planning Est.	4.70%
<b>Annual Debt Service</b>		
During 8-Year Interest-Only Period		1,190,000
During 22-Year Principal Amortization Period		1,871,000
<hr/> Estimates shown for financial planning purposes, actual costs and rates may vary.		

<u>Current Estimated Rates</u>	<u>June 7, 2018 Rates</u>	<u>Inflation Adjusted Rate</u>
WIFIA Rate (Est. 25-Year SLGS)	3.05%	0.91%
30-Year Bond Rate (est.)	4.25%	2.08%
SRF Rate	1.80%	-0.32%
2017 CPI-U	2.13%	

Table B-4  
City of Morro Bay  
Debt Service Amortization Schedules

Base Case Scenario

Fiscal Year Ending	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total Debt Service
Project \$	\$10,300,000	\$60,175,000	\$24,700,000	\$95,175,000
Term	10 Years	35 Years	30 Years	TIC
Avg Rate	1.70%	3.25%	4.70%	3.48%
2021	1,130,000		595,000	1,725,000
2022	1,130,000		1,190,000	2,320,000
2023	1,130,000	2,973,000	1,190,000	5,293,000
2024	1,130,000	2,973,000	1,190,000	5,293,000
2025	1,130,000	2,973,000	1,190,000	5,293,000
2026	1,130,000	2,973,000	1,190,000	5,293,000
2027	1,130,000	2,973,000	1,190,000	5,293,000
2028	1,130,000	2,973,000	1,190,000	5,293,000
2029	1,130,000	2,973,000	1,190,000	5,293,000
2030	1,130,000	2,973,000	1,190,000	5,293,000
2031		3,422,000	1,871,000	5,293,000
2032		3,422,000	1,871,000	5,293,000
2033		3,422,000	1,871,000	5,293,000
2034		3,422,000	1,871,000	5,293,000
2035		3,422,000	1,871,000	5,293,000
2036		3,422,000	1,871,000	5,293,000
2037		3,422,000	1,871,000	5,293,000
2038		3,422,000	1,871,000	5,293,000
2039		3,422,000	1,871,000	5,293,000
2040		3,422,000	1,871,000	5,293,000
2041		3,422,000	1,871,000	5,293,000
2042		3,422,000	1,871,000	5,293,000
2043		3,422,000	1,871,000	5,293,000
2044		3,422,000	1,871,000	5,293,000
2045		3,422,000	1,871,000	5,293,000
2046		3,422,000	1,871,000	5,293,000
2047		3,422,000	1,871,000	5,293,000
2048		3,422,000	1,871,000	5,293,000
2049		3,422,000	1,871,000	5,293,000
2050		3,422,000	1,871,000	5,293,000
2051		3,422,000	1,871,000	5,293,000
2052		3,422,000	1,871,000	5,293,000
2053		3,422,000		3,422,000
2054		3,422,000		3,422,000
2055		3,422,000		3,422,000
2056		3,422,000		3,422,000
2057		3,422,000		3,422,000

Table B-5  
 City of Morro Bay  
 Water Debt Service Allocation

Base Case Scenario

Fiscal Year Ending	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total Debt Service
Amount	\$10,300,000	\$60,175,000	\$24,700,000	\$95,175,000
Term	10 Years	35 Years	30 Years	
Avg Rate	1.70%	3.25%	4.70%	
Water %	28.8%	28.8%	41.5%	32.1%
Water \$	\$2,970,000	\$17,352,000	\$10,246,000	\$30,568,000
2021	326,000		247,000	573,000
2022	326,000		494,000	820,000
2023	326,000	857,000	494,000	1,677,000
2024	326,000	857,000	494,000	1,677,000
2025	326,000	857,000	494,000	1,677,000
2026	326,000	857,000	494,000	1,677,000
2027	326,000	857,000	494,000	1,677,000
2028	326,000	857,000	494,000	1,677,000
2029	326,000	857,000	494,000	1,677,000
2030	326,000	857,000	494,000	1,677,000
2031		987,000	776,000	1,763,000
2032		987,000	776,000	1,763,000
2033		987,000	776,000	1,763,000
2034		987,000	776,000	1,763,000
2035		987,000	776,000	1,763,000
2036		987,000	776,000	1,763,000
2037		987,000	776,000	1,763,000
2038		987,000	776,000	1,763,000
2039		987,000	776,000	1,763,000
2040		987,000	776,000	1,763,000
2041		987,000	776,000	1,763,000
2042		987,000	776,000	1,763,000
2043		987,000	776,000	1,763,000
2044		987,000	776,000	1,763,000
2045		987,000	776,000	1,763,000
2046		987,000	776,000	1,763,000
2047		987,000	776,000	1,763,000
2048		987,000	776,000	1,763,000
2049		987,000	776,000	1,763,000
2050		987,000	776,000	1,763,000
2051		987,000	776,000	1,763,000
2052		987,000	776,000	1,763,000
2053		987,000		987,000
2054		987,000		987,000
2055		987,000		987,000
2056		987,000		987,000
2057		987,000		987,000

Table B-6  
 City of Morro Bay  
 Sewer Debt Service Allocation

Base Case Scenario

Fiscal Year Ending	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total Debt Service
Amount	\$10,300,000	\$60,175,000	\$24,700,000	\$95,175,000
Term	10 Years	35 Years	30 Years	
Avg Rate	1.70%	3.25%	4.70%	
Sewer %	71.2%	71.2%	58.5%	67.9%
Sewer \$	\$7,330,000	\$42,823,000	\$14,454,000	\$64,607,000
2021	804,000		348,000	1,152,000
2022	804,000		696,000	1,500,000
2023	804,000	2,116,000	696,000	3,616,000
2024	804,000	2,116,000	696,000	3,616,000
2025	804,000	2,116,000	696,000	3,616,000
2026	804,000	2,116,000	696,000	3,616,000
2027	804,000	2,116,000	696,000	3,616,000
2028	804,000	2,116,000	696,000	3,616,000
2029	804,000	2,116,000	696,000	3,616,000
2030	804,000	2,116,000	696,000	3,616,000
2031		2,435,000	1,095,000	3,530,000
2032		2,435,000	1,095,000	3,530,000
2033		2,435,000	1,095,000	3,530,000
2034		2,435,000	1,095,000	3,530,000
2035		2,435,000	1,095,000	3,530,000
2036		2,435,000	1,095,000	3,530,000
2037		2,435,000	1,095,000	3,530,000
2038		2,435,000	1,095,000	3,530,000
2039		2,435,000	1,095,000	3,530,000
2040		2,435,000	1,095,000	3,530,000
2041		2,435,000	1,095,000	3,530,000
2042		2,435,000	1,095,000	3,530,000
2043		2,435,000	1,095,000	3,530,000
2044		2,435,000	1,095,000	3,530,000
2045		2,435,000	1,095,000	3,530,000
2046		2,435,000	1,095,000	3,530,000
2047		2,435,000	1,095,000	3,530,000
2048		2,435,000	1,095,000	3,530,000
2049		2,435,000	1,095,000	3,530,000
2050		2,435,000	1,095,000	3,530,000
2051		2,435,000	1,095,000	3,530,000
2052		2,435,000	1,095,000	3,530,000
2053		2,435,000		2,435,000
2054		2,435,000		2,435,000
2055		2,435,000		2,435,000
2056		2,435,000		2,435,000
2057		2,435,000		2,435,000

# **Appendix C**

## **Phase In Scenario Debt Financing Projections**

Table C-1  
 City of Morro Bay  
 WIFIA Sources & Uses

Phase In Scenario

<b>Sources</b>		
WIFIA Loan		\$67,800,000
<b>Uses</b>		
WRF Project Funding <sup>1</sup>	49% of total project cost	\$60,175,000
Application/Credit Reimbursement Fee	estimated	300,000
Other Issuance Costs (est)	estimated	50,000
Accrued Interest During Construction <sup>2</sup>	verify with WIFIA	3,911,000
Debt-Funded Reserve Fund	likely	3,360,000
Contingency/Rounding		4,000
<b>Total Uses</b>		<b>67,800,000</b>

1 49% of Total WRF Project Cost  
 2 Assumes steady gradual drawdown of loan funds over 2 years, plus 1 year add'l accrued interest.

Table C-2  
 City of Morro Bay  
 Draft WIFIA Loan Repayment Schedule

WIFIA Loan Amount	\$67,800,000
Repayment Term	35 Years
Interest Rate	3.25%

Payment Number	Fiscal Year Ending	Principal	Interest	Total Debt Service	Principal Balance
1	2023	\$847,366	\$2,203,500	\$3,050,866	\$66,952,634
2	2024	874,905	2,175,961	3,050,866	66,077,729
3	2025	903,339	2,147,526	3,050,866	65,174,390
4	2026	932,698	2,118,168	3,050,866	64,241,692
5	2027	963,011	2,087,855	3,050,866	63,278,681
6	2028	994,309	2,056,557	3,050,866	62,284,372
7	2029	1,026,624	2,024,242	3,050,866	61,257,749
8	2030	1,059,989	1,990,877	3,050,866	60,197,760
9	2031	1,426,439	1,956,427	3,382,866	58,771,321
10	2032	1,472,798	1,910,068	3,382,866	57,298,523
11	2033	1,520,664	1,862,202	3,382,866	55,777,859
12	2034	1,570,086	1,812,780	3,382,866	54,207,773
13	2035	1,621,114	1,761,753	3,382,866	52,586,660
14	2036	1,673,800	1,709,066	3,382,866	50,912,860
15	2037	1,728,198	1,654,668	3,382,866	49,184,662
16	2038	1,784,365	1,598,502	3,382,866	47,400,297
17	2039	1,842,356	1,540,510	3,382,866	45,557,941
18	2040	1,902,233	1,480,633	3,382,866	43,655,707
19	2041	1,964,056	1,418,810	3,382,866	41,691,652
20	2042	2,027,887	1,354,979	3,382,866	39,663,764
21	2043	2,093,794	1,289,072	3,382,866	37,569,971
22	2044	2,161,842	1,221,024	3,382,866	35,408,129
23	2045	2,232,102	1,150,764	3,382,866	33,176,027
24	2046	2,304,645	1,078,221	3,382,866	30,871,381
25	2047	2,379,546	1,003,320	3,382,866	28,491,835
26	2048	2,456,881	925,985	3,382,866	26,034,954
27	2049	2,536,730	846,136	3,382,866	23,498,223
28	2050	2,619,174	763,692	3,382,866	20,879,050
29	2051	2,704,297	678,569	3,382,866	18,174,753
30	2052	2,792,187	590,679	3,382,866	15,382,566
31	2053	2,882,933	499,933	3,382,866	12,499,633
32	2054	2,976,628	406,238	3,382,866	9,523,005
33	2055	3,073,368	309,498	3,382,866	6,449,637
34	2056	3,173,253	209,613	3,382,866	3,276,384
35	2057	3,276,384	106,482	3,382,866	0
<b>Total</b>		<b>67,800,000</b>	<b>47,944,311</b>	<b>115,744,311</b>	<b>1,407,409,571</b>

Note: Debt repayment is partially reduced over first 8 years to result in roughly level annual debt service on total combined debt.

Table C-3  
 City of Morro Bay  
 Bond Debt Service Estimates

Phase In Scenario

		<b>30-Year Bonds w/22-Year Amort</b>
<b>Funding Target</b>		\$29,000,000
<b>Issue Size</b>		
Project Funding	<u>Estimates</u>	29,000,000
Underwriter's Discount	0.70%	207,900
Issuance Costs		200,000
Bond Insurance	0.40%	237,700
Reserve Surety Bond	2.25%	49,400
Rounding		<u>1,600</u>
Total		29,696,600
<b>Financing Terms</b>		
Repayment Term		30
Amortization Term (years)		22
Interest Rate <sup>2</sup>	Planning Est.	4.70%
<b>Annual Debt Service</b>		
During 8-Year Interest-Only Period		1,396,000
During 22-Year Principal Amortization Period		2,194,000
<hr/> Estimates shown for financial planning purposes, actual costs and rates may vary.		

Current Estimated Rates

June 7, 2018 Rates

WIFIA Rate (Est. 25-Year SLGS)

3.05%

30-Year Bond Rate

4.25%

SRF Rate

1.80%

2017 CPI-U

2.13%

Table C-4  
City of Morro Bay  
Debt Service Amortization Schedules

Phase In Scenario

<b>Fiscal Year Ending</b>	<b>SRF Planning Loan</b>	<b>WIFIA Loan</b>	<b>Revenue Bonds</b>	<b>Total Debt Service</b>
<b>Project \$</b>	\$10,300,000	\$60,175,000	\$29,000,000	\$99,475,000
<b>Term</b>	10 Years	35 Years	30 Years	
<b>Avg Rate</b>	1.70%	3.25%	4.70%	
2021	1,130,000		698,000	1,828,000
2022	1,130,000		1,396,000	2,526,000
2023	1,130,000	3,051,000	1,396,000	5,577,000
2024	1,130,000	3,051,000	1,396,000	5,577,000
2025	1,130,000	3,051,000	1,396,000	5,577,000
2026	1,130,000	3,051,000	1,396,000	5,577,000
2027	1,130,000	3,051,000	1,396,000	5,577,000
2028	1,130,000	3,051,000	1,396,000	5,577,000
2029	1,130,000	3,051,000	1,396,000	5,577,000
2030	1,130,000	3,051,000	1,396,000	5,577,000
2031		3,383,000	2,194,000	5,577,000
2032		3,383,000	2,194,000	5,577,000
2033		3,383,000	2,194,000	5,577,000
2034		3,383,000	2,194,000	5,577,000
2035		3,383,000	2,194,000	5,577,000
2036		3,383,000	2,194,000	5,577,000
2037		3,383,000	2,194,000	5,577,000
2038		3,383,000	2,194,000	5,577,000
2039		3,383,000	2,194,000	5,577,000
2040		3,383,000	2,194,000	5,577,000
2041		3,383,000	2,194,000	5,577,000
2042		3,383,000	2,194,000	5,577,000
2043		3,383,000	2,194,000	5,577,000
2044		3,383,000	2,194,000	5,577,000
2045		3,383,000	2,194,000	5,577,000
2046		3,383,000	2,194,000	5,577,000
2047		3,383,000	2,194,000	5,577,000
2048		3,383,000	2,194,000	5,577,000
2049		3,383,000	2,194,000	5,577,000
2050		3,383,000	2,194,000	5,577,000
2051		3,383,000	2,194,000	5,577,000
2052		3,383,000	2,194,000	5,577,000
2053		3,383,000		3,383,000
2054		3,383,000		3,383,000
2055		3,383,000		3,383,000
2056		3,383,000		3,383,000
2057		3,383,000		3,383,000

Table C-5  
 City of Morro Bay  
 Water Debt Service Allocation

Phase In Scenario

Fiscal Year Ending	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total Debt Service
Amount	\$10,300,000	\$60,175,000	\$29,000,000	\$99,475,000
Term	10 Years	35 Years	30 Years	
Avg Rate	1.70%	3.25%	4.70%	
Water %	28.8%	28.8%	39.5%	31.9%
Water \$	\$2,970,000	\$17,352,000	\$11,446,000	\$31,768,000
2021	326,000		275,000	601,000
2022	326,000		551,000	877,000
2023	326,000	880,000	551,000	1,757,000
2024	326,000	880,000	551,000	1,757,000
2025	326,000	880,000	551,000	1,757,000
2026	326,000	880,000	551,000	1,757,000
2027	326,000	880,000	551,000	1,757,000
2028	326,000	880,000	551,000	1,757,000
2029	326,000	880,000	551,000	1,757,000
2030	326,000	880,000	551,000	1,757,000
2031		976,000	866,000	1,842,000
2032		976,000	866,000	1,842,000
2033		976,000	866,000	1,842,000
2034		976,000	866,000	1,842,000
2035		976,000	866,000	1,842,000
2036		976,000	866,000	1,842,000
2037		976,000	866,000	1,842,000
2038		976,000	866,000	1,842,000
2039		976,000	866,000	1,842,000
2040		976,000	866,000	1,842,000
2041		976,000	866,000	1,842,000
2042		976,000	866,000	1,842,000
2043		976,000	866,000	1,842,000
2044		976,000	866,000	1,842,000
2045		976,000	866,000	1,842,000
2046		976,000	866,000	1,842,000
2047		976,000	866,000	1,842,000
2048		976,000	866,000	1,842,000
2049		976,000	866,000	1,842,000
2050		976,000	866,000	1,842,000
2051		976,000	866,000	1,842,000
2052		976,000	866,000	1,842,000
2053		976,000		976,000
2054		976,000		976,000
2055		976,000		976,000
2056		976,000		976,000
2057		976,000		976,000

Table C-6  
 City of Morro Bay  
 Sewer Debt Service Allocation

Phase In Scenario

Fiscal Year Ending	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total Debt Service
Amount	\$10,300,000	\$60,175,000	\$29,000,000	\$99,475,000
Term	10 Years	35 Years	30 Years	
Avg Rate	1.70%	3.25%	4.70%	
Sewer %	71.2%	71.2%	60.5%	68.1%
Sewer \$	\$7,330,000	\$42,823,000	\$17,554,000	\$67,707,000
2021	804,000		423,000	1,227,000
2022	804,000		845,000	1,649,000
2023	804,000	2,171,000	845,000	3,820,000
2024	804,000	2,171,000	845,000	3,820,000
2025	804,000	2,171,000	845,000	3,820,000
2026	804,000	2,171,000	845,000	3,820,000
2027	804,000	2,171,000	845,000	3,820,000
2028	804,000	2,171,000	845,000	3,820,000
2029	804,000	2,171,000	845,000	3,820,000
2030	804,000	2,171,000	845,000	3,820,000
2031		2,407,000	1,328,000	3,735,000
2032		2,407,000	1,328,000	3,735,000
2033		2,407,000	1,328,000	3,735,000
2034		2,407,000	1,328,000	3,735,000
2035		2,407,000	1,328,000	3,735,000
2036		2,407,000	1,328,000	3,735,000
2037		2,407,000	1,328,000	3,735,000
2038		2,407,000	1,328,000	3,735,000
2039		2,407,000	1,328,000	3,735,000
2040		2,407,000	1,328,000	3,735,000
2041		2,407,000	1,328,000	3,735,000
2042		2,407,000	1,328,000	3,735,000
2043		2,407,000	1,328,000	3,735,000
2044		2,407,000	1,328,000	3,735,000
2045		2,407,000	1,328,000	3,735,000
2046		2,407,000	1,328,000	3,735,000
2047		2,407,000	1,328,000	3,735,000
2048		2,407,000	1,328,000	3,735,000
2049		2,407,000	1,328,000	3,735,000
2050		2,407,000	1,328,000	3,735,000
2051		2,407,000	1,328,000	3,735,000
2052		2,407,000	1,328,000	3,735,000
2053		2,407,000		2,407,000
2054		2,407,000		2,407,000
2055		2,407,000		2,407,000
2056		2,407,000		2,407,000
2057		2,407,000		2,407,000

# **Appendix D**

## **Financial Projections with Additional State Revolving Fund Financing**

Table D-1  
 City of Morro Bay  
 Water Reclamation Facility Projected Funding Sources

SRF Scenario

	Total	% of Ttl	Water	% of Source	Wastewater	% of Source
<b>WRF Total Project Costs</b>	\$122,807,000		\$35,412,000	28.8%	87,395,000	71.2%
<b>Projected Funding Sources</b>						
WIFIA Loan	60,175,000	49.0%	17,352,000	28.8%	42,823,000	71.2%
SRF Planning Loan	10,300,000	8.5%	2,970,000	28.8%	7,330,000	71.2%
SRF Loan	22,400,000	18.5%	10,146,000	45.3%	14,054,000	62.7%
Sewer New Cash Funding	18,369,000	15.2%	0	0.0%	18,369,000	100.0%
Water New Cash Funding	4,700,000	3.9%	4,700,000	100.0%	0	0.0%
Prior Cash Contributions	<u>5,063,000</u>	<u>4.2%</u>	<u>244,000</u>	<u>4.8%</u>	<u>4,819,000</u>	<u>95.2%</u>
Total	121,007,000	99.3%	35,412,000	29.3%	87,395,000	72.2%

**Table D-2 City of Morro Bay - Sewer Cash Flow Projections**

*SRF Scenario*

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Monthly Single Family Sewer Charge	\$70.00	\$77.00	\$83.00	\$83.00	\$83.00
Monthly Single Family Surcharge			\$20.00	\$20.00	\$20.00
Beginning Sewer Accounts	5,346	5,351	5,356	5,361	5,366
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,445	\$5,550	\$5,660	\$5,770	\$5,890
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$6,402,000	\$8,112,000	\$8,251,000	\$8,438,000	\$8,541,000
<b>REVENUES</b>					
Sewer Service Charges	6,100,000	6,716,000	7,246,000	7,253,000	7,260,000
Sewer WRF Facility Surcharges	0	0	1,737,000	1,737,000	1,737,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	80,000	142,000	165,000	169,000	171,000
Rental Income/Other (Excl Penalties)	25,000	30,000	30,000	30,000	30,000
Subtotal	6,235,000	6,916,000	9,206,000	9,218,000	9,227,000
<u>WRF Debt Financing</u>					
SRF Planning Loan		5,900,000	4,400,000		
WIFIA Loan			32,100,000	28,075,000	
SRF Loan				7,400,000	15,000,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Sewer Collection	1,100,000	1,480,000	1,539,000	1,601,000	1,665,000
Wastewater Treatment Existing	2,000,000	2,210,000	2,298,000	2,390,000	1,247,000
Wastewater Treatment New WRF	-	-	-	-	1,500,000
Conveyance to New WRF	-	-	-	-	140,000
Less Cayucos SD Reimbursements	(495,000)	(553,000)	(575,000)	0	0
Subtotal	2,605,000	3,137,000	3,262,000	3,991,000	4,552,000
<b>Debt Service</b>					
WIFIA Loan	-	-	-	-	-
SRF Loan	-	-	-	-	-
Less Water Share of WRF Debt	-	-	-	-	-
Subtotal	0	0	0	0	0
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	840,000	2,390,000	4,707,000	4,074,000	7,198,000
Sewer System Pay-Go CIP	630,000	1,200,000	1,000,000	1,000,000	1,000,000
Vehicle/Equipment Replacement	450,000	50,000	50,000	50,000	50,000
Subtotal	1,920,000	3,640,000	5,757,000	5,124,000	8,248,000
Total Sewer Expenses	4,525,000	6,777,000	9,019,000	9,115,000	12,800,000
<b>Revenues Less Expenses</b>	1,710,000	139,000	187,000	103,000	(3,573,000)
Transfer to SRF Debt Service Reserves					(854,000)
<b>Ending Fund Reserves</b>	8,112,000	8,251,000	8,438,000	8,541,000	4,114,000
SRF Debt Service Reserves	0	0	0	0	854,000
Debt Service Coverage	-	-	-	-	-
<b>WRF Project Funding</b>					
Debt Financing	0	5,900,000	36,500,000	35,475,000	15,000,000
Sewer Cash Contribution	840,000	2,390,000	4,707,000	4,074,000	7,198,000
Water Cash Contribution	0	200,000	1,900,000	1,500,000	1,100,000
Total	840,000	8,490,000	43,107,000	41,049,000	23,298,000

**Table D-2 City of Morro Bay - Sewer Cash Flow Projections**

*SRF Scenario*

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Monthly Residential Sewer Charge	\$83.00	\$85.00	\$87.00	\$90.00	\$92.00
Monthly Single Family WRF Surcharge	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Beginning Sewer Accounts	5,371	5,376	5,381	5,386	5,391
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$6,010	\$6,130	\$6,250	\$6,380	\$6,510
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,114,000	\$4,342,000	\$4,540,000	\$4,697,000	\$4,894,000
<b>REVENUES</b>					
Sewer Service Charges	7,267,000	7,449,000	7,631,000	7,901,000	8,084,000
Sewer WRF Facility Surcharges	1,737,000	1,737,000	1,737,000	1,737,000	1,737,000
Development Impact Fees	30,000	31,000	31,000	32,000	33,000
Interest Earnings	88,000	92,000	96,000	100,000	104,000
Rental Income/Penalties/Other	30,000	30,000	30,000	30,000	30,000
Subtotal	9,152,000	9,339,000	9,525,000	9,800,000	9,988,000
<u>WRF Debt Financing</u>					
SRF Planning Loan					
WIFIA Financing					
SRF Loan					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Sewer Collection	1,732,000	1,801,000	1,873,000	1,948,000	2,026,000
Wastewater Treatment Existing	0	0	0	0	0
Wastewater Treatment New WRF	2,682,000	2,789,000	2,901,000	3,017,000	3,138,000
Conveyance to New WRF	277,000	288,000	300,000	312,000	324,000
<i>Less Cayucos SD Reimbursements</i>	0	0	0	0	0
Subtotal	4,691,000	4,878,000	5,074,000	5,277,000	5,488,000
<b>Debt Service</b>					
WIFIA Loan	3,272,000	3,272,000	3,272,000	3,272,000	3,272,000
SRF Loan	1,561,000	1,561,000	1,561,000	1,561,000	1,561,000
Less Water Share of WRF Debt	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)
Subtotal	3,183,000	3,183,000	3,183,000	3,183,000	3,183,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	0	0	0	0	0
Sewer System Pay-Go CIP	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,050,000	1,080,000	1,111,000	1,143,000	1,176,000
Total Expenses	8,924,000	9,141,000	9,368,000	9,603,000	9,847,000
<b>Revenues Less Expenses</b>	228,000	198,000	157,000	197,000	141,000
Transfer to SRF Reserve Req't					
<b>Ending Fund Reserves</b>	4,342,000	4,540,000	4,697,000	4,894,000	5,035,000
Ending SRF Debt Service Reserves	854,000	854,000	854,000	854,000	854,000
Debt Service Coverage	1.40	1.40	1.40	1.42	1.41
<b>WRF Project Funding</b>					
WRF Project: Debt Financed	0	0	0	0	0
WRF Project: Sewer Cash Contribution	0	0	0	0	0
WRF Project: Water Cash Contribution	0	0	0	0	0
Subtotal WRF Project	0	0	0	0	0

**Table D-3 City of Morro Bay - Water Cash Flow Projections**

**SRF Scenario**

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Fixed Monthly Water Charge	\$28.00	\$30.00	\$32.00	\$32.00	\$32.00
Fixed Monthly Single Family WRF Surcharge			\$14.00	\$14.00	\$14.00
Water Rate Adjustment %		7.1%	6.7%	0.0%	0.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales		0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,392	\$5,500	\$5,610	\$5,720	\$5,830
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
State Water Project Cost Escalation			4.0%	4.0%	4.0%
Operating Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$3,132,000	\$4,456,000	\$4,637,000	\$4,817,000	\$4,952,000
<b>REVENUES</b>	<u>Estimated</u>	<u>Projected</u>			
Water Service Charges	5,280,000	5,700,000	6,086,000	6,092,000	6,098,000
Water WRF Facility Surcharges	0	0	1,447,000	1,447,000	1,447,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	39,000	78,000	93,000	96,000	99,000
Other (Excludes Penalties)	16,000	20,000	20,000	20,000	20,000
Subtotal	5,365,000	5,826,000	7,674,000	7,684,000	7,693,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Water System Operations	1,591,000	2,130,000	2,215,000	2,304,000	2,396,000
State Water Project Payments	1,535,000	1,595,000	1,659,000	1,725,000	1,794,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	665,000	670,000	670,000	670,000	670,000
Recycled Water Operations	-	-	-	-	110,000
Subtotal	3,791,000	4,395,000	4,544,000	4,699,000	4,970,000
<b>Debt Service</b>					
WIFIA Loan: Water Share	-	-	-	-	-
SRF Loan: Water Share	-	-	-	0	0
Subtotal	0	0	0	0	0
<b>Capital Improvements</b>					
Water System Pay-Go CIP	250,000	1,000,000	1,000,000	1,300,000	1,800,000
Water Cash Contribution to WRF	0	200,000	1,900,000	1,500,000	1,100,000
Vehicle/Equipment Replacement	0	50,000	50,000	50,000	50,000
Subtotal	250,000	1,250,000	2,950,000	2,850,000	2,950,000
Total Expenses	4,041,000	5,645,000	7,494,000	7,549,000	7,920,000
<b>Revenues Less Expenses</b>	1,324,000	181,000	180,000	135,000	(227,000)
Transfer to SRF Debt Service Reserves					(707,000)
<b>Ending Fund Reserves</b>	4,456,000	4,637,000	4,817,000	4,952,000	4,018,000
SRF Debt Service Reserves	0	0	0	0	707,000
CCWA Bond Debt Service Coverage	1.72	1.63	2.34	2.25	2.11
City Debt Service Coverage	-	-	-	-	-

**Table D-3 City of Morro Bay - Water Cash Flow Projections**

**SRF Scenario**

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Fixed Monthly Residential Water Charge	\$32.00	\$32.00	\$32.00	\$33.00	\$34.00
Fixed Monthly Single Family WRF Surcharge	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00
Water Rate Adjustment %	0.0%	0.0%	0.0%	3.1%	3.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales	0.0%	0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,950	\$6,070	\$6,190	\$6,310	\$6,440
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
State Water Project Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,018,000	\$3,827,000	\$4,054,000	\$4,072,000	\$4,058,000
<b>REVENUES</b>					
Water Service Charges	6,104,000	6,110,000	6,116,000	6,313,000	6,510,000
Water WRF Facility Surcharges	1,447,000	1,447,000	1,447,000	1,447,000	1,447,000
Development Impact Fees	30,000	30,000	31,000	32,000	32,000
Interest Earnings	86,000	82,000	87,000	87,000	87,000
Other (Excludes Penalties)	20,000	20,000	20,000	20,000	20,000
Subtotal	7,687,000	7,689,000	7,701,000	7,899,000	8,096,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Water System Personnel	2,492,000	2,592,000	2,696,000	2,804,000	2,916,000
State Water Project Payments	1,866,000	1,941,000	2,019,000	2,100,000	2,184,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	0	0	0	0	0
Recycled Water Operations	220,000	229,000	238,000	248,000	258,000
Subtotal	4,578,000	4,762,000	4,953,000	5,152,000	5,358,000
<b>Debt Service</b>					
WRF WIFIA Loan: Water Share	943,000	943,000	943,000	943,000	943,000
SRF Loan: Water Share	707,000	707,000	707,000	707,000	707,000
Subtotal	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
<b>Capital Improvements</b>					
Water System Pay-Go CIP	1,600,000	1,000,000	1,030,000	1,061,000	1,093,000
Water Cash Contribution to WRF	0	0	0	0	0
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,650,000	1,050,000	1,080,000	1,111,000	1,143,000
Total Expenses	7,878,000	7,462,000	7,683,000	7,913,000	8,151,000
<b>Revenues Less Expenses</b>	(191,000)	227,000	18,000	(14,000)	(55,000)
Transfer to SRF Reserve Req't					
<b>Ending Fund Reserves</b>	3,827,000	4,054,000	4,072,000	4,058,000	4,003,000
Ending SRF Debt Service Reserves	707,000	707,000	707,000	707,000	707,000
CCWA Bond Debt Service Coverage	-	-	-	-	-
Debt Service Coverage	1.88	1.77	1.67	1.66	1.66

# **Appendix E**

## **Financial Projections with No Recycled Water**

Table E-1  
City of Morro Bay  
Water Reclamation Facility Project Cost Estimate

No Recycled Water Scenario

	Construction Costs <sup>1</sup>	Soft Costs	Project Reserves <sup>2</sup>	Total Cost
<b>Projected Capital Costs</b>				
<i>Includes permitting, design, procurement, construction, and management.</i>				
Water Reclamation Facility	\$55,970,000	\$7,675,000	\$2,799,000	\$66,444,000
Conveyance Facilities	21,086,000	2,820,000	2,343,000	26,249,000
General Program Implementation	<u>0</u>	<u>4,460,000</u>	<u>0</u>	<u>4,460,000</u>
Subtotal	77,056,000	14,955,000	5,142,000	97,153,000
Prior Project Expenditures	0	5,063,000		5,063,000
Total	77,056,000	20,018,000		102,216,000

Source: Carollo Engineers, WRF Program Revised Cost Estimates as of 6/20/18.

1 Construction costs include estimated cost inflation to construction mid-point where applicable.

2 Project Reserves are placeholder estimates for additional project funding requirements (e.g. outside project scope) with funding subject to City control.

Table E-2  
 City of Morro Bay  
 Water Reclamation Facility Projected Funding Sources

No Recycled Water Scenario

	Total	% of Ttl	Water	% of Source	Wastewater	% of Source
<b>WRF Total Project Costs</b>	\$102,216,000		\$244,000	0.2%	101,972,000	99.8%
<b>Projected Funding Sources</b>						
WIFIA Loan	0	0.0%			0	100.0%
SRF Planning Loan	10,300,000	10.1%			10,300,000	100.0%
Revenue Bonds	73,800,000	72.2%			73,800,000	100.0%
Sewer New Cash Funding	13,053,000	12.8%			13,053,000	100.0%
Water New Cash Funding	0	0.0%			0	0.0%
Prior Cash Contributions	<u>5,063,000</u>	<u>5.0%</u>	<u>244,000</u>	<u>4.8%</u>	<u>4,819,000</u>	<u>95.2%</u>
Total	102,216,000	100.0%	244,000	0.2%	101,972,000	99.8%

**Table E-3 City of Morro Bay - Sewer Cash Flow Projections**

*No Recycling*

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Monthly Single Family Sewer Charge	\$70.00	\$77.00	\$83.00	\$83.00	\$83.00
Monthly Single Family Surcharge			\$44.00	\$44.00	\$44.00
Beginning Sewer Accounts	5,346	5,351	5,356	5,361	5,366
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,445	\$5,550	\$5,660	\$5,770	\$5,890
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$6,402,000	\$8,112,000	\$8,231,000	\$8,346,000	\$8,464,000
<b>REVENUES</b>					
Sewer Service Charges	6,100,000	6,716,000	7,246,000	7,253,000	7,260,000
Sewer WRF Facility Surcharges	0	0	3,828,000	3,828,000	3,828,000
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	80,000	142,000	165,000	167,000	169,000
Rental Income/Other (Excl Penalties)	25,000	30,000	30,000	30,000	30,000
Subtotal	6,235,000	6,916,000	11,297,000	11,307,000	11,316,000
<u>WRF Debt Financing</u>					
SRF Planning Loan		4,500,000	5,800,000		
WIFIA Loan			0	0	
Bond Proceeds			23,800,000	33,200,000	16,800,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
	<u>Estimated</u>	<u>Projected</u>			
Sewer Collection	1,100,000	1,480,000	1,539,000	1,601,000	1,665,000
Wastewater Treatment Existing	2,000,000	2,210,000	2,298,000	2,390,000	1,247,000
Wastewater Treatment New WRF	-	-	-	-	1,500,000
Conveyance to New WRF	-	-	-	-	140,000
Less Cayucos SD Reimbursements	(495,000)	(553,000)	(575,000)	0	0
Subtotal	2,605,000	3,137,000	3,262,000	3,991,000	4,552,000
<b>Debt Service</b>					
SRF Planning Loan	-	-	-	1,130,000	1,130,000
WIFIA Loan	-	-	-	-	-
Revenue Bonds (structured around SRF)	-	-	2,082,000	4,164,000	4,164,000
Less Water Share of WRF Debt	-	-	-	0	0
Subtotal	0	0	2,082,000	5,294,000	5,294,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	840,000	2,610,000	4,788,000	854,000	4,801,000
Sewer System Pay-Go CIP	630,000	1,000,000	1,000,000	1,000,000	1,000,000
Vehicle/Equipment Replacement	450,000	50,000	50,000	50,000	50,000
Subtotal	1,920,000	3,660,000	5,838,000	1,904,000	5,851,000
Total Expenses	4,525,000	6,797,000	11,182,000	11,189,000	15,697,000
<b>Revenues Less Expenses</b>	1,710,000	119,000	115,000	118,000	(4,381,000)
<b>Ending Fund Reserves</b>	8,112,000	8,231,000	8,346,000	8,464,000	4,083,000
Debt Service Coverage	-	-	3.86	1.38	1.28

**Table E-3 City of Morro Bay - Sewer Cash Flow Projections**

*No Recycling*

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Monthly Residential Sewer Charge	\$83.00	\$85.00	\$87.00	\$90.00	\$92.00
Monthly Single Family WRF Surcharge	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00
Beginning Sewer Accounts	5,371	5,376	5,381	5,386	5,391
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$6,010	\$6,130	\$6,250	\$6,380	\$6,510
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,083,000	\$4,290,000	\$4,467,000	\$4,603,000	\$4,778,000
<b>REVENUES</b>					
Sewer Service Charges	7,267,000	7,449,000	7,631,000	7,901,000	8,084,000
Sewer WRF Facility Surcharges	3,828,000	3,828,000	3,828,000	3,828,000	3,828,000
Development Impact Fees	30,000	31,000	31,000	32,000	33,000
Interest Earnings	87,000	91,000	95,000	98,000	101,000
Rental Income/Penalties/Other	30,000	30,000	30,000	30,000	30,000
Subtotal	11,242,000	11,429,000	11,615,000	11,889,000	12,076,000
<u>WRF Debt Financing</u>					
SRF Planning Loan					
WIFIA Financing					
Bond Financing					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Sewer Collection	1,732,000	1,801,000	1,873,000	1,948,000	2,026,000
Wastewater Treatment Existing	0	0	0	0	0
Wastewater Treatment New WRF	2,682,000	2,789,000	2,901,000	3,017,000	3,138,000
Conveyance to New WRF	277,000	288,000	300,000	312,000	324,000
Less Cayucos SD Reimbursements	0	0	0	0	0
Subtotal	4,691,000	4,878,000	5,074,000	5,277,000	5,488,000
<b>Debt Service</b>					
SRF Planning Loan	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000
WIFIA Financing	0	0	0	0	0
Revenue Bonds (structured around SRF)	4,164,000	4,164,000	4,164,000	4,164,000	4,164,000
Less Water Share of WRF Debt	0	0	0	0	0
Subtotal	5,294,000	5,294,000	5,294,000	5,294,000	5,294,000
<b>Capital Improvements</b>					
Sewer Cash Contribution to WRF	0	0	0	0	0
Sewer System Pay-Go CIP	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,050,000	1,080,000	1,111,000	1,143,000	1,176,000
Total Expenses	11,035,000	11,252,000	11,479,000	11,714,000	11,958,000
<b>Revenues Less Expenses</b>	207,000	177,000	136,000	175,000	118,000
<b>Ending Fund Reserves</b>	4,290,000	4,467,000	4,603,000	4,778,000	4,896,000
Debt Service Coverage	1.24	1.24	1.24	1.25	1.24

**Table E-4 City of Morro Bay - Water Cash Flow Projections**

**No Recycling**

Years 1 - 5	Projected				
	2017/18	2018/19	2019/20	2020/21	2021/22
Fixed Monthly Water Charge	\$28.00	\$30.00	\$30.00	\$30.00	\$30.00
Fixed Monthly Single Family WRF Surcharge					
Water Rate Adjustment %		7.1%	0.0%	0.0%	0.0%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales		0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,392	\$5,500	\$5,610	\$5,720	\$5,830
Interest Earnings Rate	1.25%	1.75%	2.0%	2.0%	2.0%
State Water Project Cost Escalation			4.0%	4.0%	4.0%
Operating Cost Escalation			4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$3,132,000	\$4,456,000	\$4,837,000	\$5,093,000	\$4,905,000
<b>REVENUES</b>	<u>Estimated</u>	<u>Projected</u>			
Water Service Charges	5,280,000	5,700,000	5,705,000	5,710,000	5,715,000
Water WRF Facility Surcharges	0	0	0	0	0
Development Impact Fees	30,000	28,000	28,000	29,000	29,000
Interest Earnings	39,000	78,000	97,000	102,000	98,000
Other (Excludes Penalties)	16,000	20,000	20,000	20,000	20,000
Subtotal	5,365,000	5,826,000	5,850,000	5,861,000	5,862,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>	<u>Estimated</u>	<u>Projected</u>			
Water System Operations	1,591,000	2,130,000	2,215,000	2,304,000	2,396,000
State Water Project Payments	1,535,000	1,595,000	1,659,000	1,725,000	1,794,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	665,000	670,000	670,000	670,000	670,000
Recycled Water Operations	-	-	-	-	-
Subtotal	3,791,000	4,395,000	4,544,000	4,699,000	4,860,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	-	-	-	0	0
WRF WIFIA Loan: Water Share	-	-	-	-	-
WRF Revenue Bonds: Water Share	-	-	-	0	0
Subtotal	0	0	0	0	0
<b>Capital Improvements</b>					
Water System Pay-Go CIP	250,000	1,000,000	1,000,000	1,300,000	1,800,000
Water Cash Contribution to WRF	0	0	0	0	0
Vehicle/Equipment Replacement	0	50,000	50,000	50,000	50,000
Subtotal	250,000	1,050,000	1,050,000	1,350,000	1,850,000
Total Expenses	4,041,000	5,445,000	5,594,000	6,049,000	6,710,000
<b>Revenues Less Expenses</b>	1,324,000	381,000	256,000	(188,000)	(848,000)
<b>Ending Fund Reserves</b>	4,456,000	4,837,000	5,093,000	4,905,000	4,057,000
CCWA Bond Debt Service Coverage	1.72	1.63	1.56	1.49	1.41
City Debt Service Coverage	-	-	-	-	-

**Table E-4 City of Morro Bay - Water Cash Flow Projections**

*No Recycling*

Years 6 - 10	Projected				
	2022/23	2023/24	2024/25	2025/26	2026/27
Fixed Monthly Residential Water Charge	\$30.00	\$30.00	\$30.00	\$31.00	\$32.00
Fixed Monthly Single Family WRF Surcharge					
Water Rate Adjustment %	0.0%	0.0%	0.0%	3.3%	3.2%
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Water Sales	0.0%	0.0%	0.0%	0.0%	0.0%
Water Development Impact Fee	\$5,950	\$6,070	\$6,190	\$6,310	\$6,440
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
State Water Project Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	\$4,057,000	\$3,906,000	\$4,182,000	\$4,257,000	\$4,311,000
<b>REVENUES</b>					
Water Service Charges	5,720,000	5,725,000	5,730,000	5,926,000	6,123,000
Water WRF Facility Surcharges	0	0	0	0	0
Development Impact Fees	30,000	30,000	31,000	32,000	32,000
Interest Earnings	87,000	84,000	89,000	91,000	92,000
Other (Excludes Penalties)	20,000	20,000	20,000	20,000	20,000
Subtotal	5,857,000	5,859,000	5,870,000	6,069,000	6,267,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Water System Operations	2,492,000	2,592,000	2,696,000	2,804,000	2,916,000
State Water Project Payments	1,866,000	1,941,000	2,019,000	2,100,000	2,184,000
Share of CCWA 2016 Bonds (Thru Oct-2021)	0	0	0	0	0
Recycled Water Operations	0	0	0	0	0
Subtotal	4,358,000	4,533,000	4,715,000	4,904,000	5,100,000
<b>Debt Service</b>					
SRF Planning Loan: Water Share	0	0	0	0	0
WRF WIFIA Loan: Water Share	0	0	0	0	0
WRF Revenue Bonds: Water Share	0	0	0	0	0
Subtotal	0	0	0	0	0
<b>Capital Improvements</b>					
Water System Pay-Go CIP	1,600,000	1,000,000	1,030,000	1,061,000	1,093,000
Water Cash Contribution to WRF	0	0	0	0	0
Vehicle/Equipment Replacement	50,000	50,000	50,000	50,000	50,000
Subtotal	1,650,000	1,050,000	1,080,000	1,111,000	1,143,000
Total Expenses	6,008,000	5,583,000	5,795,000	6,015,000	6,243,000
<b>Revenues Less Expenses</b>	(151,000)	276,000	75,000	54,000	24,000
<b>Ending Fund Reserves</b>	3,906,000	4,182,000	4,257,000	4,311,000	4,335,000
CCWA Bond Debt Service Coverage	-	-	-	-	-
Debt Service Coverage	-	-	-	-	-



City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442  
*Address Service Requested*

## **Notice of a Public Hearing on Proposed Water & Sewer Rate Surcharges to Support a New Water Reclamation Facility**

### **New Water Reclamation Facility Project Overview**

The City of Morro Bay's existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to age and condition as well as capacity and regulatory deficiencies. The existing treatment plant was originally built in 1953 and was not designed to meet current regulatory requirements. The Regional Water Quality Control Board recently issued a Time Schedule Order (TSO) that gives the City a maximum of five years to build a new facility to meet the City's new, more stringent, permit requirements. Failure to meet the deadline would put the City at risk for substantial fines.

Adding to the City's challenges, the new wastewater treatment plant cannot be rebuilt at its current location near the beach. The existing plant is located in a coastal flood plain and tsunami inundation zone. In 2013, the California Coastal Commission unanimously denied the City's permit to build a new treatment plant near the existing site. Locations near the existing facility site are also inconsistent with Coastal Commission policy and provisions of the Coastal Act and Local Coastal Program.



The City is planning to move forward with a new Water Reclamation Facility (WRF) at the preferred site near the intersection of South Bay Boulevard and Highway 1, roughly one mile east of downtown Morro Bay. The new WRF would replace the City's aging wastewater treatment plant and provide recycled water to improve local supply reliability. *The proposed WRF Project represents the culmination of a 5-year public process that included identification of community goals, evaluation of project and site alternatives, and input from a number of professional and community-advisory groups.*

*For more information and updates on the WRF Project, please visit the City's WRF Project website at [morrobaywrf.com](http://morrobaywrf.com) or contact the Public Works Department at (805) 772-6261.*

**DRAFT**

## **WRF Project Update & Cost-Cutting Efforts**

Over the past year, the City has been working to minimize the cost of the WRF Project. Together, the combined efforts of the City, various citizen-advisory groups and engineering consultants have helped substantially reduce costs from prior estimates developed in 2017. The City has also aggressively been pursuing grants and low-interest-rate loans. Morro Bay was one of 12 communities nationwide invited to apply for low-rate WIFIA financing and previously was awarded a \$10.3 million, 1.70% subsidized loan from the State Revolving Fund. In June 2018, as a result of a competitive proposal process, the City selected a preferred design-build team to construct the new water reclamation facility and hopes to further reduce costs during the design-build process.

## **Proposed WRF Water & Sewer Rate Surcharges**

In 2015, the City adopted 5 years of water and sewer rate increases designed to fund the cost of providing utility service and help fund capital improvements to the City's aging water and sewer systems. The previously-adopted rates substantially strengthened the financial health of the City's water and sewer utilities but do not provide adequate funding to support each utility's share of costs for the WRF Project.

The City is proposing to adopt new water and sewer rate surcharges to help fund each utility's share of costs for the WRF Project. These surcharges would be levied in addition to the City's previously-adopted water and sewer rates and would be listed as separate line items on the City's monthly utility bills. The surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is retired. The City of Morro Bay will hold a Public Hearing to consider adoption of WRF Sewer Rates Surcharges and WRF Water Rates Surcharges to support funding for the WRF Project as follows:

<b>Notice of a Public Hearing on Proposed WRF Water &amp; Sewer Rate Surcharges</b>
<b>Date: August 28, 2018</b>
<b>Time: 6:00 p.m.</b>
<b>Place: Veteran's Memorial Building 209 Surf Street, Morro Bay, CA 93442</b>

The proposed WRF Project surcharges were developed by an independent rate consultant with input from City staff, the City's engineering consultants, City Council, various citizen-advisory groups, and the City's Blue Ribbon Commission -- a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and input regarding WRF Project costs and the proposed rate surcharges. The City plans to review all utility rates every year, including the proposed WRF Surcharges.

## **Low Income Utility Discount Program**

The City offers financial assistance to water and sewer customers based on income eligibility. Customers enrolled in PG&E's CARE Program are automatically eligible for the City's Low Income Utility Discount Program. More information on the program is available on the City's website at [www.morrobayca.gov](http://www.morrobayca.gov) by searching for *Low Income Utility Discount Program*, or by calling the City's utility billing division at (805) 772-6222.

## **Water Conservation & Rebate Programs**

Although California's multi-year drought was declared over in 2017, Morro Bay continues to encourage customers to conserve water. In order to promote conservation, the City has established a rebate program that provides customers with cash rebates for various water saving devices such as water-efficient washing machines, toilet retrofits, rain barrels, turf replacement, irrigation retrofits and SMART irrigation controllers. More information about water conservation tips and the City's rebate programs are available on the City's website at [www.morrobayca.gov](http://www.morrobayca.gov) by searching for *Water Conservation*, or by calling the City's Public Works Department staff at (805) 772-6261.

**Proposed WRF Sewer Surcharges**

The City is proposing to adopt WRF Sewer Surcharges as shown on the adjacent table to support funding for the sewer utility’s share of costs for the new wastewater treatment plant and conveyance facilities. WRF Sewer Surcharges for residential customers are fixed monthly surcharges billed per residential dwelling unit. WRF Sewer Surcharges for non-residential customers vary by customer class and wastewater strength and are billed based on metered water use, subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.

<b>Proposed WRF Sewer Surcharges</b>	
<b>Residential WRF Sewer Surcharges</b>	
<i>Fixed monthly surcharge per residential dwelling unit</i>	
Single Family Home	\$25.00
Multi-Family/Condominium Unit	20.00
<b>Non-Residential WRF Sewer Surcharges</b>	
<i>Volumetric surcharge per hcf of metered water use</i>	
Class A - Low Strength	\$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
<i>Minimum Monthly Charge</i>	20.00

Class A - Low Strength includes schools, laundromats, carwashes, city and public facilities, & water softener accounts.

Class B - Domestic Strength includes professional offices, retail stores, mobile home parks, and all other standard-strength commercial accounts.

Class C - Moderate Strength includes motels, retirement homes with dining facilities, and mortuaries.

Class D - Mod-High Strength includes hotels with dining rooms or restaurants, and mixed-use accounts where high-strength sewage accounts for between an estimated 25% to 75% of total wastewater flow.

Class E - High Strength includes restaurants, bakeries, and seafood processors.

*Note: The City reserves the right to estimate wastewater strength and assign customer class.*

**Proposed WRF Water Surcharges**

The City is proposing to adopt WRF Water Surcharges as shown on the adjacent table to help fund recycled water components of the WRF Project. WRF Water Surcharges for residential customers are fixed monthly surcharges billed per dwelling unit. WRF Water Surcharges for non-residential customers are volumetric surcharges billed based on metered water use subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.

<b>Proposed WRF Water Surcharges</b>	
<b>Residential WRF Water Surcharges</b>	
<i>Fixed monthly surcharge per residential dwelling unit</i>	
Single Family Home	\$16.00
Multi-Family/Condominium Unit	12.80
<b>Non-Residential WRF Water Surcharges</b>	
<i>Volumetric surcharge per hcf of metered water use</i>	
Surcharge per hcf of water use	\$3.64
<i>Minimum Monthly Charge</i>	12.80

*1 hcf = 100 hundred cubic feet = 748 gallons*

**Impacts on Monthly Utility Bills**

Total proposed WRF Water & Sewer Rate Surcharges for a single family home will not exceed \$41 per month including a \$25 WRF Sewer Surcharge of and a \$16 WRF Water Surcharge. Combined surcharges per multi-family or condominium dwelling unit will not exceed \$32.80 per month. Surcharges for commercial and other non-residential customers vary based on customer class and water use and will not exceed the levels shown on the tables above.

With full implementation of the previously-adopted water and sewer rates and the proposed WRF Surcharges, the total combined monthly utility bill for a typical single family home with 5 units (hundred cubic feet) of monthly water use would not exceed \$191 accounting for all monthly utility rates and WRF Surcharges. Approximately two-thirds of single family residential bills are at or below this level of use. Customer bills will vary based on level of water use

**Si le gustaria recibir este noticia en Español, por favor llame a la City of Morro Bay  
( ) - o visite el sitio web de Morro Bay \_\_\_\_\_**

### **Community Input & Written Protest Procedures**

Utility customers, property owners and community members are invited to attend the Public Hearing and provide input. Property owners and customers may submit written protests against the proposed WRF Water Surcharges and/or WRF Sewer Surcharges. Pursuant to California and the City Resolution No. 44-18 (218 Protest Policy) protests must be submitted in writing and must a) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, b) include the name and signature of the customer or property owner submitting the protest, c) be signed and dated after the date the City transmits this notice, and d) indicate opposition to the proposed WRF Water and/or Sewer Surcharges. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed surcharges cannot be adopted if written protests are received from a majority of affected parcels with one written protest counted per parcel. Written protests can be mailed or delivered to: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442. Written protests can also be submitted at the Public Hearing on August 28, 2018. All protests must be submitted prior to the close of the Public Hearing.

*Property owners or customers wishing to submit a written protest against the proposed water and/or sewer rate surcharges for the Water Reclamation Facility can use the form below or write their own protest. If another form is used, then that form must include all the information required by the City's 218 Protest Policy as shown on the below form.*

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## **2018 WRF Water & Sewer Surcharge Written Protest Form**

Name of the Property Owner or Customer of Record filing this protest (please print):

\_\_\_\_\_

Assessor's Parcel Number (APN), Water/Sewer Account Number or Street Address  
of the parcel for which the protest applies (please print):

\_\_\_\_\_

**Check each box for the WRF Surcharges you are protesting:**

- I am protesting the proposed WRF Sewer Surcharges.
- I am protesting the proposed WRF Water Surcharges.

***I certify I have personal knowledge of all the foregoing and it is true and correct.***

\_\_\_\_\_  
Signature of Property Owner or Customer of Record

**Date:** \_\_\_\_\_, 2018

**Please Submit to: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442**

*Although no explanation for a protest is required, the City would appreciate any comments or input you would like to share regarding the reasons for submitting a protest.*

**DRAFT**

**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 XIID, SECTION 6 OF THE CALIFORNIA CONSTITUTION**

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

**WHEREAS**, Article XIID, 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 XIID, 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 XIID, Section 6 of the California Constitution.

- 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 an explanation 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, to the City Clerk's Office at 595 Harbor Street, Morro Bay, CA 93442, during published business hours,
2. Mail 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.

- B. If more than one protest is delivered, mailed or submitted in one envelope or at one time, then at least one of the protests contained in that envelope or concurrently delivered, mailed or submitted shall be signed by the person delivering, mailing or submitting those protests.

- C. Each protest must be 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.
- D. Because an original signature is required, emailed, faxed and photocopied protests shall not be counted.
- E. 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 being filed, no protest shall be signed before the City has issued the formal notice that commences the 45-day protest period and
  - 6. A certification, by the named record owner or customer of record, as applicable, affirming the contents of the protest are true and correct.
- 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 when:
1. The fee interest in 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 each original protest (or electronic copy) 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 any of the requirements of this Resolution or:
1. The protest does not bear original signatures 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,

2. 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
  3. 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 or change the protest, pursuant to Section 5, above, 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 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 that comply with the requirements herein are timely submitted, and not withdrawn or changed, by the record owners of, or by the 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 and customers of record 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 which contain the protests.

**SECTION 12: Report of Tabulation.**

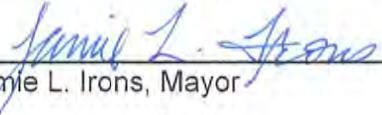
If, at the conclusion of the public hearing, the City Clerk determines she/he will require additional time to validate and tabulate the protests because she/he has not made the determination described in Section 11, above, then she/he shall so advise the City Council, which may continue the related portion 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 special meeting thereof held on the 13<sup>th</sup> day of June, 2018 on the following vote:

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

  
\_\_\_\_\_  
Jamie L. Irons, Mayor

ATTEST:

  
\_\_\_\_\_  
Lori M. Kudzma, Deputy City Clerk



AGENDA NO: C-2

MEETING DATE: July 10, 2018

## AMENDED Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** July 5, 2018

**FROM:** Scott Collins, City Manager

**SUBJECT:** Consideration and Direction Regarding Installation of Additional Fire Pits in the North Morro Bay Rock Parking Lot

### **RECOMMENDATION**

Council receive the staff report and provide direction to staff regarding installation of fire pits in the North Morro Bay Rock parking lot as appropriate.

### **ALTERNATIVES**

None.

### **FISCAL IMPACT**

If City Council approves placement of additional fire pits in designated areas, then there is no fiscal impact to the City as the fire pits were purchased several years ago. Consolidated Maintenance staff are equipped to install the fire pits and such installation would cost less than \$5,000, so no contract service is legally required for that installation.

### **BACKGROUND**

City Council directed staff to bring an item back to them in 2018 to consider placement of additional fire pits at the Morro Bay Rock beach parking lot. There has been some interest by community members to have additional fire pits installed in the designated areas. There is also concern adding fire pits may lead to nuisance issues and potential fire hazards.

The City purchased several fire pits in 2016 and installed one pit (see attachment for photo) located at the Morro Bay Rock parking lot in accordance with the California Fire Code and Morro Bay Municipal Code (MBMC), sections 9.24.110 and 14.08.090 (attached). Those two sections, read together, would, with City permission, allow the fire pits at the beach, because they are not sub-surface or earth-floored and have concrete bottoms. The City identified several areas for additional fire pits that provided sufficient buffer from potential fire hazards.

Since that time, there have not been any significant issues reported to the City, though the existing pit does fill with trash and is regularly cleaned by Consolidated Maintenance staff. There have been no callouts to the Fire Department to address fire concerns related to the pit, and no nuisance issues reported to the Police Department.

During its June 7, 2018, meeting, the Harbor Advisory Board (HAB) discussed the concept of placing additional fire pits at the beach areas. Though no formal recommendation was provided to staff and City Council, HAB members generally support placement of several new fire pits in the

Prepared By: SC

City Manager Review: SC

City Attorney Review: JWP

vicinity of the Morro Bay Rock beach parking lot, in accordance with existing California Fire Code and the MBMC. The California Fire Code and MBMC allow for designated fire pits in the City. According to the MBMC, current fire pit rules are as follows:

- Fires must be constantly attended.
- Fire size shall not exceed three feet in diameter and two feet in height.
- Fires shall only be fueled by natural wood, charcoal or commercial logs.
- Ashes are to be left in the pit, and not placed in trash receptacles.

### **DISCUSSION**

Staff has posed several questions for City Council regarding fire pits.

1. Does City Council favor adding more fire rings to the previously designated fire pit areas, as highlighted on the attached map? Those areas have already been designated for fire ring use and have the protective buffer areas from cars in the parking lot, established by the boulders. City staff do not recommend placement of fire pits on the beach, as it could lead to nuisance issues, as well as impact environmental sensitive habitat.
2. If yes to question number 1, how many pits should be added?
3. Should further limitations, beyond what is established by the California Fire Code and MBMC, sections 9.24.110 and 14.08.090 be placed on the fire pits?

### **CONCLUSION**

Staff looks forward to City Council discussion, and is prepared to install additional fire pits during this summer period should it receive that direction.

### **ATTACHMENTS**

1. Photos of existing fire pit
2. MBMC, sections 9.24.110 and 14.08.090
3. Harbor Advisory Board staff report for June 7, 2018 meeting
4. Designated fire pit locations at North Morro Bay Rock parking lot





9.24.110 - Fires on city beaches.

No person shall build, light or maintain any fire on any city beach except in designated containers or areas approved by the city.

(Ord. No. 577, 4-24-12)

14.08.090 - Modifications of the California Fire Code.

The California Fire Code, adopted in Section 14.01.020, is hereby modified, amended, and/or supplemented as follows:

A. Adopt Appendix Chapter 4 and appendices B, BB, C, CC, D, H, I, K, and N. Delete appendices A, E, F, G and J.

B. Section 101.1 is amended to read as follows:

Section 101.1 Title. These regulations shall be known as the Fire Code of the City of Morro Bay.

C. Section 103.1 is amended to read as follows:

Section 103.1 General. The Fire Department of the City of Morro Bay is hereby established and the person in charge thereof shall be known as the Fire Chief. Where the Code uses the term Fire Official, it shall mean the Fire Chief.

D. Section 113.2 is amended to read as follows:

113.2 Schedule of permit fees. Fees shall be paid in accordance with the City's Master Fee Schedule.

E. Section 302.1, "Definitions," is amended to add the following definition in correct alphabetical order:

SKY LANTERN. An airborne lantern typically made of paper with a wood frame containing a candle, fuel cell composed of waxy flammable material or other open flame which serves as a heat source to heat the air inside the lantern to cause it to lift into the air. Sky candles, fire balloons and airborne paper lanterns mean the same as sky lanterns.

F. Section 507.5.4 is amended to read as follows:

507.5.4 Obstruction. Unobstructed access to fire hydrants shall be maintained at all times. The fire department shall not be deterred or hindered from gaining immediate access to fire protection equipment or fire hydrants.

The Fire Chief shall have the authority to remove or cause to be removed, without notice, any vehicle, vessel, or object that is in violation of this section. The owner of said item, so removed, shall be responsible for all towing, storage, or other costs incurred therein.

G. Section 308.1.1.1 is added to read as follows:

308.1.1.1 Burning Prohibited. Open burning, bon fires, recreational fires, and all other outdoor fires are prohibited.

Exception:

Barbeques and portable outdoor fireplaces that conform with the following provision are allowed.

1. Fires shall be conducted at a safe distance from and in accordance with the applicable manufacturer's instructions to prevent the spread of fire to adjacent structures or other combustible materials.

2. Fire shall be contained in a non-combustible container, not to exceed 3 feet in diameter and 2 feet in height.

3. Fuel loading shall not exceed 3 feet in diameter or 2 feet in height.

4. Fire shall be fueled by propane, natural gas, charcoal, dried wood, commercial fire logs, or pellets. Fuels shall not include green waste, yard trimmings, pressure treated wood, trash, plastic, or other noxious or hazardous materials.

5. Ground fires, sub-surface or pit fires, and earth floored fire rings are prohibited.

6. If in the opinion of the Fire Chief or his or her designee, a fire is potentially hazardous or smoke is causing a nuisance, the fire shall be extinguished immediately.

H. Section 308.1.6.3 is amended to read as follows:

308.1.6.3 Sky Lanterns. The ignition and launching of sky lanterns is prohibited.

Exception: The ignition and launching of sky lanterns may be allowed, subject to the approval of a permit by the Chief, where it has been determined that adequate safeguards will be in place.



AGENDA NO: C-6

MEETING DATE: June 7, 2018

# Staff Report

**TO:** Harbor Advisory Board

**DATE:** May 30, 2018

**FROM:** Eric Endersby, Harbor Director

**SUBJECT:** Consideration and Input regarding Fire Pits at the Rock Parking Lot and Other Areas for Recommendation to the City Council

## RECOMMENDATION

Staff recommend the Harbor Advisory Board take public input and consider whether more public fire pits should be placed at the Rock parking lot and other areas for recommendation to the City Council.

## BACKGROUND

Approximately 2016, the then-City Manager purchased approximately a dozen concrete benches and several concrete fire pits for placement at the Rock parking lot and surrounding areas. Several benches were first placed overlooking the beach at the Rock, and at the Target Rock area overlooking the bay, followed later by one fire pit on a trial basis. This pit was placed near the beach access ramp at the northeast corner of the Rock lot.

There are several more fire pits that have not been placed. Before doing so, however, the City Council will be considering whether to place them, and if so, where, at a future Council meeting. This item is to take public and Harbor Advisory Board (HAB) input to assist the City Council in its decision-making.

## DISCUSSION

Morro Bay Municipal Code (MBMC) and State Fire Code stipulate public fires are only to take place in designated containers in designated areas, in accordance with said codes. The existing pit at the Rock meets these stipulations.

A photo of the existing fire pit is included with this staff report as Attachment 1. It has proven to be popular, and is used on a regular basis. While it does occasionally get used as a trash can or receptacle for used mutt mitts, it has not proven to be overly troublesome. The City's Facility workers are tasked with its maintenance and periodic emptying of ashes.

Staff are seeking HAB input on the following:

1. Should more fire pits be placed at the Rock or other areas?
2. If no, should the existing pit be removed?

Prepared By: EE

Dept Review: EE

City Manager Review: \_\_\_\_\_

City Attorney Review: \_\_\_\_\_

3. If yes:

A. How many more?

B. Where?

- Limited to the top of the revetment areas? It is staff's opinion there have been few management issues with the existing pit (such as late-night partying) because of its relatively exposed public placement at the edge of the parking lot does not lend itself to errant behavior. For this reason, (and others such as them having to be removed during the winter and difficult access for Facility staff to service) staff do NOT recommend pits be placed on the beach.
- At the Target Rock area?
- North or South Morro Creek parking lot areas?

C. Should any limitations be placed on their use? Current pit use rules are (in accordance with MBMC Section 14.08.090, included as Attachment 2):

- Fires must be constantly attended.
- Fire size shall not exceed three feet in diameter and two feet in height.
- Fires shall only be fueled by natural wood, charcoal or commercial logs.
- Ashes to be left in the pit, and not placed in trash receptacles.

D. Any other input the HAB would like to provide?

**ATTACHMENT**

1. Photo of existing fire pit at the Rock parking lot.
2. MBMC Section 14.08.090.

Designated Fire  
Pit Locations at  
the North Rock  
Parking Lot





AGENDA NO: C-3

MEETING DATE: July 10, 2018

## Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** July 5, 2018

**FROM:** Scott Collins – City Manager

**SUBJECT:** 2018 City Goals and Objectives Status Update

### **RECOMMENDATION**

Council formally adopt and receive the status update from the City Manager regarding the 2018 City Council Goals and Objectives, and provide direction as appropriate.

### **ALTERNATIVES**

None.

### **FISCAL IMPACT**

There is no fiscal impact for this item.

### **BACKGROUND**

The goals and objectives for calendar year 2018 were reviewed and finalized at the February 27, 2018 Council meeting and are presented here for formal approval. These five goals continue Council priorities established in previous years with one added goal (number 5, below), and are as follows:

- 1) Achieve Economic and Fiscal Sustainability
- 2) Complete WRF Project and OneWater Program
- 3) Improve Infrastructure and Public Spaces
- 4) Review and Update Significant City Land Use Plans
- 5) Improve Communication to the Community

Each of the goals has several objectives and corresponding action items which, if implemented, would help bring the Council goals into reality. In establishing the 2018 Goals and Objectives, City Council was particularly interested in establishing an achievable work plan and stated the Members' desires to receive regular updates as to the status of the action items. The attached spreadsheet serves as a template to review progress toward each of the Council goals and objectives and corresponding action items. For each action item, there are columns for proposed return dates to Council for further consideration/action and status updates. Council approved a total of 32 action items for 2018.

City staff committed to providing quarterly updates to City Council regarding progress on the goals and objectives. This report serves as the first update since the goals were informally approved in late February.

### **DISCUSSION**

The City has made progress on many of the objectives and action items, across most of the five

Prepared By: SC

City Manager Review: SC

City Attorney Review: JWP

goals. Completed action items in the attached spreadsheet are highlighted in green. Yellow highlighted items signify significant progress has been made and completion of the item is near. The other items may have some work completed to date and will be addressed in the latter part of the calendar year.

Some of the key highlights on completed or nearly completed 2018 action items are as follows:

- Balanced FY 2018/19 Budget, with plans for further analysis and City employee and community outreach to discuss further measures to address CalPERS liability moving into the next budget year.
- Proposed local Cannabis Tax will be placed on the November 2018 ballot for consideration.
- The City Council approved the partnership with the Chamber of Commerce to implement key components of the Morro Bay's Economic Development Strategic Roadmap, including, but not limited to, wayfinding and business outreach.
- The City has made significant progress on the Water Reclamation Facility and OneWater programs.
- Council approved the "Adopt Morro Bay" program, to help beautify the community. Staff is working to complete implementation of the program.

Looking into the remainder of calendar year 2018, staff will prioritize the following items to ensure they are brought back to City Council:

- Now that the City has adopted the FY 2018/19 Budget, staff will turn attention not only to developing a plan to address the pension liabilities, but also preparing for unforeseen fiscal emergencies, such as a recession.
- Work continues on the General Plan, Local Coastal Program and Zoning Code Update. Council will take up those critical Planning documents in the fall of 2018.
- Staff will begin work shortly on putting together a plan to develop lease site management/financial partnership policies for Council consideration. Staff will bring forward conceptual policies in the fall of 2018.
- Staff will begin work on reviewing existing partnerships that were approved via the existing Partnership policy, and review opportunities for improving consistency of implementing the policy and enhancements to the policy. Staff will bring forward an item for Council consideration sometime in the fall of 2018.
- The Aquarium lease site will be considered by City Council either in late summer/early fall 2018.
- Community Choice Energy (CCE) program was reviewed by City Council in May. Council directed staff to work with the City of SLO on a potential CCE partnership. Staff will bring back options sometime in the fall of 2018.
- Staff will bring forward a discussion on parking options either in the fall 2018 or winter of 2019.
- Work continues with the offshore windfarm opportunity. Council may review this item in the fall of 2018 or winter of 2019.
- City Council conducted a thorough review of the City's tourism efforts. Council directed staff to review options for including vacation rentals and RV Parks into the Tourism Business Improvement District. Additionally, the Council will reconsider the General Fund contribution to tourism currently defined by Resolution No. 03-16. That item will come back to Council either in the fall 2018 or winter of 2019.

Following City Council review and approval of the 2018 Goals and Objectives, staff will create and

place an easy to follow document online so the public can easily find the strategic priorities of the City Council.

**ATTACHMENT**

1. 2018 City Council Goals and Objectives Spreadsheet



# City Council Goals and Objectives for 2018

**These are the top priority objectives and action items for 2018, and constitute the main work plan for the City in Calendar Year 2018.**

Goal #1: Financial Sustainability and Economic Sustainability					
Objective #1: Securing Financial Sustainability through a comprehensive review of costs reduction and revenue enhancement opportunities					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council Date/Completion	Current Status
a)	Develop a cost control and reduction plan to achieve cuts to maintain a structurally balanced budget, including, but not limited to a complete review of staffing levels and non-labor costs in all departments.	All	City Manager, Finance	Council approved balanced budget for FY 18/19.	Next step is reengage employee budget group, and conduct outreach to community.
b)	Develop a staff-internal emergency cost reduction plan to inform future fiscal emergencies.	All	City Manager, Finance	Will bring to City Council in the fall.	No progress to date, though FY18/19 Budget process will inform this action item.
c)	Consider for November 2018 ballot a Marijuana Tax with consideration for funding for the Utility Discount Program and other City needs.	City Manager, Public Works, Finance, City Attorney, Planning, Police, Fire	City Manager	Council approved a ballot measure for November 2018.	Will go to Morro Bay voters in November 2018 for consideration.
d)	Evaluate opportunities for new or expanded revenue sources, including but not limited to: paid parking, other tax measures and a review of City fees.	All	City Manager, Finance	The parking discussion will take place in the in the Fall 2018.	Some analysis complete on paid parking. No progress on other items.
Objective #2: Consider the proposed strategies in the Economic Development Strategic and <b>Waterfront and Downtown Strategic Plans</b> and act on those most likely to generate revenues in the near term.					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council Date/Completion	Current Status
a)	Bring to Council for information, consideration and possible implementation a review of circulation and parking management plans, wayfinding, and other options for the Waterfront and Downtown and other business districts.	Planning, Public Works, Harbor, City Manager, Finance, Tourism	Planning	This will be an on-going priority for staff. Parking item to come to Council in the Fall 2018.	Some analysis complete on parking; the wayfinding plan will be developed with the four business areas as part of the MOU with the Chamber of Commerce.
b)	Evaluate Memorandum of Understanding (MOU) with the Morro Bay Chamber of Commerce and other arrangements to further economic development objectives.	City Manager, Planning, Tourism, Harbor	City Manager	Council authorized the CM to enter into an agreement with the Chamber for these services in June 2018.	City and Chamber will begin business outreach in July 2018.
c)	City Council review proposal to modernize the Morro Bay Aquarium Site structure and operations.	City Manager, Planning, Harbor, City Attorney	Harbor	Item likely to come to City Council in Summer/Fall 2018.	On-going meetings with new Aquarium CEO.
d)	Establish Financial Partnership policy, and Lease site evaluation/audits on a 3-year rotating basis.	Harbor, Planning, City Manager, Finance	Harbor	Item will come to City Council in Fall 2018.	Packaged item to City Council, rolled into the Lease Management Policy update.
e)	Offshore Windfarm opportunity/proposal development and review.	Harbor, Planning, City Manager	Harbor	Item will come to City Council in Fall 2018.	Economic analysis complete. Outreach to federal agencies and fishermen community continues.
Objective #3: Miscellaneous Action Items Related to Financial Sustainability and Economic Development					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Overall evaluation of tourism, including Vacation Rentals & RV Parks Tourism Business Improvement District (TBID) Assessment options, ADR, overall tourism effort and effectiveness since the transition to the City, hotelier involvement, board functionality, and the annual financial report. Also include information on the partnership with VisitSLO BID.	Tourism, City Manager	Tourism	Staff will come back to City Council in the Fall of 2018 with recommendations regarding Vacation Rentals and performance metrics.	City Council reviewed TBID in May 2018, as part of the budget process.
b)	Improve internal management of homeless related issues (how the City coordinates internally and with partners on homeless issues).	Police, Fire, Public Works, City Manager	Police	Mostly an internal operational issue, though staff will bring items to Council as appropriate.	Staff reviewing best practices in homeless management.
c)	Community Choice Energy feasibility study.	City Manager	City Manager	Council to review option to move forward with City of SLO in the Fall of 2018.	Council approved moving forward with a study in partnership with City of SLO. Staff working with City of SLO to select vendor and conduct feasibility study

## City Council Goals and Objectives for 2018

### Goal #2: Water Reclamation Facility (WRF) and OneWater Review and Implementation

#### Objective #1: Water Reclamation Facility Project Review and Implementation

Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Assign a budget for the WRF.	Finance, Public Works	Finance	Will provide Council with regular updates on the WRF budget.	Completed for FY18/19 Budget.
b)	Take appropriate selection action and bring to Council for approval, a contract for the design-build construction delivery of the new WRF.	Public Works	Public Works	Staff will return to Council for a contract review following the Prop. 218 process.	Council directed staff to negotiate with the preferred proposer in June 2018.
c)	Following CEQA guidelines, bring the WRF Environmental Impact Report (EIR) to Council for approval and certification.	Public Works, Planning, City Attorney	Public Works	Council will review EIR in August 2018.	Draft EIR completed in March 2018. Planning Commission/WRF Citizen Advisory Committee reviewed in early July. City Council to review in August 2018.
d)	Complete water/sewer rate study and bring to Council for Prop 218 process consideration any rate increase requirements to fund the proposed WRF	Public Works, Finance, City Manager	Public Works/Finance	Council to consider authorizing the Prop. 218 process at its July 10, 2018 meeting.	Draft rate study complete, reviewed by three advisory committees and City Council.
e)	Complete and submit the State Revolving Fund loan application with the State Water Control Board and Water Infrastructure Finance and Innovation Act (WIFIA) loan application with the U.S. Environmental Protection Agency (EPA) for the WRF project to secure subsidized loan financing for the project. Review and consider other state and federal funding.	Public Works	Public Works	Staff will submit WIFIA application in July 2018. SRF loan application will be submitted following completion of the Prop. 218 process and EIR process.	Council authorized staff to apply for the WIFIA loan at its June 28, 2018 Special meeting.
f)	Complete the acquisition of the preferred site for the WRF project.	Public Works, Planning, City Attorney	Public Works	Will bring purchase agreement to Council in the Fall 2018.	MOU with property owner in place cannot complete property acquisition until after EIR Certification.
g)	Review and update the Utility Discount Program and develop and implement a communication plan to increase public awareness of the water and sewer rate subsidization program for low-income individuals and families.	Public Works, Finance	Public Works	Staff directed to bring the item back for another consideration in July or August 2018.	Council adopted resolution for the Utility Discount Program at its June 13, 2018 Special meeting.
h)	Hire and onboard new Program Manager for the WRF project.	City Manager, Public Works	City Manager	Council to review the Program Management Budget sometime in Fall 2018.	City contracted with Carollo Engineers as Program Manager in April 2018.

#### Objective #2: OneWater Review and Implementation

Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Bring to Council for consideration a "OneWater" plan for the City that considers all water resources – from storm water to groundwater to wastewater – as a single "water resource."	Public Works	Public Works	PWAB and Council to review the final plan in Summer/Fall 2018.	City Council reviewed OneWater Team water supply options and draft master plan for CIP projects.
b)	Engage business community and broader community in dialogue about water issues, including state water.	City Manager, Public Works, Tourism	Public Works	Will be an ongoing effort.	Water is part of broader outreach on the WRF project.

### Goal #3: Public Infrastructure and Facility Maintenance and Improvement

Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Inventory, evaluate and refresh existing programs for volunteer groups to assist in providing routine maintenance in the City, while soliciting and facilitating additional volunteer group support for routine maintenance and small capital projects.	Public Works, Harbor, City Manager, Recreation	Public Works	Adopt a Thing program approved by City Council.	Staff is implementing the program.
b)	Complete the approved RFQ process for a marine services facility (boatyard) and bring to Council for information and consideration of next steps prior to any decision on feasibility study.	Harbor, Planning, City Manager, Public Works	Harbor	Council consideration of financial feasibility Request for Proposal (RFP) in Fall 2018.	Staff and Harbor Advisory Committee developing financial feasibility RFP.
c)	Council review of "Adopt a Thing" policy and staff implementation of the policy and creation of the program.	Public Works, Harbor, Recreation, City Manager	Public Works	Program approved by City Council.	Staff implementing the program.

## City Council Goals and Objectives for 2018

Goal #:4 Land Use Plans and Zoning Policies Updates					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Complete the General Plan/Local Coastal Plan rewrite.	Planning, City Manager	Planning	Staff will bring draft plans to Council for formal consideration in September 2018.	Coastal Commission staff is reviewing an administrative draft of the document.
b)	Complete the zoning code update, which includes a review of the Short-term Vacation Rental Policy and Secondary Unit (more commonly known as ADU or "Granny Unit") Ordinance.	Planning, City Manager, City Attorney, Finance	Planning	Staff will bring entire proposed zoning code update to City Council in September 2018 (including the Secondary Unit ordinance). Vacation Rental ordinance will likely come forward to Council in May 2018.	The zoning code is broken into 5 modules. Module 1 is complete (i.e. reviewed by Planning Commission). Module 2 is being updated based on recent PC input. An administrative draft of module 3 is being reviewed by staff. Module 3 includes the vacation rental policy.

Goal #:5 Improved Communication and Miscellaneous Priorities					
Objective #1: Improve Community Outreach and Communications					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Conduct an assessment of the City's communication and outreach effectiveness.	All	City Manager	No anticipated discussion with City Council at this time.	Professional review of city's communication and outreach efforts would cost approximately \$20k - \$30K.
b)	Improve website, including adding Water Reclamation Facility updates on the front of the website.	All	City Manager	This will not require City Council review.	On-going effort by City staff, as time allows.
c)	Enhance accountability of goals, objectives, measurements, progress and completion with consistency, and communicate progress on Council's Strategic Goals and Objectives.	All	City Manager	Staff is bringing a status report of the 2018 Goals and Objectives to City Council at the July 10, 2018 Council meeting.	Staff is developing a public friendly Goals and Objectives document to place on the City website.
Objective #2: Miscellaneous Action Items					
Item #	Action Items	Departments Involved	Lead Department	Anticipated Council date/Completion	Current Status
a)	Create greater efficiencies and coordination with partners (community organizations)	City Manager, Recreation, Tourism, Public Works, Harbor	Recreation	Council to consider the Partnership Policy in Fall 2018.	Staff reviewing the Partnership Policy and related administrative policies.
b)	Implement Marijuana Ordinance.	All	City Manager	Council has already approved the ordinance.	The application period is now open. Staff will consider proposals in later Summer/early Fall 2018.