



CITY OF MORRO BAY CITY COUNCIL AGENDA

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

Regular Meeting – Tuesday, February 26, 2019 Veterans Memorial Hall - 6:00 P.M. 209 Surf St., Morro Bay, CA

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
RECOGNITION
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

PRESENTATIONS

- Morro Bay Chamber of Commerce Quarterly Report
- Friends of the Morro Bay Fire Department Scholarship Presentation

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.

Public comment is an opportunity for members of the public to provide input to the governing body. To increase the effectiveness of the Public Comment Period, the City respectfully requests the following guidelines and expectations be followed:

- Those desiring to speak are asked to complete a speaker slip, which are located at the entrance, and submit it to the City Clerk. However, speaker slips are not required to provide public comment.
- When recognized by the Mayor, please come forward to the podium to speak. Though not required, it is helpful if you state your name, city of residence and whether you represent a business or group. Unless otherwise established by the Mayor, comments are to be limited to three minutes.
- All remarks should 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.
- The Council in turn agrees to abide by its best practices of civility and civil discourse according to Resolution No. 07-19.

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 FEBRUARY 13, 2019, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-2 DISCUSSION OF AGENDA FOR THE C-MANC ANNUAL "WASHINGTON WEEK" MEETINGS AND WATER RECLAMATION FACILITY MEETINGS IN WASHINGTON, D.C.; (ADMINISTRATION/HARBOR)

RECOMMENDATION: Receive and file.

- A-3 APPROVAL OF TWO PUBLIC WORKS ADVISORY BOARD MEMBER REQUESTS FOR EXCUSED ABSENCES; (ADMINISTRATION)

RECOMMENDATION: Staff recommends the City Council consider the request submitted by Public Works Advisory Board (PWAB) Member, Steve Shively, for an excused absence from the March 2019 regular meeting due to a planned out of country vacation, and the request submitted by PWAB Member, Chris Erlendson, for an excused past absence from the October 2018 regular meeting.

- A-4 ADOPTION OF RESOLUTION NO. 14-19 AUTHORIZING SUBMISSION OF SB 1 STATE OF GOOD REPAIR GRANT APPLICATION TO FUND BUS STOP IMPROVEMENTS AT CITY PARK TRANSIT HUB; (PUBLIC WORKS)

RECOMMENDATION: City Council adopt Resolution No. 14-19 authorizing submission by the City Manager of an application to the SLOCOG for FY 19/20 State of Good Repair (SGR) program funds for bus stop improvements at the City Park transit hub.

- B. PUBLIC HEARINGS - None.

C. BUSINESS ITEMS

- C-1 RECEIVE AND DISCUSS THE JANUARY 2019 MONTHLY STATUS REPORT FOR THE WATER RECLAMATION FACILITY PROJECT; (PUBLIC WORKS)

RECOMMENDATION: City Council receive and discuss the status report for the Water Reclamation Facility (WRF) Project.

- C-2 REVIEW AND APPROVE MORRO BAY DESTINATION TOURISM STRATEGIC PLAN; (TOURISM)

RECOMMENDATION: City Council review and approve the Morro Bay Destination Tourism Strategic Plan and provide direction as appropriate.

- C-3 RECEIVE FISCAL YEAR 2018/19 MID-YEAR BUDGET PERFORMANCE AND STATUS REPORT – SIX MONTHS ENDING DECEMBER 31, 2018; ADOPT RESOLUTION NO. 15-19 AUTHORIZING STAFF TO PROCEED WITH RECOMMENDED BUDGET ADJUSTMENTS; AND RECEIVE THE FY 2018/19 CAPITAL IMPROVEMENT PLAN MID-YEAR UPDATE; (FINANCE)

RECOMMENDATION: Staff recommends that the City Council:

- A. Receive FY 2018/19 Mid-Year Budget Performance and Status Report and Authorize Budget Adjustments as Recommended in the attached Second Quarter Budget Performance Report;**
- B. Adopt Resolution No. 15-19 authorizing staff to proceed with the second-quarter budget adjustments.**
- C. Receive the FY 2018/19 Capital Improvement Plan Mid-Year Update**

C-4 APPROVAL OF ISSUANCE OF REQUEST FOR PROPOSALS FOR REDEVELOPMENT OF LEASE SITES 34W AND 35W-36W, ADJACENT TO 225 & 235 MAIN STREET, RESPECTIVELY; (HARBOR)

RECOMMENDATION: City Council provide input and authorize the release of a Request for Proposals for redevelopment of Lease Sites 34W and 35W-36W.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, March 12, 2019** at **5:30 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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AGENDA NO: A-2

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor & City Council

DATE: February 21, 2019

FROM: Scott Collins, City Manager
Eric Endersby, Harbor Director

SUBJECT: Discussion of Agenda for the C-MANC Annual “Washington Week” Meetings and Water Reclamation Facility Meeting in Washington, D.C.

RECOMMENDATION

Staff recommends the Council receive this report and provide any desired input on the elements herein.

ALTERNATIVES

Not applicable.

FISCAL IMPACT

As previously brought before the Council, the total costs for airfare, hotel, and monetary contribution to the Golden State Reception for the California Marine Affairs and Navigation Conference (C-MANC) “Washington Week” meetings are estimated at \$6,000-\$8,000 for the two-person delegation of the Mayor and Harbor Director, not including approximately \$2,000 in staff time meeting attendance, grant preparation, and travel/meeting logistics.

Staff are applying for a grant from the Central Coast Joint Cable Fisheries Liaison Committee (CCJCFLC) as this staff report is being written, which will be used for reimbursement of actual travel, attendance and associated costs of attendance borne by the Harbor Fund for the two-person delegation. Similar to last year, this year’s CCJCFLC grant application and award process is occurring likely after the Washington DC week is over, and therefore reimbursement, if a grant is approved, will occur in arrears of the expenditures. The City has been successful in obtaining a CCJCFLC grant for this trip for more than a decade, and staff are confident it will be funded again this year. If we are not successful in obtaining the grant, staff will return to Council for a budget adjustment as those funds are not currently budgeted.

In addition, Council approved a three-person delegation (City Manager, Public Works Director and Water Reclamation Facility Program Manager) for the trip for the purposes of supporting funding and permitting for the Water Reclamation Facility (WRF), with an anticipated fiscal impact of \$9,000-\$12,000 range. Those expenses will be charged to the water and sewer funds. This trip is a critical effort to making the WRF more affordable. Lower overall WRF costs to rate payers is the goal of the trip. The City is seeking a low-interest loan that would save rate payers approximately \$20 million

Prepared By: EE/RL

Dept Review: EE

City Manager Review: SC

City Attorney Review: CN

over the life of the program. The City is also applying for a grant of \$20 Million or 25-percent of the project, whichever is less, and another grant of \$1.5 million for drought resiliency projects.

BACKGROUND

C-MANC annually hosts “Washington Week” meetings, where representatives of California Ports and Harbors have the opportunity to remind Congress and various other agencies of the importance of dredging projects, commercial fishing and other coastal-related legislation in California and nationwide. In addition, C-MANC and our Washington D.C. trip are not only about dredging; we also meet with various legislators, regulators and other agencies to bring forth issues and matters of concern such as fisheries, ocean and coastal management and coastal governance. The City is a founding member of C-MANC, which was created in 1965/1966 when the Northern California Marine Affairs Conference and the California Navigation Conference (CNC) merged. Prior to that merger, San Luis Obispo County and the City were members of CNC. For the past 25+ years, the City has sent representatives to the “Washington Week” meetings. Attachment 1 to this report is last year’s C-MANC DC agenda.

On January 8, 2019, the City Council authorized the Mayor and Harbor Director as this year’s Morro Bay delegation. In addition, again this year the City Manager and Public Works Director will be traveling to Washington DC to continue pursuing Water Reclamation Facility (WRF) issues and funding, with the addition of the WRF Program Manager. This year’s C-MANC proceedings are March 4-6, and staff will be attending Morro Bay-specific meetings both before and after the official C-MANC proceedings in order to take full advantage of the time in Washington.

Despite accommodating approximately 400 recreational and 75 commercial fishing vessels, Coast Guard Station Morro Bay, a California Fish and Wildlife patrol vessel, Morro Bay Harbor Patrol, two ~100-foot commercial service vessels and a small marine construction firm, from a priority standpoint, Morro Bay is considered a small or “subsistence” harbor. In terms of commerce, although we do generate approximately \$8 Million in ex-vessel value out of 3.5 million tons in commercial fishing landings per year, we are quite low on the totem pole compared to powerhouses like Los Angeles/Long Beach and Oakland. Because of our relative isolation, however, “harbor of safe refuge” status, United States Coast Guard presence and relatively dangerous harbor entrance, Morro Bay’s rank in priority for funding is elevated above a “subsistence” harbor, and we have been successful in having our dredging needs met.

The City could not afford to dredge our harbor without the Corps, as annually the Corps spends approximately \$3 Million to dredge our entrance, and \$7 Million - \$8 Million every 6-8 years to dredge the remainder of our channels, and continued dredging of our Federally-authorized and funded harbor entrance and channels remains our top priority with C-MANC, our work with the Army Corps of Engineers (Corps) and Washington DC visits. That will ensure our harbor remains not only safe for passage, but fully navigable from a commerce and operational standpoint.

On average for the past five years the Corps’ dredge ship *Yaquina* has removed approximately 180,000 cubic yards of clean sand and gravel from our entrance and placed it in the EPA-approved Nearshore placement site south of the harbor for beach nourishment. In our most recent whole-harbor dredging cycle in 2017/2018, Ahtna Design-Build, Inc. removed 280,793 cubic yards of material at a cost of \$4,862,961 using “hydraulic” or pipeline-type equipment, and in 2009/2010, AIS Construction removed 573,969 cubic yards for \$8,167,145. Those dredged materials were primarily placed on the beach north of the Rock roughly opposite the high school, also an EPA-approved beach nourishment material placement site that in part helps ensure the dunes in north Morro Bay remain large and healthy.

This federal fiscal year (FY19) the Corps is funded in the President's budget, including a Congressional funding "plus-up," of \$2.94 Million to dredge Morro Bay with the *Yaquina*, tentatively due in late April to begin that project. In the FY20 federal budget, we requested of the Corps \$3.0 Million for annual harbor entrance dredging.

It is vitally important, therefore, for the City to maintain its relationships at all levels of the Corps' organization and with our legislators in Washington D.C. Our membership and involvement with C-MANC is one key to our and other California ports and harbors' voices being heard and needs being met.

DISCUSSION

In addition to the C-MANC organized meetings where all members generally attend *en masse*, we set-up separate Morro Bay-only meetings with key legislators and others, including the Corps, to discuss specific Morro Bay and Central Coast regional issues. Attachment 2 to this report is 2018's Morro Bay meetings agenda, and Attachment 3 is a draft to-date of this year's tentative Morro Bay agenda. Primary topics this year, for which we will be writing "leave-behind" white papers for our Congressional delegation, include:

Dredging. This year (FY19), Morro Bay received \$2.94 Million for the *Yaquina* to come this spring, and because of our whole-channel dredging in 2017/2018 Morro Bay is in relatively good shape at present. We must, however, stay attentive to our harbor's crucial and on-going needs and continue to press for adequate funding. Therefore, for FY20, we are requesting \$3.0 Million for annual *Yaquina* dredging. At this point, it looks like the details on Corps funding in the President's budget will come mid-March at best.

Our goal this year is to continue our message of the importance of Morro Bay dredging to our community, the region and state, and to ensure we maintain our important Corps relationships, including thanking those involved with securing our funding.

Fisheries. Refinancing of a \$45 Million federal loan to reduce West Coast commercial fishing capacity will again be a focus this year. That loan is being paid back by fees levied on groundfish quota harvests; and, thus, a refinance of that loan, with more favorable terms, will reduce a significant burden on the industry. In addition, an alternative to the current 100% human observers required in the groundfish quota fishery continues to be an impediment to participation in that sector.

Bureau of Ocean Energy Management (BOEM). As BOEM continues to execute the Federal leasing and permitting process for floating offshore wind production off our coast, we will be staying closely engaged, including meeting with BOEM Director Walter Cruickshank to convey Morro Bay's concerns, and what Morro Bay's roles, responsibilities and opportunities may be in the leasing and permitting processes. We will also be conveying the City's support of Castle Wind by way of the Community Benefits Agreement recently executed between the City and Castle Wind, and the Benefits Agreement recently executed by the Morro Bay and Port San Luis commercial fishermen's associations to address that industry's concerns.

United States Coast Guard (USCG). With the importance of the continued presence and operational effectiveness of Coast Guard Station Morro Bay, we will continue to convey support for the USCG's new building proposal we have been working on for several years, while also providing our Congressional delegation the City's dismay that our Coast Guard men and women were deprived of pay and financial support during the recent federal government shutdown, while still remaining on full active duty.

Water Reclamation Facility (WRF). The City is actively pursuing federal funding for the WRF program, from several funding agencies, to include the Environmental Protection Agency (EPA), Department of Interior (Bureau of Reclamation) and the Army Corps of Engineers. Therefore, it is important for the delegation to meet with administrators of the Federal low-interest loan and grant programs. Currently, the City has applied for EPA's Water Infrastructure Finance and Innovation Act (WIFIA) low-interest loan, that once secured, saves rate payers approximately \$20 million over the life of the program. The City is also applying to the Bureau of Reclamation for both the WaterSmart and Title XVI grants: Title XVI can award up to \$20 Million or 25-percent of the project, whichever is less; while the WaterSmart Program can provide up to \$1.5 million for drought resiliency projects. Finally, the City will be discussing grant opportunities and permitting requirements with the Army Corps of Engineers.

Legislators. Each year we meet personally with our Congressional delegation, and/or their key staffers. Those meetings typically are both of a general nature and to focus on specific projects, issues and recent news and happenings of a noteworthy nature. Those personal meetings are important and do make a difference in matters and funding important to Morro Bay. They can also serve to identify other potential funding sources for the WRF program.

In addition to Senators Feinstein and Harris and Congressman Carbajal, we will continue to forge relationships with Congressman Huffman (CA-2), Congresswoman Pingree (ME-1), Congresswoman Brownley (CA-26), and Congressman Panetta (CA-20). Finally, this year we are attempting to meet with Congressmen Keating (MA-9) and Langevin (RI-2) for their east coast perspective on the offshore wind farm projects affecting their constituencies.

CONCLUSION

It is important for the California C-MANC delegation, as well as for the City, to maintain its many relationships in Washington D.C., in addition to bringing a unified voice of the importance of all of California's ports and harbors as an integrated "system" to the national economy and security. As evidenced by our recent Corps funding "plus-up" and other events, such as national and international recognition of our groundbreaking Community Quota Fund and invitation to apply for a coveted WIFIA loan, Morro Bay's concerns and voice do matter and do make a difference in legislation, funding and other issues important to our community. It is equally important for the City delegation to meet with relevant agency representatives to help secure financing, grants and permitting for the WRF program.

Included with this report as Attachment 4 are C-MANC's current Legislative Policy Statements that all C-MANC members bring with a unified voice to advocate for California's collective concerns, issues and priorities.

ATTACHMENTS

1. 2018 C-MANC Washington DC agenda.
2. 2018 City of Morro Bay Washington DC meetings agenda
3. 2019 Draft City of Morro Bay Washington DC meetings agenda (as of 2/13/19)
4. Current C-MANC Legislative Policy Statements
5. Proposed WRF related meetings

CALIFORNIA MARINE AFFAIRS AND NAVIGATION CONFERENCE
March 6 – 7, 2018



Important Phone Numbers
Jim Haussener (925) 828-6215 (Text)
Julie Minerva Cell (202) 361-5564
Mimma Faudale (202) 822-8300

PICTURE ID REQUIRED FOR AGENCY MEETINGS

Tuesday, March 6

8:00 am - 11:30 am	Morning Session – Continental Breakfast Provided 660 North Capitol Street, NW Please use NACo/NLC conference center entrance
8:30 am	Washington Update and Overview of Agenda Jim Haussener, CMANC & Julie Minerva, Carpi & Clay
9:00 am	Guest Speaker: Jim Havard, Chief, Watershed Branch EPA Office of Water
9:30 am	Guest Speaker: Helen Brohl, Executive Director US Committee on the Maritime Transportation System
10:00 am	Guest Speaker: Bradley Watson, Acting Executive Director Coastal States Organization
10:30 am	Guest Speaker: Susan Monteverde, Vice President of Government Relations, American Association of Port Authorities
11:00 am	Guest Speaker: Kerry Thomas, Chief, Transportation Infrastructure Security Branch, FEMA Cynthia Simmons-Steele, Supervisory Program Analyst, FEMA Kevin Groves, Program Analyst, FEMA
11:35 am	Travel from Morning Session to Corps HQ
12:00 pm	Arrive at Corps HQ
12:30 pm – 2:30 pm	Lunch discussion with the US Army Corps of Engineers Bradd Schwichtenberg SPD RIT Deputy Chief; Julia Harvey SPD RIT Sr. PM; Charles Wilson SPD RIT Sr. Planner; Geoff Chatfield SPD RIT Endowed Chair; Dr. Larry McCallister, SES Chief of Engineering and Construction; Eddie Belk Chief of Programs, SES; James Dalton, SES Director of Civil Works, Sheryl Carrubba HQ Coastal Navigation Program Manager; Robyn Colosimo OASA CW (tentative); Thomas Smith, SES

(tentative) Chief of Operations and Regulatory, Tiffany Burroughs
 (tentative) Chief of Navigation Branch
 441 G Street, NW
 (202) 761-1367

- 2:15 pm **Joe Bentz, Deputy Assistant Secretary of the Army for Civil Works
Office of the Assistant Secretary of the Army
Corps HQ**
- 2:30 pm Group 1: Travel from Corps HQ to Longworth House Office Building
- 2:45 pm Group 2: Travel from Corps HQ to OMB
- 3:00 pm **Group 1: Joe Sheehy, Legislative Director
Office of Representative Grace F. Napolitano (CA-32)
1610 Longworth House Office Building
POC: Joseph Ciccone
(202) 225-5256, joseph.ciccone@mail.house.gov**
- 3:45 pm Group 2: Arrive at OMB for security clearance
- 4:30 pm **Group 2: James Herz, Associate Director, Natural Resources,
Energy, and Science, Office of Management and Budget
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, Room 248
POC: Charles Dankert
(202) 395-3120, Charles.M.Dankert@omb.eop.gov
*** Photo ID and pre-clearance required***
- 4:00 pm Group 1: Travel from House to Senate
- 4:30 pm **Group 1: Charles Carroll, Legislative Assistant
Office of Senator Budget Committee Chairman Mike Enzi (WY)
379A Russell Senate Office Building
(202) 224-3424, charles_carroll@enzi.senate.gov**
- 5:00 pm Group 1: Travel from Senate to Rayburn House Office Building
- 5:00 pm Group 2: Travel from OMB to Rayburn House Office Building
- 5:30 pm – 7:30 pm **CMANC Golden State Reception
2253 Rayburn House Office Building**

Wednesday, March 7

- 8:30 am - 11:00 am **Coffee with Congress - Continental Breakfast Provided
2253 Rayburn House Office Building**
- 9:30 am **Guest Speaker: TBD**
- 10:00 am **Guest Speaker: Trent Bauserman, Senior Policy Advisor
Office of the House Minority Whip Steny Hoyer**

- 10:30 am **Guest Speaker: Representative John Garamendi (CA-3)**
- 11:00 am Group 1: Travel from House to Senate
- 11:30 am **Group 1: Alexis Segal, Legislative Assistant
Office of Senator Dianne Feinstein**
331 Hart Senate Office Building
(202) 224-3831, Alexis_Segal@feinstein.senate.gov
- 12:00 pm **Group 2: Representative Julia Brownley (CA-26)**
1019 Longworth House Office Building
POC: Katie Gillen
(202) 225-5811, katie.gillen@mail.house.gov
- 1:00 pm **Group 1: Monica Pham, Legislative Counsel
Office of Senator Kamala D. Harris**
112 Hart Senate Office Building
(202) 224-3553, monica_pham@harris.senate.gov
- 2:00 pm **Group 2: Jessica Powell, Legislative Assistant, Office of House
Budget Committee Chairman Steve Womack (AR-3)**
2412 Rayburn House Office Building
(202) 225-4301, Jessica.Powell@mail.house.gov
- 2:40 pm Group 1: Arrive at DOT
- 3:00 pm **Group 1: Robert Mariner, Deputy Director
Office of Infrastructure Finance and Innovation
U.S. Department of Transportation**
1200 New Jersey Ave, SE
Media Center – Room 4
POC: Sean Poole
(202) 366-3132, sean.poole@dot.gov
***Photo ID required*
- 3:00 pm **Group 2: Robert Edmonson, Chief of Staff
Office of Democratic Leader Nancy Pelosi**
233 Cannon House Office Building
(202) 225-0100, Robert.Edmonson@mail.house.gov
- 3:45 pm **Group 2: Dustin H. Davidson, Legislative Assistant
Office of Water Resources & Environment subcommittee
Chairman Garret Graves (LA-06)**
430 Cannon House Office Building
(202) 225-3901, Dustin.Davidson@mail.house.gov

Wednesday, March 7

- 8:30 am - **Coffee with Congress - Continental Breakfast Provided**
11:00 am 2253 Rayburn House Office Building
9:30 am **Guest Speaker: TBD**
10:00 am **Guest Speaker: Trent Bauserman, Senior Policy Advisor**
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1019 Longworth House Office Building
POC: Katie Gillen
(202) 225-5811, katie.gillen@mail.house.gov
- 1:00 pm **Group 1: Monica Pham, Legislative Counsel**
Office of Senator Kamala D. Harris
112 Hart Senate Office Building
(202) 224-3553, monica_pham@harris.senate.gov
- 2:00 pm **Group 2: Jessica Powell, Legislative Assistant, Office of House**
Budget Committee Chairman Steve Womack (AR-3)
2412 Rayburn House Office Building
(202) 225-4301, Jessica.Powell@mail.house.gov
- 2:40 pm Group 1: Arrive at DOT
- 3:00 pm **Group 1: Robert Mariner, Deputy Director**
Office of Infrastructure Finance and Innovation
U.S. Department of Transportation
1200 New Jersey Ave, SE
Media Center – Room 4
POC: Sean Poole
(202) 366-3132, sean.poole@dot.gov
***Photo ID required*
- 3:00 pm **Group 2: Robert Edmonson, Chief of Staff**
Office of Democratic Leader Nancy Pelosi
233 Cannon House Office Building
(202) 225-0100, Robert.Edmonson@mail.house.gov
- 3:45 pm **Group 2: Dustin H. Davidson, Legislative Assistant**
Office of Water Resources & Environment subcommittee
Chairman Garret Graves (LA-06)
430 Cannon House Office Building
(202) 225-3901, Dustin.Davidson@mail.house.gov

**City of Morro Bay
Washington Agenda
March 5 – 7, 2018**

Monday, March 5th

- 9:45 am Metro to NOAA
Red Line in the Direction of Glenmont: Union Station to Silver Spring
Approximately 20 minute metro ride, 8 minute walk to NOAA offices
- 10:45 am Arrive at NOAA
- 11:00 am **John Armor, Director**
NOAA's Office of National Marine Sanctuaries
1305 East-West Highway
Silver Spring, MD 20910
POC: Rosemarie McKeeby
(240) 533-0691, rosemarie.mckeeby@noaa.gov
Upon arrival, please call Rosemarie (202) 807-9468. Valid CA driver's license required
- 11:30 am Depart NOAA to Corps HQ
Red Line in the Direction of Shady Grove: Silver Spring to Judiciary Square, use F Street exit, walk around building Museum to the GAO Building
- 12:15 pm Arrive at Corps HQ
- 12:30 pm **Bradd Schwichtenberg, Civil Deputy SPD RIT US Army Corps of Engineers**
441 G Street, NW
(202) 761-1367, Bradd.R.Schwichtenberg@usace.army.mil
Carpi & Clay Staff: Julie Minerva
- 1:00 pm Travel from Corps HQ to lunch
- 1:15 pm TENT Lunch window
- 3:00 pm **Alexis Segal, Legislative Assistant, Office of Senator Dianne Feinstein**
331 Hart Senate Office Building
(202) 224-3831, Alexis_Segal@feinstein.senate.gov
Note: this will be a 15 minute meeting
Carpi & Clay Staff: Julie Minerva
- TBD **CMANC Welcome reception hosted by the Hanson's**
Details to be provided by CMANC

Tuesday, March 6th

10:30 am **Representative Salud Carbajal (CA-24)**
212 Cannon House Office Building
POC: Erin Sandlin
(202) 225-3601, Erin.Sandlin@mail.house.gov
Capri & Clay Staff: Eric Swedlund

5:30 pm – 7:30 pm **CMANC Golden State Reception**
2253 Rayburn House Office Building

Wednesday, March 7th

9:30 am **Kimber Colton, Legislative Counsel**
Office of Representative Chellie Pingree (ME-01)
2162 Rayburn House Office Building
(202) 225-6116, kimber.colton@mail.house.gov
POC: Karen Sudbay, karen.sudbay@mail.house.gov

Thursday, March 8th

2:00 pm **Walter D. Cruickshank, PhD, Acting Director**
Bureau of Ocean Energy Management [BOEM]
Department of the Interior
1849 C Street, NW, Washington
POC: Karla Cook & Emily Lindow
*Upon arrival, please call Karla at (202) 208-6300 and proceed to Room 5212.
Escort will be provided from Room 5212. Valid CA driver's license required*

3:30 pm **Christine Sur, Legislative Assistant**
Office of Representative Jared Huffman (CA-02)
Ranking Member, Subcommittee on Water, Power, and Oceans
1406 Longworth House Office Building
(202) 225-5161, Christine.sur@mail.house.gov

**City of Morro Bay
Washington Agenda
March 4 & 7, 2019**

Monday, March 4th

10:00 am **Christine Sur, Legislative Assistant, Office of Representative Jared Huffman**
1527 Longworth House Office Building
(202) 225-5161, christine.sur@mail.house.gov

1:00 pm **Kimber Colton, Legislative Counsel, Office of Representative Chellie Pingree**
2162 Rayburn House Office Building
(202) 225-6116, kimber.colton@mail.house.gov

Thursday, March 7th

9:30 am **Bradd Schwichtenberg, Civil Deputy SPD RIT US Army Corps of Engineers**
441 G Street, NW
(202) 761-1367, Bradd.R.Schwichtenberg@usace.army.mil

11:00 am **Representative Salud Carbajal (CA-24)**
1431 Longworth House Office Building
POC: Erin Sandlin (202) 225-3601, erin.sandlin@mail.house.gov

1:00 pm **Alexis Segal, Legislative Assistant, Office of Senator Dianne Feinstein**
331 Hart Senate Office Building
(202) 224-3831, Alexis_Segal@feinstein.senate.gov

3:30 pm Travel from TBD to BOEM

4:00 pm **Walter D. Cruickshank, PhD, Director**
Bureau of Ocean Energy Management [BOEM], Department of the Interior
1849 C Street, NW, Washington
POC: Karla Cook (202) 208-6300
*Upon arrival, please call Karla at (202) 208-6300 and proceed to Room 5212.
Escort will be provided from Room 5212. Valid CA driver's license required*

Pending:

Panetta
Brownley
Keating
Harris

Langevin - Langevin's office said that they are only taking constituent meetings at this time, but that you are welcome to drop off materials.

CALIFORNIA MARINE AFFAIRS & NAVIGATION CONFERENCE Legislative Policy Statement

The California Marine Affairs and Navigation Conference (C-MANC) endeavors to enhance the knowledge and understanding of local, regional, State and Federal elected and appointed officials, as well as administration officials, regarding the value and public benefits of California's ports and harbors. It is the policy of C-MANC to support and to encourage its individual members to support policy, legislation and regulations that recognize the value of California's interdependent system of ports and harbors.

ECONOMIC BENEFITS

Recognize the economic contributions, including job creation, of ports and harbors to the local, regional, California and federal economies, through maritime trade, maritime industries, commercial fishing and recreational boating, by promoting the development, operation, maintenance, and safety of California's ports and harbors.

FULL MISSION FUNDING

Provide full funding for performance of the traditional U.S. Army, Corps of Engineers' Civil Works Mission, without any diversion of funds or capability from that Mission.

HARBOR MAINTENANCE TRUST FUND

Support full utilization of the Harbor Maintenance Tax (HMT) for its intended purpose: maintenance of federal navigation channels; disposal sites; and breakwaters/jetties/groins. Oppose appropriations or diversion of funds from the Harbor Maintenance Trust Fund (HMTF) for purposes other than port and harbor projects as specified. Support striving to achieve equity among contributors by providing some relationship between the funds returned to a port and contributions made by cargo transiting that port and by returning a minimum of 30% of the receipts to projects within the state from which they were generated. Further, oppose the use of HMT funds for landside projects or new in-water projects (i.e. Construction-General, widening or deepening).

PROJECT AUTHORIZATION CYCLE

Maintain the two-year cycle for the Water Resources Development Act (WRDA).

VALUE ENGINEERING

Using Value Engineering, enhance the Corps of Engineers Congressional authorized operation and maintenance navigation program to do all necessary maintenance in a timely and efficient manner.

DREDGED MATERIAL MANAGEMENT

Support the permanent designation, using scientifically defensible regulatory standards, of open-ocean, in-bay, and upland placement / re-use sites, as well as the use of beach re-nourishment, for the management of dredged materials. Support the strategic placement of "clean" sediment back into the water column as beneficial by emphasizing the long-term benefits related to the migration of aquatically disposed sediments onto aquatic fringe wetlands relative to any short-term impacts to small portions of the bay or ocean's benthic habitat.

Support beneficial reuse of dredged material, however, our primary mission is for the operation and maintenance of California navigation projects. Any additional cost, including transportation or rehandling associated in the beneficial reuse of dredged

Legislative Policy Statement

material must not be borne by ports, harbors or the Harbor Maintenance Trust Fund.

DREDGED MATERIAL TESTING

Support the use of Tier I testing protocols when and where numerous tests have taken place in the past and there has not been a change in conditions that would warrant additional scrutiny.

For maintenance dredging projects there should be a nexus between the requirements for testing of post dredge surface(s) and the dredging taking place. Maintenance projects are returning the post dredge channel to a "native" condition and the material left in place is not being discharged into an open water environment to impact other areas.

OCEAN RESOURCES

Support an adaptive and flexible approach to management as the oceans and coasts are dynamic areas. Static rules and policies are inherently the wrong approach in guiding the public's use of its oceans and coasts.

Support the conservation of the Nation's ocean resources through Congressionally established marine sanctuaries, without granting to the sanctuaries, or their managers, the authority to: (1) expand sanctuary boundaries; (2) reduce the ability to transport dredged material to designated deposition sites or add obstacles to the existing rigorous state and federal regulatory review process; (3) restrict vessel traffic without industry support; (4) be involved in the regulation of fisheries or establish reserves or "no-take zones" or extend their fishery management authority; (5) restrict the ability of ports and harbors to perform general maintenance, or construct improvements, required for operations. Additionally the sanctuary advisory councils should be strengthened and the sanctuary program needs to be accountable to the communities that it neighbors.

Support a federal National Ocean Policy that is inclusive, non-regulatory and transparent.

Oppose spatial restrictions on use of the ocean and coastal zone unless there has been a full public and transparent process that addresses the potential impact to all uses and users in the immediate and adjacent areas.

CLIMATE CHANGE

Support programs and guidelines that: (1) Provides funding for all ports and harbors to perform assessments of potential risks due to sea level rise. (2) Do not require mitigation of unavoidable coastal resource impacts due to the unique nature of ports and harbors. (3) Should when necessary, facilitate the ability of ports and harbors to adapt to Sea Level Rise through construction. (4) Does not impose "no future sea wall" or "no extension of the life of the structure" or "no rock slope protection" conditions at ports and harbors. (5) Continues to acknowledge and provide protections for the unique nature of California's ports and small craft harbors and their functional needs such as maintenance dredging of facilities, maintenance dredging of access channels, permitted locations for placement of dredge materials, and protection of coastal dependent industrial and other water-dependent zoning.

CALIFORNIA MARINE AFFAIRS & NAVIGATION CONFERENCE
Legislative Policy Statement

REGULATORY COORDINATION

Support coordinated permitting and environmental review processes, and eliminate duplication of State and Federal regulations.

MULTIPLE PROJECT MITIGATION

Support mitigation banking and other ecosystem programs as an effective regional environmental management tool.

ENVIRONMENTAL BALANCE

Support those programs that utilize an ecosystem approach to management that recognizes human needs, such as the inherent needs of ports and harbors, including commercial fishing, recreational boating, maintenance, and public trust doctrine mandates. Such an approach will be continually evolving and adaptive to new information and societal tradeoffs.

Support those programs that provide a balanced consideration of environmental impacts and public benefits of port and harbor projects, especially when avoidance of minimal short-term impacts to one environmental compartment (i.e. small portions of benthic habitat) are promoted by resource agencies over long-term significant benefits to other environmental compartments (i.e. wetlands).

TOTAL MAXIMUM DAILY LOAD (TMDL)

Support proposals that promote a federal and state sharing in the funding formula to pay for implementation of Total Maximum Daily Load and other storm water requirements and development of attainable, equitable and practical water quality regulations based on science and comprehensive analyses of the cost to comply.

TRANSPORTATION

Supports the development and funding of an intermodal National Freight Policy to stimulate trade growth throughout the nation by incorporating all modes of goods movements for imported and exported cargo from border to shelf. The inclusion of ports as part of all goods movement programs ensures that the mechanism that accounts for the majority of international trade is included in all transportation investment considerations. The development of a National Freight Policy ensures that Federal investments in goods movement promote the most efficient and effective methods for enhancing competitive trade – increasing throughput, managing maintenance dredging cost increases, building capacity and obtaining best-value-for-dollar. This National Freight Policy should also recognize the value of interdependent systems of ports and harbors that manage various modes of waterborne trade and their connections to onshore transportation networks, such as the network in California.

HARBORS OF REFUGE

Support the development and maintenance of harbors of refuge and critical harbors of refuge.

Legislative Policy Statement

WORKING WATERFRONTS

Support the need to preserve land areas for traditional maritime uses; public access should be increased where feasible; coastal communities should be enhanced and fully engaged as co-equal partners, and working-waterfronts and water-dependent uses need to be valued.

MARITIME AFFAIRS OMBUDSMAN

Support the designate a Maritime Affairs Ombudsman within the California Administration.

STATE INFRASTRUCTURE BANK

Support funding for the California Maritime Infrastructure Bank.

STATE FINANCIAL SUPPORT

Support the State of California in providing funding, or create funding mechanisms, for use in developing, maintaining and increasing efficiencies in and the competitiveness of California's ports and harbors, including funds to use as the local sponsor's share of a federally authorized project.

REVENUE RETENTION

Support compliance with the California Constitution as it relates to the retention of tideland revenues, as well as the return of local user fees, locally collected property taxes, and similar funds to the California ports and harbors of origin.

STATE REVENUE DIVERSION

Support full transfer of all boater's gas taxes collected in the Motor Vehicle Fuel Account to the Harbors and Watercraft Revolving Fund (Division of Boating and Waterways), and use those monies exclusively for marine and boating facility development.

OTHER

Any other legislative policies adopted by the Board of Directors.

In pursuit of this Legislative Policy, C-MANC resolves to coordinate its efforts and work in cooperation, whenever possible, with all other organizations whose interest is in promoting the benefits of California's ports and harbors.

rev. 20160919



February 14, 2019

Who:

City of Morro Bay
Mike Miller

When:

Monday, March 4 – 9am (if on House side) or after 1:45pm
Tuesday, March 5 – All day
Wednesday, March 6 – All day
Thursday, March 7 – as needed

Purpose:

Congressional meetings

The Mayor and City staff wish to brief you on the City of Morro Bay's Water Reclamation Facility Project. This project replaces the old water treatment plant and will also provide the City with a locally sustainable water supply. The City was selected by EPA to apply for WIFIA funding in the program's first round.

Agency meetings

The Mayor and City staff wish to brief you on the City of Morro Bay's Water Reclamation Facility Project. This project replaces the old water treatment plant and will also provide the City with a locally sustainable water supply. The City was selected by EPA to apply for WIFIA funding in the program's first round.

BOEM meeting only – The City wishes to discuss offshore wind energy opportunities. This meeting may be coordinated with/led by the CMANC portion of the City's trip to Washington, D.C.

Attending:

- Mayor John Headding (when available)
- City Manager Scott Collins
- City Public Works Director Rob Livick
- WRF Program Manager Eric Casares
- Mike Miller, The Ferguson Group

Requested Appointments:

Senate Members

- Sen. Kamala Harris, water resources staff
- Sen. Dianne Feinstein, water resources staff

House Members

- Rep. Salud Carbajal and water resources staff

- Minority Leader Kevin McCarthy and water resources staff

Committee staff

None at this time

Agencies

Department of the Interior/Bureau of Reclamation

- Commissioner Brenda Burman

Department of Agriculture/Rural Utilities Service (RUS)

- RUS Administrator OR Acting Administrator
- RUS staff

Corps of Engineers

- Bradd Schwichtenberg

US Environmental Protection Agency

- Arnita Hannon (Intergovernmental)
- Andrew Sawyers, Director, Office of Wastewater Management
- Sheila Frace, Deputy Director, Office of Wastewater Management
- Kevin McDonald, WIFIA program

Bureau of Ocean Energy Management

- Connie Gillette (Chief, Public Affairs) – Offshore wind energy (wind farms)

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AGENDA NO: A-3
 MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council **DATE:** February 20, 2019
FROM: Dana Swanson, City Clerk
SUBJECT: Approval of Two Public Works Advisory Board Members' Request for Excused Absences

RECOMMENDATION

Staff recommends the City Council consider the request submitted by Public Works Advisory Board (PWAB) Member, Steve Shively, for an excused absence from the March 2019 regular meeting due to a planned out of country vacation, and the request submitted by PWAB Member, Chris Erlendson, for an excused past absence from the October 2018 regular meeting.

ALTERNATIVES

The Council may choose not to excuse either Mr. Shively or Mr. Erlendson's absences and direct staff to begin recruitment to fill the resulting vacancy(ies).

BACKGROUND/DISCUSSION

In November 2016, the Council adopted Resolution No. 74-16 amending the By-Laws for all standing advisory bodies to establish a policy regarding absences. That policy, which is included in the current Advisory Bodies Handbook and By-Laws, states:

"Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting."

Staff received a request from PWAB member, Steve Shively, for an excused absence from the March regular PWAB meeting due to an out of country vacation. Mr. Shively previously missed two meetings in April and August of 2018 so without the formal consent of the City Council, a third unexcused absence would constitute absence from twenty-five percent of the regular meetings during a 12-month period resulting in his voluntary withdrawal from the Board. Mr. Shively's current term ends January 31, 2020.

During the recent review of advisory board attendance, staff found Mr. Erlendson had missed three meetings in a 12-month period due to business conflicts. While he appropriately notified staff prior to those absences, he was not aware of the need to notify the Council and formally request an excused absence prior to the third missed meeting in October 2018. Staff acknowledges its responsibility to better track absences and communicate with advisory board members before these issues arise. Staff has also improved training materials and procedures to educate advisory board members about Council expectations in general, and specifically regarding regular attendance at meetings. In this case, staff recommends the Council consider Mr. Erlendson's request for an

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

excused absence from the October 2018 meeting so that he may continue serving on the PWAB. Mr. Erlendson's term is scheduled to end January 31, 2021.

CONCLUSION

So that both gentlemen may continue to serve out their terms, and pursuant to reasonable requests, staff recommends the Council approve Mr. Shively's request for an excused absence from the March 2019 regular meeting, as well as Mr. Erlendson's request for an excused absence from the October 2018 regular meeting.

ATTACHMENTS

1. Request for Excused Absence submitted by Mr. Shively
2. Request for Excused Absence submitted by Mr. Erlendson
3. Link to [Advisory Bodies Handbook and By-Laws](#)

Dana Swanson

From: Steve Shively
Sent: Thursday, January 31, 2019 10:09 AM
To: Dana Swanson
Cc: Janeen Burlingame
Subject: Fwd: Absence from PWAB Meeting

Hi Dana,

Please let this email serve as my formal request to have the City Council excuse my absence for the March, 2019 PWAB meeting. I will be out of country on vacation from March 16th thru April 6th.

Last year I had missed two meetings. One was in April and was the result of a month long cruise to the South Pacific. I honestly did not realize I needed to report the absence to anyone except staff.

The other missed meeting was in August and was merely a result of a Senior Moment. I forgot about the meeting entirely. Hopefully that explains the absences.

Thanks

Stephen Shively P.E.

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Dana Swanson

From: Janeen Burlingame
Sent: Wednesday, February 20, 2019 3:43 PM
To: Dana Swanson
Subject: FW: Request for Council to Excuse PWAB Absences

FYI - Janeen

From: Chris Erendson <cerlendson@morrobayca.gov>
Sent: Wednesday, February 20, 2019 3:24 PM
To: Janeen Burlingame <jburlingame@morrobayca.gov>
Subject: Re: Request for Council to Excuse PWAB Absences

What is needed?

I am requesting approved excused absences from PWAB for the following dates as I was out of town on business.

3/21/18

5/16/18

10/17/18

Sincerely,
Christian Erendson

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AGENDA NO: A-4

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council DATE: February 14, 2019

FROM: Janeen Burlingame, Management Analyst

SUBJECT: Adoption of Resolution No. 14-19 Authorizing Submission of SB 1 State of Good Repair Grant Application to Fund Bus Stop Improvements at City Park Transit Hub

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 14-19 authorizing submission by the City Manager of an application to the SLOCOG for FY19/20 State of Good Repair (SGR) program funds for bus stop improvements at the City Park transit hub.

FISCAL IMPACT

There is no fiscal impact to the City's general fund as the cost for the bus stop improvements at the City Park transit hub would be funded with SB 1 SGR, Rural Transit Fund ("RTF") grant and City Transportation Development Act (TDA) funds. Should the City not be awarded a SGR grant, or a FY20/21 cycle RTF grant, any planned improvements will be on hold until grant funding can be secured to fund the project.

SUMMARY

The SGR program resulted from the passage of SB 1, providing approximately \$105 million annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects. The SGR program benefits the public by providing public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of their agency's transportation infrastructure, and in turn improve transportation services.

The SGR program is funded from a portion of a new Transportation Improvement Fee (TIF) on vehicle registrations due on or after January 1, 2018. A portion of this fee will be transferred to the State Controller's Office (SCO) for the SGR program. In collaboration with the SCO, Caltrans is tasked with the management and administration of the SGR program. These funds will be allocated under the State Transit Assistance (STA) program formula to eligible agencies pursuant to Public Utilities Code (PUC) section 99312.1.

The SGR program provides capital funding to transit operators to maintain the public transit system in a state of good repair. Each regional agency and transit operator is entitled to a portion of SGR funds identified by a statewide formula. The FY19/20 regional discretionary SGR funds available for allocation by the San Luis Obispo Council of Governments (SLOCOG) is \$378,625, and the City is an eligible recipient to apply for these competitive funds.

DISCUSSION

The City Park Transit Hub is served by the City's local Morro Bay Transit program (which includes the year round deviated fixed route and seasonal Trolley services), as well as the San

Prepared By: J Burlingame

Dept Review: _____

City Manager Review: SC

City Attorney Review: CN

Luis Obispo Regional Transit Authority (RTA) and San Luis Coastal Unified School District (SLCUSD). The current transit stop location and passenger amenities have operational and design deficiencies the City would like to improve.

Staff has been working with a transportation consultant to conduct a focused study of the transit hub site and develop potential improvements for consideration related to pull in/pull out of transit vehicles, replacing existing shelter to address deficiencies, and identifying locations for other amenities such as benches and bike racks.

The consultant has noted that while the existing stop is attractive and functions reasonably well, there are several deficiencies that could be addressed in an improved Transit Hub:

- The current position and design of the shelter restricts the ability of passengers waiting in the shelter to have advance notice of arriving buses, as well as the ability of drivers to have advance notice if passengers are waiting for the bus.
- Passenger seating capacity is inadequate, both inside and outside.
- There is only one location with adequate (8 feet) sidewalk width to load/unload wheelchairs.
- There is no opportunity for real time traveler information displays.
- Lighting can be enhanced.
- Located on a low-volume street with trees blocking the view from busy Morro Bay Boulevard, the existing site does not provide good visibility of the transit services to non-transit riders so as to alert the non-transit riders to the available service.
- The current location requires bus routes to circle the block to serve the stop.
- Existing site could be enhanced with installation of new benches, bike racks, and bike tool station.

At the end of January 2019, the City received a draft of the Transit Hub Study for review. City staff forwarded the draft plan to the RTA and have met with the City Engineer and Recreation Services Manager to discuss the various options developed by the consultant (see Attachment 1). What resulted from the discussion was an alternative layout (to one of the options presented) being developed (see Attachment 2). Comments from RTA and City staff will be forwarded to the consultant to address in the final report that will be brought to the City Council for approval of the preferred design concept.

Due to timing issues, applications for the SGR discretionary funds are due prior to the final completion of the Transit Hub Study. However, staff wanted to take advantage of the SGR grant funding cycle to apply for bus stop improvements at the City Park transit hub that, if awarded, would provide some of the initial funding to go through any necessary permitting process, and develop plans and specifications for a Request for Proposals.

The City intends to submit an application for the SGR FY 19/20 cycle for improvements to vehicle pull in/pull out, wheelchair loading/unloading area, construction of a new passenger shelter, and installation of new benches, bike racks, and bike tool station.

The estimated project cost is \$489,860, of which \$378,625 will be requested from the SGC FY19/20 funding cycle, \$41,601 will come from the City's TDA Local Transportation Fund allocation, and the remaining \$153,679 will be sought for from the RTF FY20/21 grant cycle (applications due February 2020).

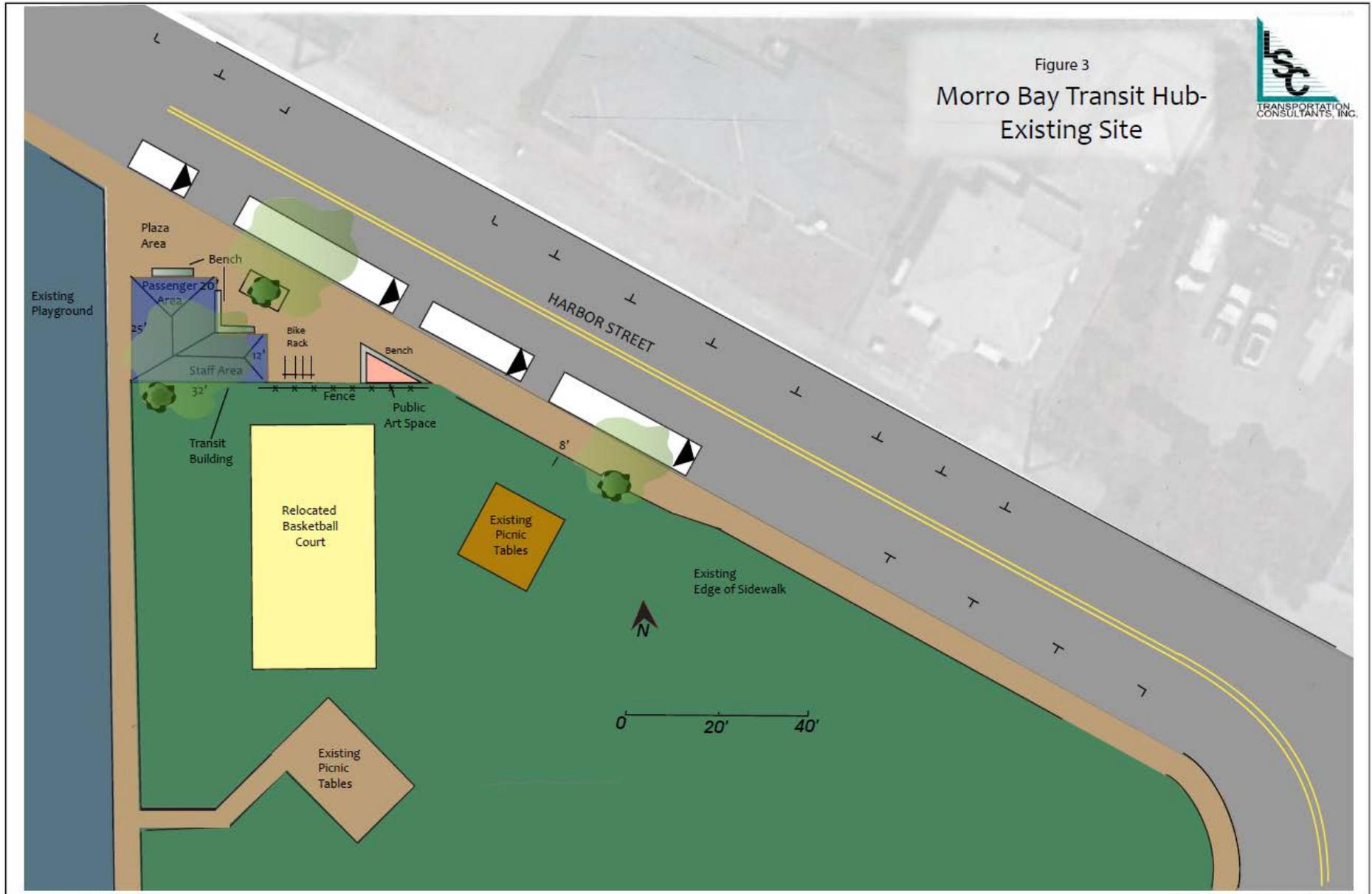
CONCLUSION

Staff recommends the City Council adopt Resolution No. 14-19.

ATTACHMENTS

1. Attachment 1 – Transit Hub Study Design Options
2. Attachment 2 – Transit Hub Study Alternative Layout
3. Attachment 3 - Resolution No. 14-19

Attachment 1



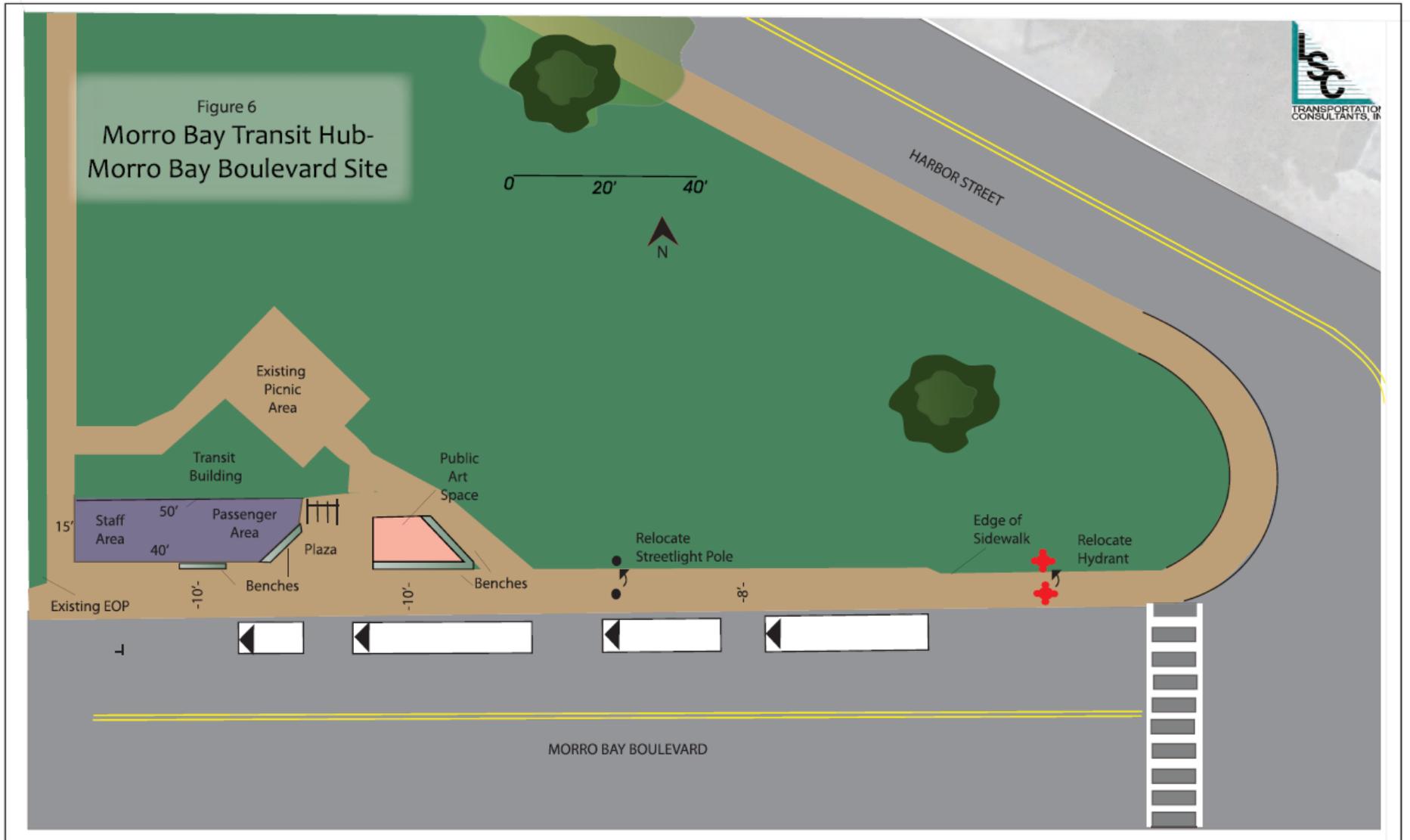
Attachment 1



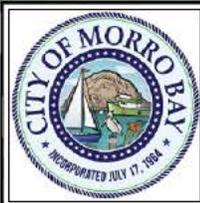
Figure 5
Morro Bay Transit Hub-
Eastern Site



Attachment 1



Attachment 2



PROJECT TITLE:

**Morro Bay Translt Hub Study
Alternative Layout Exhibit**

SHEET TITLE:

734 Harbor Avenue
Morro Bay, CA 93442

DRAWN BY:	P. Newman
APPROVED BY:	RJ. Mick
SCALE:	1" = 300' 0"
DATE:	2/8/2018
PLAN FILE NO.:	
SHEET NO.:	1 of 1

RESOLUTION NO. 14-19

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING SUBMISSION OF APPLICATION TO THE SB 1
STATE OF GOOD REPAIR (SGR) GRANT PROGRAM**

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

WHEREAS, the SGR program is the result of the passage of SB 1 and provides approximately \$105 million annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects; and

WHEREAS, the SGR program benefits the public by providing public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of their agency's transportation infrastructure, and in turn improve transportation services; and

WHEREAS, each regional agency and transit operator is entitled to a portion of SGR funds identified by a statewide formula; and

WHEREAS, the San Luis Obispo Council of Governments (SLOCOG) annually receives SGR funds for allocation to eligible transit operators in San Luis Obispo County; and

WHEREAS, there is \$378,625 available for competitive distribution.

NOW, THEREFORE, BE IT RESOLVED that the City of Morro Bay does hereby authorize the City Manager, or his duly appointed representative, to submit an application to the SLOCOG for FY19/20 SGR program funds for bus stop improvements at the City Park transit hub.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 26th day of February 2019 on the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

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AGENDA NO: C-1

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council **DATE:** February 21, 2019

FROM: Rob Livick, PE/PLS – Public Works Director/City Engineer
Eric Casares, PE – Water Reclamation Facility (WRF) Program Manager

SUBJECT: Receive and Discuss the January 2019 Monthly Status Report for the Water Reclamation Facility Project

RECOMMENDATION

Staff recommends the City Council receive and discuss the status report for the Water Reclamation Facility (WRF) Project.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's fiscal year budget for the WRF.

BUDGET SUMMARY

The WRF Program Manager and City staff are currently in the process of developing a new WRF Project Monthly Status Report. The monthly report will be presented to City Council on a monthly basis at the second meeting of each month and will be posted to the City and updated WRF websites. City staff has held several internal meetings to discuss the format and content of the monthly reports. Most recently, the team met on February 6, 2019, to finalize the content of the initial draft monthly report. Staff and the WRF Program Manager will present this draft report to the City Council at the second meeting in March 2019 (i.e., March 26, 2019). The monthly report will include, but not be limited to, the following:

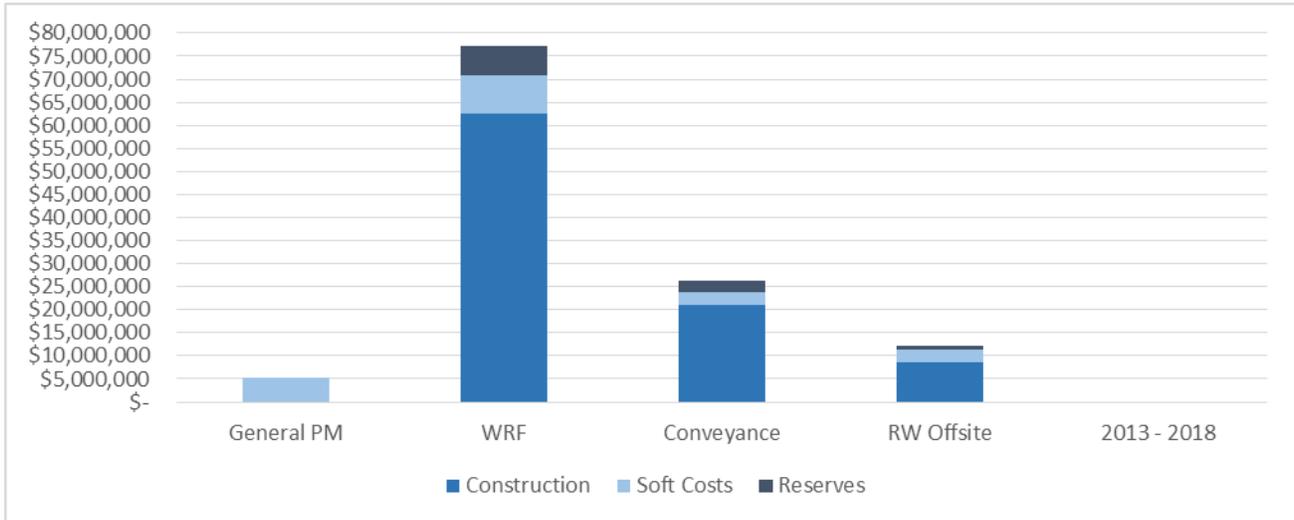
- Summary of total project costs to date
- Summary of invoices received during the period
- Key cost metrics including invoiced-to-date, earned value, reimbursements from funding agencies, etc.
- Key schedule metrics including a summary of key milestones
- Status of procurement activities (e.g., award of a construction contract for the Conveyance Facilities Project)
- Other metrics including a summary of public outreach activities, etc.

The WRF Program Manager has previously developed status reports for numerous agencies undertaking large, multi-project capital programs. An example is included in Attachment A. In the interim before the monthly status report is finalized, the January 2019 summary for the WRF Project is provided below.

Prepared By: EC/RL Dept Review: RL
City Manager Review: SC City Attorney Review: CN

WRF Project Budget

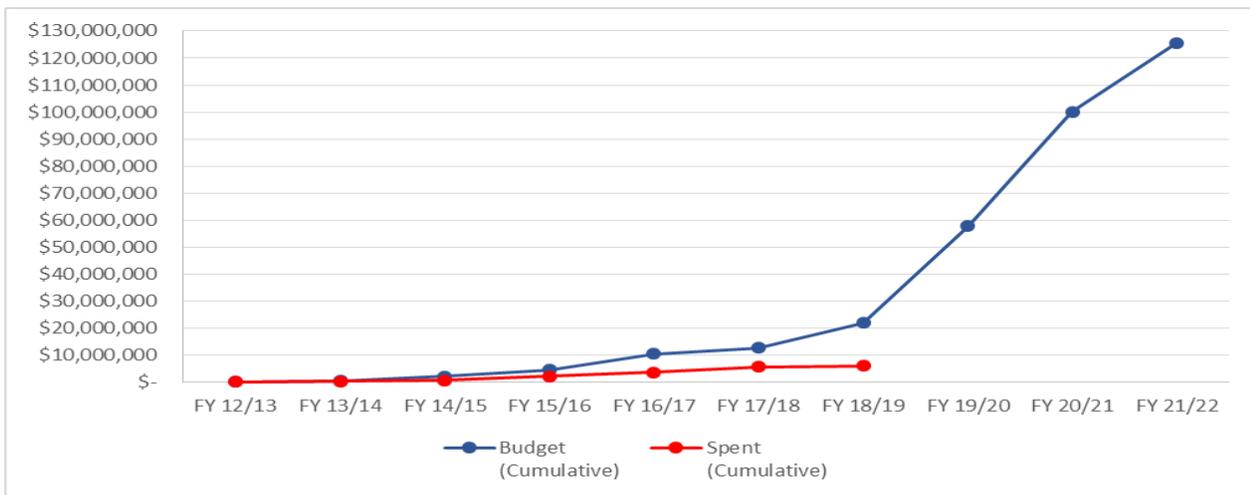
In June 2018, City staff, the WRF Program Manager and the Blue Ribbon Commission developed a revised WRF Project budget of \$126 million. That budget was used to complete the City Council reviewed and approved rate study by Bartle Wells, which led to the Proposition 218 process and the adoption of the new surcharge of \$41-per month (for single family homes) to fund the WRF Project. A breakdown of the \$126 million budget is included below:



The overall WRF Project budget will be reviewed each quarter to establish a new baseline for the upcoming quarter. The details of the revised budget will be included in the monthly status report. The next overall budget review for the WRF Project will be completed at the end of March 2019 (Q3 FY 18/19) and will be included in the April 2019 Monthly Status Report, which will be presented to the City Council on April 23, 2019.

WRF Project Expenditures

As of January 31, 2019, expenditures for the WRF Project were \$6,080,194.78. A summary of the expenditures to date compared to the overall budget is presented below, as well as a summary of expenditures by fiscal year.



Description	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	Total
City Staff	\$15,528	\$51,173	\$76,183	\$70,128	\$52,334	\$107,537	\$74,499	\$447,383
Legal	\$0	\$0	\$0	\$0	\$2,583	\$0	\$27,848	\$30,431
Program Management	\$0	\$0	\$0	\$0	\$0	\$914,638	\$213,801	\$1,128,439
Other Contracts	\$12,738	\$185,974	\$244,578	\$1,426,194	\$1,333,012	\$613,110	\$114,675	\$3,930,280
Miscellaneous	\$0	\$3,139	\$650	\$85,634	\$34,852	\$34,981	\$25,997	\$185,252
Conveyance Facilities Project (Design)	\$0	\$0	\$0	\$0	\$0	\$275,162	\$83,247	\$358,409
Conveyance Facilities Project (Construction)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WRF Design/Build (Design)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WRF Design/Build (Construction)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Offsite RW Facilities (Design)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Offsite RW Facilities (Construction)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$28,267	\$240,286	\$321,410	\$1,581,955	\$1,422,781	\$1,945,429	\$540,068	\$6,080,195

January 2019 Invoices

In January 2019, a total of three invoices were received and approved for the WRF Project with a total value of \$286,262.39. A summary of the commitments and the associated invoices is presented below.

Description	Description	Amended Budget	January 2019 Invoices	Total Billed	Total Remaining
GSI Water Solutions	Evaluate Alternative Concepts for Disposal of Treated Effluent	\$508,947.00	\$28,855.00	\$225,199.09	\$283,747.91
Carollo Engineers, Inc.	WRF Program Management	\$1,898,844.00	\$76,661.28	\$504,034.71	\$1,394,809.29
Overland Contracting	WRF Onsite Design-Build	\$67,234,512.00	\$180,746.11	\$1,361,964.88	\$65,872,547.12
Total		\$69,642,303.00	\$286,262.39	\$2,091,198.68	\$67,551,104.32

January 2019 Summary of Activities

During the period, City staff, the WRF Program Manager, WRF design-build team, and members of the project technical team completed the following activities:

- General Program Activities
 - Worked with Environmental Protection Agency (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) staff to provide input and answer questions regarding the environmental review of the City's application
 - Presented the results of the Draft Conceptual Engineering Report for the Conveyance Facilities Project to the City Council on January 22, 2019
 - Reviewed and provided input to State Water Resources Control Board (State Board) staff for the City's Clean Water State Revolving Fund (CWSRF) application scoring sheet
 - Prepared the consolidated permit application for the California Coastal Commission
 - Met with Division of Drinking Water (DDW) staff to discuss the indirect potable reuse permitting process
 - Met with Regional Water Quality Control Board (RWQCB) staff to discuss Section 401 jurisdiction and the status of necessary permits
- Water Reclamation Facility

- Advanced the design of the WRF with continued development of the Basis of Design Report
 - Participated in key design meetings with the WRF Program Manager and City staff
- Conveyance Facilities
 - Continued to advance the design of the Conveyance Facilities Project
- Recycled Water Facilities
 - Continued groundwater modeling including an evaluation of nitrate levels in the Lower Morro Basin
 - Validated operations at pressure transducers recently installed at all of the City's seawater wells
 - Identified and planned for cone penetration test (CPT) borings in Narrows area
 - Evaluated aquifer data and boundaries in Narrows area

CONCLUSION

Staff recommends the City Council review and provide comments on the status report and monthly status update presentation.

ATTACHMENT

Attachment A: Sample Monthly Status Report



Northern Treatment Plant Program Monthly Progress Report

February 2012



TABLE OF CONTENTS

Executive Summary

Program Overview.....	ES-1
Team Summary.....	ES-4
Accomplishments and Highlights/Six-Month Look Ahead	ES-9
Project Implementation Summary	ES-13
Program Challenges.....	ES-15

EXECUTIVE SUMMARY

Program Overview

The Metro District's Northern Treatment Plant (NTP) will serve as the Lower South Platte regional wastewater treatment facility, capable of providing wastewater service to the District's existing and future customers in the northeastern portion of the Denver metropolitan area. The NTP service area includes portions of the Cities of Aurora (Aurora), Brighton (Brighton), and Thornton (Thornton); the City and County of Denver (Denver); and the South Adams County Water and Sanitation District (South Adams County).

The NTP Program includes the NTP Facilities as well as seven miles of gravity interceptor (the South Platte Interceptor or SPI) to convey flow to the NTP and 11 miles of force main (the Effluent Pump-Back Force Main or EPB) to pump NTP effluent upstream to address water rights concerns. The EPB may be eliminated from the Program if an effluent trade agreement between two Member Municipalities is accepted in water court. Since the court decision on this issue may not occur until 2013, the design of the EPB will progress in order to prepare for the possibility of construction.

The NTP Program consists of three construction projects, or components: NTP Site Restoration, NTP Facilities, and Interceptor/Pump-Back (which includes both the SPI and the EPB). In support of these Program components, there are seven Program teams: Treatment Plant Delivery (which includes the NTP Site Restoration and the NTP Facilities components), Interceptor/Pump-Back Delivery, Acquisition/Right-of-Way, Permitting/Environmental, Communications, NTP Integration, and Program Controls. A summary of the budget and schedule status for each team is provided in the next section, followed by lists of recently completed and upcoming activities.

The overall budget status for the NTP Program is summarized in Table 1. Comparing the earned value (63.5 percent) to the forecasted percent complete (67.6 percent), the overall Program progress is approximately 4.1 percent behind the forecasted expenditures, which is lower than last month's report of 6.4 percent. The primary reason the gap closed this month is because the HDR budget forecasts were adjusted to reflect the time extension for Preliminary Design that is part of an amendment to its Professional Services Agreement, which is anticipated to be executed in March 2012. The remaining difference between earned value and forecasted expenditures is related to the fact that CH2M HILL is not expending at the forecasted rate, although all deliverables continue to be submitted on time.

Comparing the earned value (63.5 percent) to the budget expended (64.4 percent), the NTP Program is performing over budget by approximately 0.9 percent, which remains within the ability to estimate earned value.

Table 2 summarizes the actual (committed) costs and contracted amounts for each of the major current NTP Program contracts. This table also provides an indication of the status (new, ongoing, or closed) of each of these contracts. In some cases, multiple smaller contracts related to the same activity were combined into a single group.

Additional details on individual team activities are provided in the following sections.

Table 1 NTP Program Overall Budget Status (as of February 29, 2012)¹

Summary of Contracted Work	
Total NTP Program Budget (Contracted)	\$58,395,131.44
Current Charge (Period Ending: February 2012)	\$2,507,182.78
Previous Charges	<u>\$35,089,242.44</u>
Total Charge Amount to Date	\$37,596,425.22
Remaining NTP Program Budget (Contracted)	\$20,798,706.22
Percent of Budget Expended (Based on Dollars)	64.4%
Estimated Project Completion (Earned Value)	63.5%
Forecasted Percent Complete	67.6%
Overall NTP Program Summary	
NTP Program Estimated Cost ²	\$475,918,490
Percent of Estimated Cost Contracted	12.3%
Percent of Estimated Cost Expended	7.9%
Estimated Percent Complete (Earned Value)	7.8%
¹ This table summarizes actual funds expended (committed) by the Metro District as of February 29, 2012.	
² It is anticipated that the estimated cost for the NTP Program will be increased by \$4 million pending Board of Directors action on an Intergovernmental Agreement (IGA) with Thornton related to the pipeline alignment. The IGA will likely be presented to the Board on May 15, 2012.	

Table 2 NTP Program Contract Summary as of February 29, 2012

Category	Actual (Committed) Costs	Contract Amount	Status
Wastewater Utility Plan			
Wastewater Utility Plan (Black & Veatch)	\$1,381,173	\$1,385,000	Closed
Wastewater Utility Plan (Miscellaneous)	\$160,038	\$161,038	Closed
Metro District Administration	\$6,471	\$8,000	Closed
NTP Program Support			
SharePoint Development	\$24,675	\$25,000	Closed
Legal Services (Delivery/Procurement)	\$238,084	\$250,000	Ongoing
Owner's Advisor	\$12,838,491	\$18,504,975	Ongoing
Metro District Administration	\$10,169	\$11,020	Ongoing
Public Relations	\$113,801	\$150,000	Ongoing
Permitting Support and Fees	\$37,679	\$55,000	Ongoing
Building Information Management Services	\$5,625	\$73,218	Ongoing
Air Permitting Consulting (Spensley)	\$2,400	\$10,000	Ongoing
SPI/EPB Pre-Acquisition Expenses	\$162,304	\$176,000	Ongoing
NTP Site Restoration			
Site Restoration Delivery	\$1,786,459	\$2,090,897	Ongoing
Mobile Home Incentive Payments	\$62,250	\$62,250	Closed
NTP Facilities			
NTP Site Parcel Acquisition	\$14,133,167	\$14,136,490	Ongoing
NTP Facilities Preliminary Services	\$5,081,560	\$12,950,000	Ongoing
NTP Facilities Administration/Travel	\$2,263	\$5,500	Ongoing
Interceptor/Pump-Back			
SPI/EPB Easement Acquisition Assistance	\$2,955	\$554,600	Ongoing
SPI/EPB Easement Acquisition	\$0	\$2,100,000	Ongoing
Interceptor/Pump-Back Design (HDR)	\$1,546,861	\$5,686,143	Ongoing
Total	\$37,596,425	\$58,395,131	

Team Summary

Table 3 presents a broad summary of the budget and schedule status of each NTP Program Team. Any team with a red or yellow dot will include a description of the reason the team is behind schedule and/or over budget. In addition, anytime the color is changed from one month to another, the reason for the change will be provided.

Table 3 Schedule/Budget Status by Team			
Program Team	Schedule Status	Cost/Budget Status	Comments
Treatment Plant Delivery	G	G	
Interceptor/Pump-Back Delivery	Y	G	Note 1
Acquisition/Right-of-Way	Y	G	Note 2
Permitting/Environmental	G	G	
Communications	G	G	
NTP Integration	G	G	
Program Controls	G	G	
Overall NTP Program	G	G	
<p>G Schedule: On or ahead of schedule. Cost/Budget: On or under budget.</p> <p>Y Schedule: Tasks less than 30 days behind, or more than 30 days behind but not on critical path. Cost/Budget: Over budget, but within 1 percent overage.</p> <p>R Schedule: More than 30 days behind and behind on critical path task(s). Cost/Budget: Over budget, exceeding 1 percent overage.</p>			
<p>¹ Design of the SPI and EPB has been delayed approximately four months due to the need to revise the alignment north of E-470. An alternative alignment is being finalized and predesign of the pipelines is proceeding. Any further delays will put the Interceptor/Pump-Back Delivery on the critical path for the NTP Program and will impact the overall Program schedule.</p> <p>² The process of annexing the NTP site into Brighton was scheduled to be complete in early January 2012, but the process has been delayed pending approval of an Annexation Agreement between the Metro District and Brighton. Brighton City Council approved the Annexation Agreement on February 21, 2012. The Agreement will be presented to the District Board of Directors for approval at the March Board meeting. This delay could also cause a delay in the finalization of the Development Agreement with Brighton and subsequent construction. The District is currently working with Brighton to develop a plan forward for preparation and approval of the Development Agreement that will not delay the start of construction.</p>			

Team Schedule Progress

Table 4 presents a summary of upcoming milestone dates and long-term major milestone completion dates. Anticipated delays to any of these milestones are identified in this table, where applicable. A simplified Gantt chart of the overall NTP Program schedule is presented in Figure 1.

Since last month, there have been several changes to milestones in the baseline schedule. Reasons for any new delays are provided within the table. Delays noted in prior months are not described. None of the delays are expected to impact the overall NTP Program schedule.

Table 4 Upcoming and Major Program Milestones

Key Milestones	Baseline Schedule	Current Schedule	Date Completed
Treatment Plant Delivery			
NTP Site Restoration – Substantial Completion	2/2012	2/2012 ¹	2/25/2012
NTP Facilities – Board of Directors Action on Work Package No. 1 Design/Build (D/B) Agreement	6/19/2012	6/19/2012	
NTP Facilities – Early Start of Construction	7/2012	7/2012	
NTP Facilities – Construction Complete	10/2015	11/2015	
Interceptor/Pump-Back Delivery			
Interceptor/Pump-Back – Submit <i>SPI Preliminary Design Report</i> (Design Packages A & B)	12/30/2011	5/9/2012	
Interceptor/Pump-Back – Submit <i>EPB Preliminary Design Report</i> (Design Package C)	12/30/2011	7/5/2012	
Interceptor/Pump-Back – Submit Final Bid Documents (Design Packages A & B)	11/15/2012	2/27/2013	
Interceptor/Pump-Back – Submit Final Bid Documents (Design Package C)	11/15/2012	5/15/2013	
Interceptor/Pump-Back – Board of Directors Action on Construction Contract (Design Packages A & B)	5/14/2013	6/18/2013	
Interceptor/Pump-Back – Board of Directors Action on Construction Contract (Design Package C)	5/14/2013	9/17/2013	
Interceptor/Pump-Back – Construction Complete	1/21/2015	5/15/2015	
Acquisition/Right-of-Way			
Identify Final Set of Easements for the SPI and EPB	11/2011	2/2012	2/17/2012
Annexation/Zoning of Site into Brighton	1/3/2012	3/20/2012	
Final Plat and Development Agreement Approval by Brighton City Council	6/6/2012	6/13/2012	
Acquire Permanent and Temporary Easements for the SPI and EPB Alignments	9/2012	12/2012	
Permitting/Environmental			
Highway 85 Access Control Plan (ACP) Amendment Decision	2/6/2012	4/16/2012	
Brighton Conditional Use Permit (CUP) Issuance	7/2012	7/2012	
Conditional Letter of Map Revision (CLOMR) approval from Federal Emergency Management Agency (FEMA)	7/2012	7/2012	
Clean Water Act Section 404 Permit (404 Permit) Issuance	7/2012	7/2012	

Table 4 Upcoming and Major Program Milestones

Key Milestones	Baseline Schedule	Current Schedule	Date Completed
Communications			
Information Center Display Update	9/30/2011	5/2012 ²	
8 th Internal Communication Board	3/2012	3/2012	
<i>Program Plan Update</i>	4/2012	4/2012	
Program Controls			
Issue Request for Proposal (RFP) for Construction Owner Verification Testing Services	2/2012	2/2012	2/15/2012
CH2M HILL 30 Percent Cost Model Review and Validation	2/2012	3/2012	
Deploy Beta Version of the Primavera Contract Management System	4/2012	4/2012	
Finalize D/B Agreement for Comprehensive Planning Steering Committee meeting	4/2012	4/2012	
NTP Integration			
Provide Update for the <i>NTP Integration Implementation Plan</i> (draft for NTP Integration Workgroup Review)	1/30/2012	2/10/2012	
<p>¹ In January, a change order was executed to remove selected trees from the site and extend the duration of the contract through June 2012 to allow for late stump removal and spring weed control. Because all major restoration activities are now complete, Site Restoration is considered substantially complete as of February 25, 2012.</p> <p>² Updating the Information Center Display will be postponed until after the Board of Directors considers an IGA with Thornton.</p>			

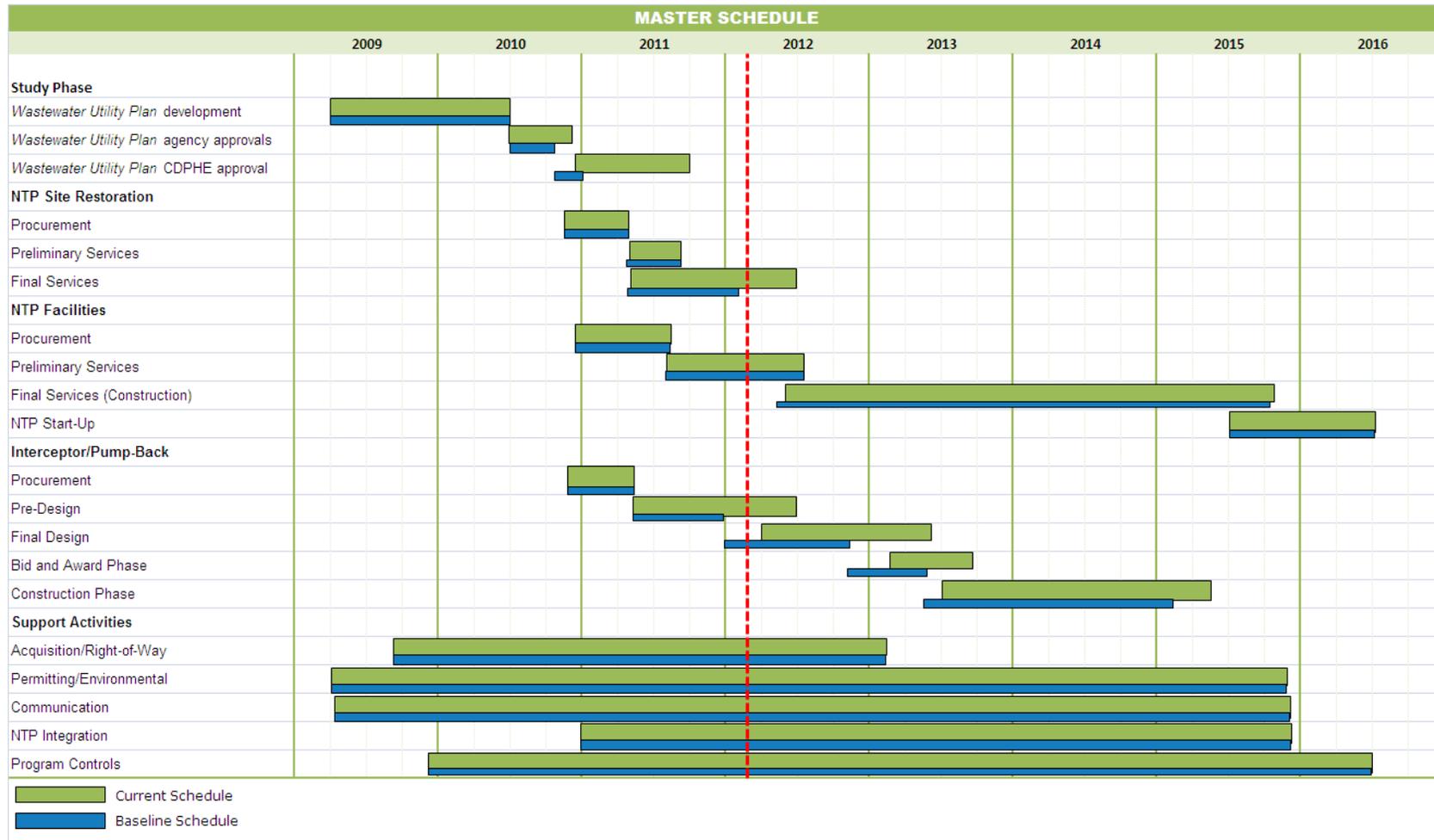


Figure 1 Simplified NTP Program Schedule

Budget Progress

Figure 2 presents the actual (committed) costs, projected contracted expenditures, and earned value for the overall NTP Program. Table 5 presents a tabular summary of the same parameters by Team.

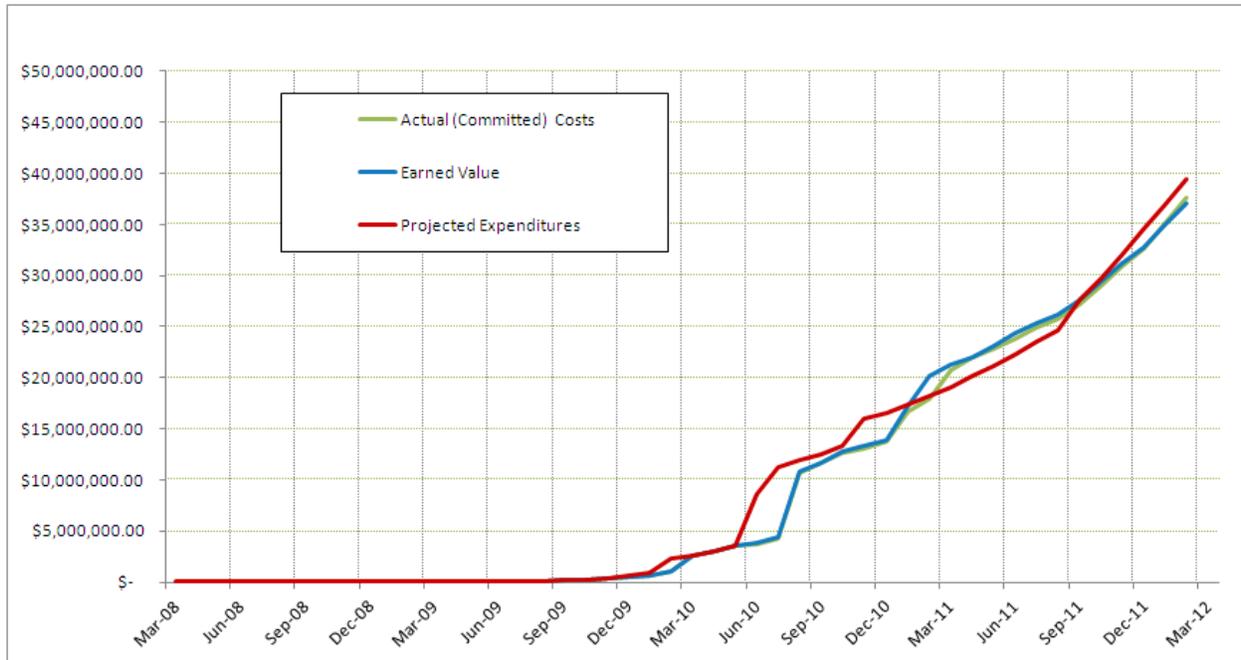


Figure 2 NTP Program S-Curve

Table 5 NTP Program Budget/Cost Summary						
Team	Budget		Actual (Committed) Costs		Earned Value	Projected Expenditures
	Appropriated	Contracted	Current Month	Total		
Treatment Plant Delivery	\$24,452,008	\$22,500,357	\$1,691,607	\$12,918,824	\$12,403,407	\$14,875,370
Interceptor/Pump-Back Delivery	\$7,333,283	\$6,964,459	\$393,059	\$2,199,399	\$2,230,334	\$2,056,185
Acquisition/Right-of-Way	\$19,185,198	\$18,955,061	\$94,454	\$15,640,138	\$15,623,498	\$15,674,077
Permitting/Environmental	\$3,958,579	\$3,430,937	\$111,030	\$2,529,363	\$2,531,164	\$2,526,962
Communications	\$585,744	\$564,211	\$17,919	\$387,846	\$387,939	\$419,431
Program Controls	\$5,637,678	\$5,382,303	\$171,889	\$3,546,883	\$3,573,149	\$3,566,325
NTP Integration	\$681,000	\$597,803	\$27,225	\$373,972	\$373,567	\$369,393
NTP Program	\$61,833,490	\$58,395,131	\$2,507,183	\$37,596,425	\$37,123,058	\$39,487,743

Accomplishments and Highlights/Six-Month Look Ahead

Table 6 summarizes some of the major accomplishments/highlights of the NTP Program Teams this month and the major activities upcoming over the next six months.

Table 6 Accomplishments and Highlights/Six-Month Look Ahead	
Treatment Plant Delivery (NTP Site Restoration)	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Completed all major Site Restoration activities. • Continued final grading and reseeding on the NTP site. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • Complete final grading and reseeding as weather permits. 	March 2012
<ul style="list-style-type: none"> • Perform spring weed control. 	April 2012
Treatment Plant Delivery (NTP Facilities)	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Conducted 30 percent design value engineering (VE) workshop and reviewed outcomes with the Program Leadership Team. • Issued RFPs for centrifuges, blowers, primary clarifier mechanisms, secondary clarifier mechanisms, and gravity thickeners. • Received schedule of design review packages and review meetings from CH2M HILL and conducted four design review meetings. • Submitted comments on <i>Odor Dispersion Modeling</i> Technical Memorandum (TM). 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • CH2M HILL to submit Work Package No. 1 for Metro District/OA review. 	March 2012
<ul style="list-style-type: none"> • CH2M HILL to submit 50 percent design documents for Metro District/OA review. 	March 2012
<ul style="list-style-type: none"> • CH2M HILL to submit 50 percent cost model for Metro District/OA review. 	April 2012
<ul style="list-style-type: none"> • Board of Directors Action on Work Package No. 1 D/B Agreement. 	June 19, 2012

Table 6 Accomplishments and Highlights/Six-Month Look Ahead

Interceptor/Pump-Back Delivery	
Accomplishments and Highlights	
<ul style="list-style-type: none"> Delivered majority of easement identification information to the Acquisition/Right-of-Way Team. Finalized invert elevation and handoff location for SPI and NTP site and delivered airflow projections entering NTP from SPI to CH2M HILL. Conducted four preliminary design workshops related to the pipelines. Initiated coordination with United Power to discuss burying and/or relocating power lines on Erger's Pond and with Sinclair Oil to discuss relocating the gas lines on 100th Avenue that conflict with EPB alignment. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> Conduct pipeline VE Workshop. 	March 5-8, 2012
<ul style="list-style-type: none"> Submit draft <i>SPI Preliminary Design Report</i> for Metro District/OA review. 	March 26, 2012
<ul style="list-style-type: none"> Deliver final easement identification information for use by Acquisition/Right-of-Way Team. 	March 30, 2012
<ul style="list-style-type: none"> Submit draft <i>EPB Preliminary Design Report</i> for Metro District/OA review. 	April 19, 2012
<ul style="list-style-type: none"> Submit final <i>SPI Preliminary Design Report</i> and begin final design of Design Packages A and B. 	May 9, 2012
<ul style="list-style-type: none"> Submit final <i>EPB Preliminary Design Report</i> and begin final design of Design Package C. 	July 5, 2012
Acquisition/Right-of-Way	
Accomplishments and Highlights	
<ul style="list-style-type: none"> Resubmitted plat to Brighton. Received approval of Annexation and Zoning Agreement from the Brighton City Council.¹ Substantially determined alignments and land rights needs for entire SPI/EPB route. Sent first six offers to landowners for easements on SPI/EPB alignment. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> Complete the process of annexing the NTP site into Brighton.¹ 	March 20, 2012
<ul style="list-style-type: none"> Complete mapping of final round of title work for the portion of the alignment impacted by the alignment shift. 	March 30, 2012
<ul style="list-style-type: none"> Complete legal descriptions and exhibits for all required easements. 	March 2012
<ul style="list-style-type: none"> Identify easement needs for entire SPI/EPB based on finalized SPI/EPB alignment. 	April 9, 2012
<ul style="list-style-type: none"> Complete platting process for NTP site. 	June 2012
<p>¹ Brighton City Council voted unanimously to approve the NTP site Annexation Agreement at the meeting held on February 21, 2012. The annexation process will be complete following approval by the Metro District Board (anticipated March 20, 2012).</p>	

Table 6 Accomplishments and Highlights/Six-Month Look Ahead

Permitting/Environmental	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Submitted CUP and Temporary Use Permit applications for NTP site to Brighton. • Received CDPHE approval for Site Location Amendment for the NTP. • Submitted revised Individual 404 Permit application to United States Army Corps of Engineers (USACE) and issued public notice. • Submitted revised CLOMR based on comments received from Weld County and FEMA. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • Conduct demonstration of PermitView tool for all NTP Program users. 	April 2012
<ul style="list-style-type: none"> • Complete nest survey and historical/archaeological survey for SPI/EPB alignment corridor. 	May 2012
<ul style="list-style-type: none"> • Submit Adams County Technical Review Amendment for Modified Alignment. 	May 2012
<ul style="list-style-type: none"> • Submit Site Location Application for SPI to CDPHE. 	June 2012
Communications	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Provided Deere and Ault report on the impact of the NTP on diurnal flow fluctuations and a revised draft Water Court decree to objectors of the effluent trade agreement and scheduled follow-up meetings. • Sent Cost Share IGA on SPI West Bank Alignment and Todd Creek Interceptor IGA to Thornton and conducted meeting to review comments. • Met with Aurora to discuss lease terms and conditions for construction water. • Completed draft of the <i>2012 Communications Strategy</i>. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • Follow up with Highway 85 ACP Committee members prior to the March 13, 2012, meeting to consider ACP Amendment. 	March 2012
<ul style="list-style-type: none"> • Finalize <i>2012 Communications Strategy</i> and Update Outreach Implementation Schedule to prepare for initiation of construction. 	March 2012
<ul style="list-style-type: none"> • Finalize Substitute Water Supply Plan for submission to the State of Colorado for construction water. 	March 2012
<ul style="list-style-type: none"> • Post Internal Communication Board No. 8 at the Robert W. Hite Treatment Facility (RWHTF). 	March 2012
<ul style="list-style-type: none"> • Issue fifth volume of the <i>Program Plan Update</i> to Board of Directors. 	April 2012
<ul style="list-style-type: none"> • Update the second and third panels of the Information Center Display located in the Administration Building lobby. 	May 2012 ¹
<p>¹ Updating the Information Center Display has been postponed until after the Board of Directors considers an IGA with Thornton.</p>	

Table 6 Accomplishments and Highlights/Six-Month Look Ahead	
NTP Integration	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Submitted draft update of <i>NTP Integration Implementation Plan</i> to Metro District department heads. 	
<ul style="list-style-type: none"> • Coordinated development of subcontract for system integration consultant to assist with integration of computing/data management systems. 	
<ul style="list-style-type: none"> • Coordinated with Treatment Plant Delivery Team and NTP Director of Operations and Maintenance regarding NTP start-up/commissioning requirements and responsibilities. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • Submit final update of <i>Integration Implementation Plan</i> to Metro District department heads. 	March 2012
Program Controls	
Accomplishments and Highlights	
<ul style="list-style-type: none"> • Conducted a workshop on Primavera Contract Manager system setup and configuration with Metro District staff. 	
<ul style="list-style-type: none"> • Issued RFP for Construction Owner Verification Testing Services and Construction Material Testing Services. 	
<ul style="list-style-type: none"> • Reviewed RFPs for equipment procurement process. 	
<ul style="list-style-type: none"> • Began review and validation of CH2M HILL's 30 percent NTP facilities design cost model. 	
<ul style="list-style-type: none"> • Issued draft Division 1 Specifications to CH2M HILL. 	
Six-Month Look Ahead	
<ul style="list-style-type: none"> • Complete review of CH2M HILL 30 percent NTP facilities design cost model. 	March 2012
<ul style="list-style-type: none"> • Participate in Best Value Selection workshops for equipment procurement. 	March 2012
<ul style="list-style-type: none"> • Deploy beta version of the Primavera Contract Management system for testing by the NTP Facilities construction oversight team. 	April 2012
<ul style="list-style-type: none"> • Prepare final draft D/B Agreement, General Conditions, Supplementary Conditions, and Division 1 Specifications for Comprehensive Planning Steering Committee meeting. 	April 2012
<ul style="list-style-type: none"> • Prepare draft Board Memorandum for Board of Directors Action in June on Work Package No. 1 D/B Agreement. 	April 2012
<ul style="list-style-type: none"> • Review CH2M HILL 50 percent NTP facilities design cost model. 	April/May 2012

Project Implementation Summary

The project implementation summary provides a brief summary of activities related to design and/or construction of the three NTP Program components during the Implementation Phase of the Program. This section includes a summary of key accomplishments for each project component, contract change management metrics, and safety indicators.

In October 2011, the NTP Site Restoration component was anticipated to be completed ahead of the original schedule of February 6, 2012. However, two change orders were executed in January 2012. The first (Change Order No. 3), extends the duration of the contract through June 30, 2012, and provided a cost change for tree removal. The time extension in Change Order No. 3 was included primarily to allow for late stump removal, minimizing erosion control efforts related to the work. Change Order No. 4 provides additional funding for weed control in spring 2012. All significant site activities, including most tree removal activities were completed in February 2012.

Procurement of the design/builder (CH2M HILL) for the NTP Facilities component was completed in August 2011. The 30 percent design documents were submitted by CH2M HILL on December 29, 2011. Review comments were compiled and submitted by the Metro District on January 16, 2012. The corresponding 30 percent cost model was submitted by CH2M HILL on January 31, 2012. A 30 percent VE workshop was held from February 6, 2012, through February 10, 2012. The District currently is considering approximately \$5 to \$8 million in cost-saving suggestions that came out of the VE workshop.

Preliminary design of the Interceptor/Pump-Back component, being delivered via a design/bid/build (DBB) approach, began with the execution of a Professional Services Agreement in May 2011. In August 2011, an Amendment to this Agreement was executed to provide additional services related to refining the pipeline alignments and evaluating alternate alignments in some areas. In October 2011, a revised work plan was developed, which identified an approach for designing the pipelines in three packages (Design Packages A, B, and C). This approach will facilitate design reviews and permitting by the various agencies whose jurisdictions the pipelines pass through.

Package A comprises the southernmost two miles of the SPI, from Brantner Gulch Lift Station to the South Platte River at 136th Avenue, and falls within the jurisdiction of Thornton and Adams County. Package B includes the SPI and EPB from the South Platte River and 136th Avenue to the NTP Site and falls within the jurisdiction of Brighton and Adams County. Package C comprises the remaining southern six miles of the EPB and falls within the jurisdiction of Commerce City and Adams County. At the completion of design, Packages A and B will be combined to bid as a single construction contract. Package C will be bid as a separate construction contract.

As of the end of February 2012, HDR had delivered twelve TMs for Metro District/OA review. All TMs will eventually be compiled into the *Preliminary Design Reports* (PDR). Separate PDRs will be prepared for the SPI and the EPB, respectively. The team has also prepared preliminary cost estimates and plan and profile drawings for all three pipeline packages for use in a VE workshop scheduled for early March 2012.

The Interceptor/Pump-Back Delivery Team continues to coordinate with the Acquisition/Right-of-Way Team to facilitate easement acquisition for parcels located along the interceptor/pump-back alignments. The initial easement identification was finalized in December 2011 and final easement identification will be completed in March 2012.

In January 2012, the NTP Program schedule was updated to reflect three design packages and two bid packages for the pipelines. Based on the updated schedule, preliminary design of the first segment is

scheduled for completion at the beginning of April 2012, and the anticipated completion date for construction of the pipelines is May 2015. This represents an overall delay of approximately four months from the original baseline schedule.

Key Accomplishments and Critical Challenges

Presented in Table 7 is a brief summary of key accomplishments and/or critical challenges currently facing the implementation of each project component.

Table 7 Project Components – Key Accomplishments and Critical Challenges	
Key Accomplishments	Critical Challenges
NTP Site Restoration	
<ul style="list-style-type: none"> • Substantial completion of all major work activities. • Spring weed control is the only remaining activity. 	<ul style="list-style-type: none"> • None identified.
NTP Facilities	
<ul style="list-style-type: none"> • Participated in 30 percent VE workshop. • Established design review schedule for specific process areas. • Submitted comments on <i>Odor Dispersion Modeling</i> TM. 	<ul style="list-style-type: none"> • The Development Agreement with Brighton has not been started and could delay the start of Work Package No. 1. The start of this task is driven by Brighton, so Metro District staff is working with Brighton to identify a process for completing the Development Agreement.
Interceptor/Pump-Back	
<ul style="list-style-type: none"> • Prepared for VE workshop to occur in early March 2012. • Developed an amendment to HDR’s Professional Services Agreement for locating the slurry wall on Thornton’s Brighton Pit and to extend the duration of the preliminary design task. • Conducted four preliminary design workshops related to the pipelines. 	<ul style="list-style-type: none"> • None identified.

Amendment and Change Order Management Summary

No Change Orders or Amendments to design, design/build, or construction agreements occurred in the month of February 2012.

Safety Summary

No safety incidents reported at the NTP site in February 2012.

Program Challenges

One new challenge was identified in February 2012. Current challenges are briefly summarized in Table 8, with the target deadline for resolution.

Table 8 NTP Program Challenges Summary	
Description	Target Resolution Date
<ul style="list-style-type: none"> An alternative alignment is being finalized north of E-470 and preliminary design of this segment of the pipelines has been initiated. Board of Directors approval will be needed for an IGA with Thornton related to the new alignment through Thornton property. 	May 2012
<ul style="list-style-type: none"> Annexation of the NTP site into Brighton was scheduled to occur in early January 2012. The Annexation Agreement between the Metro District and Brighton is the final step in the annexation process. Finalization of the Annexation Agreement has been delayed by negotiations. The final Annexation Agreement was unanimously approved by the Brighton City Council on February 21, 2012. The District Board of Directors will consider approval of the Agreement on March 20, 2012. The annexation process will not be completed until after approval by the Board. This could delay the Development Agreement with Brighton and, therefore, the start of NTP construction.* 	March 2012
<ul style="list-style-type: none"> Platting of the NTP site, the Development Agreement, and approval of the Conditional and Temporary Use permits all need to be completed prior to the start of construction (targeting early July 2012) and preferably prior to Board of Directors consideration of the Work Package No. 1 (targeting June 19, 2012). All of these items require coordination with Brighton and cannot be completed on time using the City's typical linear development and review processes. Meetings were held with Brighton in the fall of 2011 to identify areas where concurrent development and review were feasible although in some cases this is not occurring as anticipated. Metro District staff will hold another meeting with Brighton to identify the remaining critical tasks and a path forward for preparation and approval of these items. In order to meet the targeted completion date, some activities will need to proceed simultaneously.* 	March 2012
<ul style="list-style-type: none"> Uncertainty in nutrient limits pending a rulemaking hearing before the Water Quality Control Commission. 	March 2012
<p>* Items indicated with an asterisk have been escalated to a higher-level team for input.</p>	

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AGENDA NO: C-2

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council

DATE: February 21, 2019

FROM: Scott Collins, City Manager
Jennifer Little, Tourism Manager

SUBJECT: Review and Approve Morro Bay Destination Tourism Strategic Plan

RECOMMENDATION

Staff recommends the City Council review and approve the Morro Bay Destination Tourism Strategic Plan and provide direction as appropriate.

ALTERNATIVES

Council could elect not to approve the Strategic Plan and/or modify components of the Plan as appropriate.

FISCAL IMPACT

There will be no immediate fiscal impact related to the recommendation.

BACKGROUND

The importance of tourism to our community is significant. Tourism, the largest industry by far in Morro Bay, contributes over \$161 million dollars annually to the local economy and is responsible for nearly 1,800 direct and indirect jobs. Taxes generated from overnight stays, in the form of transient occupancy tax (TOT), is one of the top sources of revenue for the City, and visitors are responsible for a sizeable portion of sales tax generated in the City.

Tourism has experienced consistent growth in Morro Bay since the formation of the Tourism Business Improvement District (TBID) in 2009. That growth continued through the Great Recession despite increased competition regionally, statewide, nationally and internationally for tourism dollars. That steady improvement is due in large part to the effective marketing of Morro Bay as a unique tourist destination, which is made possible through the 3% TBID assessment charged to each hotel and motel visitor.

The City assumed responsibilities for tourism marketing in 2016, in an effort to coordinate promotional programming for Morro Bay. Since that time, Tourism staff and the TBID Board have initiated several new programs aimed at boosting overnight stays. And while those efforts have resulted in growth, the City and Tourism staff lack a coherent strategic vision and work plan that clearly identifies what they want to achieve and how they intend to do so.

With support from City Council and the TBID Board, City staff engaged several tourism marketing firms and consultants to consider creating a strategic plan for the Tourism Division. Staff selected SMG Consulting, given their approach, cost and familiarity with the San Luis Obispo County region

Prepared By: JL

Dept Review: JL

City Manager Review: SC

City Attorney Review: CN

and Morro Bay, with Carl Ribaud as the lead consultant.

Mr. Ribaud engaged key stakeholders from the hospitality industry and related fields, as well as community leaders, to gain an understanding of the destination's strengths, weaknesses, identity and opportunities. He also conducted research of local and regional data to formulate the strategic plan in conjunction with City Tourism and management staff. The Morro Bay Destination Tourism Strategy is the result of those efforts and was presented in draft form to the TBID Board in January 2019. The Strategic Plan was well-received by the Board and staff now seeks City Council review and approval of the document. It is recommended by staff that Council approve the Strategy and align strategic aims through the City Goals and Objectives process accordingly.

DISCUSSION

The development of the attached Morro Bay Destination Strategy (Strategic Plan) was designed to consider where Morro Bay is today and to transition the destination to a more competitive tourism destination. The Strategic Plan identifies several areas of strengths that should be utilized to a greater degree than currently to help achieve that aim:

1. Friendly and welcoming community
2. Outdoor recreation
3. Natural environment/environmental ethos
4. Waterfront fishing village
5. Eclectic community

The key to a successful strategy is to optimize these unique and attractive community qualities and reposition Morro Bay as one of the most unique, interesting and affordable destinations in a highly sought-after county. By accentuating these key differences, the Tourism Division can market Morro Bay so that it stands out in comparison to other county locations. Should the City be able to take advantage of this positioning opportunity and align its resources and partnerships effectively, then the City has a much greater likelihood to achieve stretch goals.

With that in mind, the Strategic Plan recommends the City adopt the following mission and overall strategic goal for the Tourism Division:

Mission: *The mission of Morro Bay Tourism is to improve the area's economy and increase its tax base by attracting targeted overnight visitors to the area through marketing and promotional efforts.*

Marketing and promotional efforts are designed to encourage longer stays and future returns. By bringing together the interests of local businesses, government and civic organizations, the organization creates an alliance that increases awareness and enhances the image of Morro Bay.

Overall Strategic Goal: *Increase tourism spending in Morro Bay from the current estimated \$161 million to \$200 million¹ over the next five years by effectively promoting the destination in a way that optimizes Morro Bay's assets including its location, superior price value, eclectic culture and vibe, recreation, and history. By doing so, this will contribute to economic prosperity and increased employment development for Morro Bay while working to retain the rural small-town attributes and local culture.*

The Strategic Plan identifies the key areas of focus and action steps in those areas in order to achieve that mission and goal. The key focus areas are as follows:

¹ Assumes approximately 4.5% annual growth and does not account for downturn in economy.

1. Destination and Product Development

The following related strategies and implementation steps are designed to support the community and visitor experience in a way that leverages Morro Bay's physical attributes to provide a unique recreational and eclectic community visitor experience.

2. Marketing and Promotion

One of the key elements for marketing success is to rethink Morro Bay Tourism promotional and marketing efforts not as a series of activities but rather to view their efforts as a comprehensive marketing platform. The platform contains three distinct components: potential visitors that Morro Bay Tourism would like to reach and influence to visit, Morro Bay Tourism promotional activities and community stakeholders.

3. Leadership and Alliances

An additional element that can improve Morro Bay's competitiveness is the support of alliances and partnerships that further leverage its resources. Currently, the staff is already participating with some of these organizations, but it's important to review how each alliance further leverages the organization's goals to increase awareness and influence visitation to Morro Bay.

4. Organization

The strategy is to match the internal capabilities with the changing needs as dictated by a changing tourism marketplace. As changes occur in the marketplace, Morro Bay Tourism will need to adjust its internal capabilities with a combination of staff and vendors.

The action items in each focus area are spelled out in the Strategic Plan. They provide guidance to the City and Tourism Division as to what specific steps to take to accomplish the goals and measurements to ensure those aims are being achieved.

As noted in the Strategic Plan, the key to implementing any strategy element is the actual execution of specific action steps and, to that end, it will be imperative for Morro Bay Tourism to integrate implementation steps into their work plan. Otherwise, the Plan becomes a document with no purpose. Staff has begun to move forward some of the initiatives and recommends City Council approve the Strategic Plan and integrate key components of the Plan with the upcoming City Council Goals and Objectives setting process.

CONCLUSION

The Strategic Plan identifies significant opportunities for the City, the Tourism Division, local hospitality industry and related fields to implement a more effective strategy regarding tourism. In order to achieve this aim, it will require focus and working together with our partners.

ATTACHMENT

1. Morro Bay Tourism Strategic Plan

Morro Bay Tourism

Destination Tourism Strategy

Final



"Ideas and solutions for your competitive world."

Table of Contents

Project Overview	3
Setting the Stage (Executive Summary)	8
Understanding	
Part 1: Overview of San Luis Obispo County	10
Part 2: Morro Bay Tourism Overview	13
Part 3: Destination Assets, Liabilities and Opportunities	16
Creating	
Part 4: Strategy Development	19
Direction	
Part 5: Tourism Mission and Goals	25
Transforming	
Part 6: Implementation	26
I. Destination and Product Development	26
II. Marketing and Promotion	31
III. Leadership and Alliances	40
IV. Organization	42

Project Overview

Introduction

Morro Bay Tourism is the destination marketing organization (DMO) for the City of Morro Bay. The organization is charged with generating economic benefits for Morro Bay through marketing the area as a must visit destination. The area, located in the beautiful and highly competitive central coast, offers a variety of activities and attractions including shopping, culinary, agricultural and special events.

To that end, Morro Bay Tourism is seeking to develop an organizational strategic plan that serves as a blueprint for the organization to achieve critical goals related to its competitive strategy and tourism-related revenues, employment, and taxes.

Why a Destination Tourism Strategy?

It's a great question, but in our experience, it's not about the plan, it's about the *thought process* that goes into the plan and the thinking that is needed to remain competitive in a rapidly changing environment.

At SMG Consulting, we see ourselves not as planners but as designers. We see developing a destination tourism strategy for Morro Bay from an artistic community-based perspective, not from your standard top-down mechanistic view. The strategy we have developed for Morro Bay is unique and based on the culture and values of the destination and the local community. The Morro Bay destination tourism strategy captures what is interesting and unique about the destination, and from that, we have developed a competitive strategy that effectively differentiates the destination by creating interest and demand.

The following strategy was designed to answer some very straightforward questions about Morro Bay in an effort to improve the competitiveness of the destination.

1. Given the changing marketplace and the assets of Morro Bay, where does the destination want to be one year from now, two years from now, three years from now, and what is the best way to get there?
2. Do Morro Bay Tourism and its stakeholders have **the capabilities** to implement a new destination tourism strategy? A strategy alone is not enough; the organization must have a mindset that embraces change and allows staff to implement the strategy best.

We see destination tourism strategy design for Morro Bay as transformative for the stakeholders, the staff and the community as a whole by taking the current perspective of one of many destinations within the San Luis Obispo County to one that has a distinct competitive

The possession of tourism assets does not automatically guarantee your destinations success.

advantage. **The goal of the Morro Bay Destination strategy is to maximize all of the destination's assets, align opportunities with the changing market conditions which in turn drive strategies and plans.**



Our Philosophy

We are designers and strategists, that value creativity and insight. Not planners with a standard formula for each destination.

At SMG Consulting, we believe the long-term success of a tourism strategy is based on a simple premise - **it takes both the client, the stakeholders, and the community to develop a strategy that works.** We **do not** come to a destination and tell clients and stakeholders what to do. Instead, we act as a guide and resource for Morro Bay Tourism to work with the entire destination to develop a great strategy. Yes, we push and pull and cajole, but mostly we try and provide Morro Bay Tourism with the insight and knowledge that we have acquired through our years of experience and many successful projects. In the end, it's a process that we believe will benefit Morro Bay too.

Scope of Work

The scope of work includes the following phases.



Phase 1 – Understanding

We look to understand all aspects of the destination, especially what makes the destination different in feel and culture. To that end, we have relied on both primary and secondary research which includes the following:

A. Secondary Research

- Morro Bay Hotel/Motel room Counts
- Morro Bay Mural map
- Mental Marketing - Morro Bay City Council Presentation
- Morro Bay Visitor Impact Study completed on 08-01 2018
- 2017/18 Morro Bay Marketing Plan
- San Luis Obispo County Visa Vu Data- Domestic
- San Luis Obispo County Visa Vu Data- International
- Morro Bay Transient Occupancy Tax Collections Reports

B. Primary Research

SMG Consulting conducted a series of ten workshops that included input from a variety of stakeholder groups: lodging, recreation, environmental, business, arts and culture, and food/dining in an effort to understand the culture and values of the destination. A list of attendees can be found in the appendix section of this report.

Phase 2 – Creating

With the above information, we developed an understanding of Morro Bay as a community and a destination; we then focused on a process to design and create what we believe are the necessary strategies to improve the competitiveness of the destination over the short and medium term, 0-5 years.

Phase 3 – Transforming

Once the strategies were identified and created to improve Morro Bays competitiveness, we developed the necessary steps to transform those strategies into real changes that will benefit the destination.

Destination Tourism Strategy Report Format

The Destination Tourism Strategy report is designed to take the reader from a broad understanding of Tourism within the County all the way through specific actions steps that will transform Moro Bay into a more competitive destination for the near and mid-term. This broad to narrow report flow is designed to provide the reader with a backdrop and context with which to understand the macro environment in which Morro Bay Tourism exists through specific action steps designed to maximize its competitive position.

Part 1- Overview of San Luis Obispo County Tourism Dynamics (The Situation)

Part 2- Understanding the Morro Bay Tourism Economy (The Situation)

Part 3- Destination Assets, Liabilities, and Opportunities

Part 4- Creating (Strategy Development)

Part 5: Tourism Mission and Goal (Direction)

Part 6-Transforming (Implementation)

Special Thanks

Special thanks to the City of Morro Bay and the staff of Morro Bay Tourism for their support in providing information, data, and setting up meetings as well as a place hold to meetings. Additionally, their insight and perspective were invaluable and complementary to the broader community perspectives we learned.

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Executive Summary (Setting the Stage)

Morro Bay is a remarkable little destination located in San Luis Obispo County. The destination, long known for the Morro Bay Rock and the local power plant “three stacks and a rock,” has been defined by that shorthand and in some ways has limited the many experiences that residents have locally enjoyed and that many visitors and potential visitors either do not know about or may only be partially aware.

The development of the Morro Bay Destination Strategy is designed to consider where Morro Bay is today and to transition the destination to a more competitive tourism destination. This transition needs to occur in a way that encompasses four key elements: to optimize the economic impact of visitors, to support and empower the local tourism industry, to be a voice for the value of tourism in Morro Bay, and to respect and champion the local culture and natural resources of the area.

Optimizing the Impact of Visitors

This element is important to the city and residents of Morro Bay as tourism is the largest industry and the major revenue generator through sales and the Transient Occupancy Tax collection. As Morro Bay transitioned to an era without the financial benefits of the power plant, tourism becomes increasingly important.

Empower the Local Tourism Industry

Competitive destinations enjoy the support of the tourism industry and residents. It is important for everyone to see themselves as part of the industry. The alignment of community values with the tourism industry needs is critical to present an authentic experience that reinforces why Morro Bay is different from everywhere else.

Additionally, it is important for Morro Bay Tourism to empower both the industry and the community with its technology and information that it gains from the programs and research it implements. It’s a two-way street, new ideas flowing from the community up and from Morro Bay Tourism and the City down. It’s only through this empowered and collaborative approach that Morro Bay can truly be as innovative and effective as it can possibly be.

Being a Voice for Tourism

There is no one better to be the voice of tourism than Morro Bay Tourism and the industry. This includes everything from visitor information to implemented marketing programs and major issues impacting the industry. Many people don’t have an understanding or may not care for tourism. Some may see tourism only in a negative light. But it’s important not only to reach out with the information and benefits of tourism but to also understand their concerns and continue to encourage them to participate in all the offerings that Morro Bay has to offer. Who wouldn’t want to share the fun?

Champion Local Culture and the Natural Resources

Perhaps one of the most important roles Morro Bay tourism can play is championing the local culture and the natural resources. It is these elements that serve to define what makes this place different and in doing so increases the competitiveness of the destination. It’s also important to be sensitive to the negative sides of tourism that can impact the resources: the overcrowding and protection of the natural resources, not just the Rock but the estuary, the beach, the trails and everything that gives residents and

visitors that unique outdoor setting. Championing also means managing and protecting these precious resources because they are truly what makes Moro Bay unique.

As Morro Bay evolves, the goal of this strategy is to make the destination more competitive. That does not mean to do or to offer the same things as everybody else. For Morro Bay to succeed, it must be different and unique, quirky and fun. It must follow its own path and tap deep into its culture and bring that forward by telling an interesting and compelling story to potential visitors—one that is authentic and genuine to all of Morro Bay.

To get there, Morro Bay is going to have to understand and celebrate its differences and not wish they had things other destinations might have. It's a different way of seeing a destination but one the visitor will appreciate.



Part 1: Overview of San Luis Obispo County Tourism (Understanding)

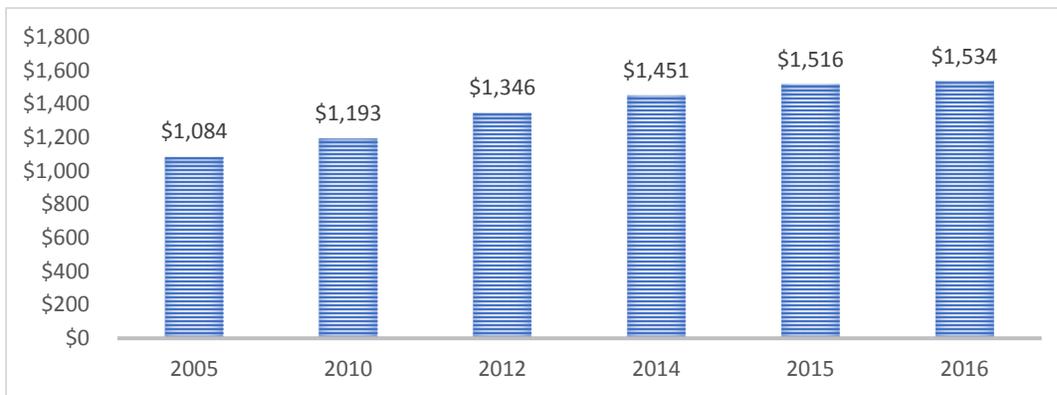
The following section is designed to provide a current understanding of the tourism economy in Morro Bay. Understanding the context of where the destination is currently operating provides the basis for looking forward and improving the competitiveness of the destination. This section provides an overview of San Luis Obispo County tourism trends and more specifically Morro Bay. Additionally, the section provides an overview of the Morro Bay Tourism promotion efforts and a summary of destination assets, liabilities and potential opportunities to increase the competitiveness of the destination.

I. Tourism Overview

San Luis Obispo County Tourism Overview

The San Luis Obispo County generates approximately \$1.5B in destination tourism spending. The county has averaged 4% annual growth in spending between 1994 and 2016 which is the most recent data available. This growth has been fueled by the addition of wine tourism as well as a variety of visitor offerings that have seen the county increase its tourism-related revenues.

Figure 1: Visitor Spending San Luis Obispo County 2005-2016



Source: Dean Runyan and Associates

Within the county over the past decade, there has been a proliferation of tourism funding in a variety of destinations that have implemented Tourism Business Improvement TBID Districts. Those destinations that have TBID funding include Paso Robles, Atascadero, Pismo Beach, Morro Bay, the City of San Luis Obispo and the unincorporated parts of the County. Each of these areas looks to attract visitors to their own destination utilizing their own marketing and promotions funding.

In addition to these destinations, Visit SLO Cal serves as the umbrella marketing and promotions organization tasked with promoting the entire county and its amenities, attractions, and experiences to the domestic and international market.

The competitive set for the county as a whole may be different from the individual destinations within the county. For example, the primary competitive set within the central coast for San Luis Obispo County is typically seen as Santa Barbara and Monterey Counties. Each possesses a unique set of attributes and experiences, and most significantly both are close to their core feeder market. In the case of Santa Barbara, it is closer to Southern California population markets, and Monterey is closer to

Northern California population markets. As the Table below illustrates, San Luis Obispo has the smallest travel spending of the three which is primarily a result of its less competitive access as compared with Santa Barbara and Monterey

Table 1: County Travel Spending Impact Summary

Destination	Travel Spending
Monterey County	\$2.7 Billion
Santa Barbara County	\$1.9 Billion
San Luis Obispo County	\$1.5 Billion

Source: Dean Runyan and Associates

When compared over time, Monterey County has seen its share of spending decrease slightly while Santa Barba has increased at the same time and San Luis Obispo has remained constant.

Table 2: County Travel Spending Share changes 2008-2016

	2008	Pct	2016	Pct
Monterey County	\$2,238	43.3%	\$2,704	42.2%
Santa Barbara County	\$1,654	32.0%	\$2,121	33.1%
San Luis Obispo County	\$1,274	24.7%	\$1,576	24.6%
Total	\$5,166	100.0%	\$6,401	100.0%

Source: Dean Runyan and Associates. SMG Consulting

As such, the role of Visit SLO Cal is to attract and influence visitors to San Luis Obispo County instead of visiting other destinations. They do this through a variety of promotional activities designed to create awareness for the destination and visitation within the County.

Once consumers are attracted to the County, they can sort out which place to visit based on their personal criteria.

At a more local level within the county, there are a number of destinations that all compete for tourism visitors, each with a somewhat unique set of attributes to attract visitors. Each of these destinations highlight attractions, activities, and experiences that both define them and at the same time seek to differentiate them in the eyes of the consumer.

Table 3: San Luis Obispo County Primary Destinations

TBID Destination	Primary Positioning
Paso Robles	Wine and Horse Country
Pismo Beach	Beach Recreation with Off-Highway Vehicle emphasis
City of San Luis Obispo	Urban experience supported by the presence of an active downtown and University
Atascadero	Hometown vibe
Unincorporated County	Highway 1 coastal stewardship, Hearst Castle

Additionally, each destination also cross-promotes activities within the county that they themselves don't have. For example, a visitor staying in the City of San Luis Obispo might be encouraged to go wine tasting in Paso Robles. The net effect of this is to commoditize the experience as each destination that

promotes regional assets can tend to lose its own distinction. Thus, the destination that can most clearly define and differentiate their destination with the least reliance on other parts of the county has a competitive advantage within the county. This advantage is based on a clear identity and a greater authenticity of its message to consumers.

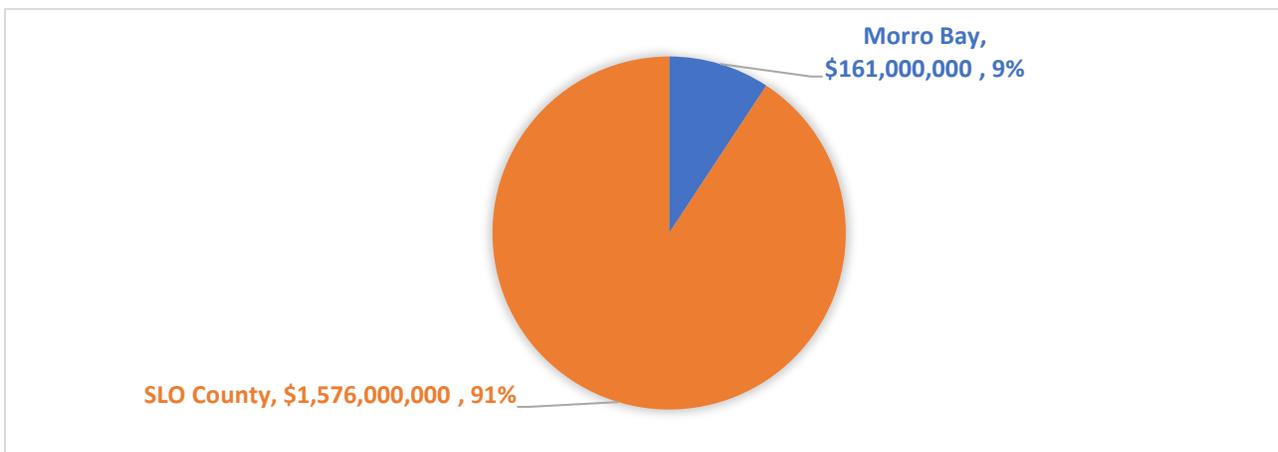
Morro Bay has a potential opportunity with its assets to create a clear set of reasons, experiences and feel to communicate to visitors that rely less on amenities outside of the city.

Part 2: Morro Bay Tourism Overview (Understanding)

Morro Bay, located on the Coast of San Luis Obispo County, is one of the destinations within the County. The destination is one of the destinations located on the coast and offers a wide range of outdoor activities as well as a unique and eclectic community to complement the visitor experience. Morro Bay has approximately 900 hotel-motel room and an additional 250 Vacation Rental Units.

Morro Bay generates approximately 800,000 visitors annually who spend approximately \$161 million dollars. For perspective, Morro Bay has approximately a 9% share of visitor spending within San Luis Obispo county. As such, Morro Bay is a niche destination within the overall county tourism competitive set.

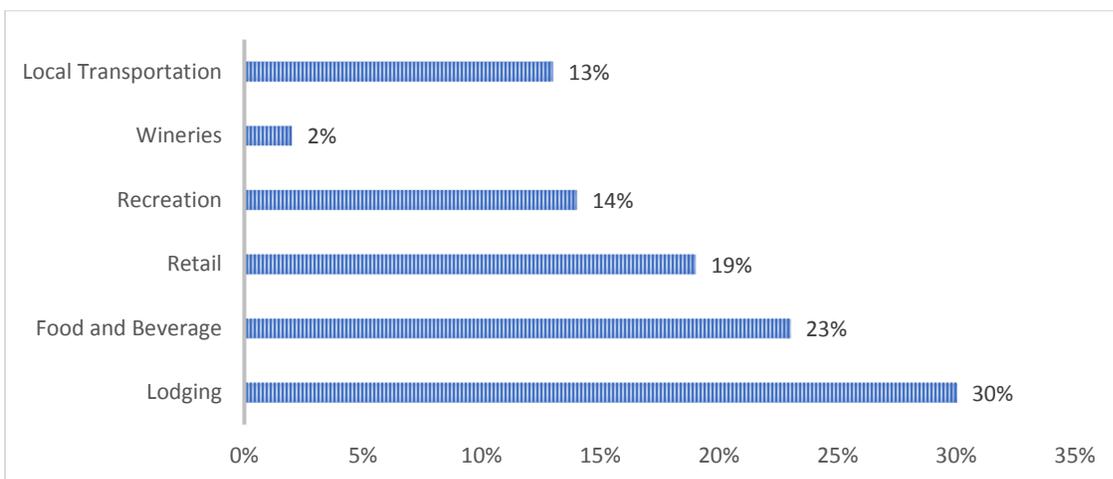
Figure 2: Morro Bay Visitor Spending vs. San Luis Obispo County



Source: Dean Runyan and Associates, Economic Impact of Tourism in Morro Bay 2017

Of the 800,000, approximately 35% are day visitors, and 65% are overnight visitors. Overall spending by visitors is broken down as follows:

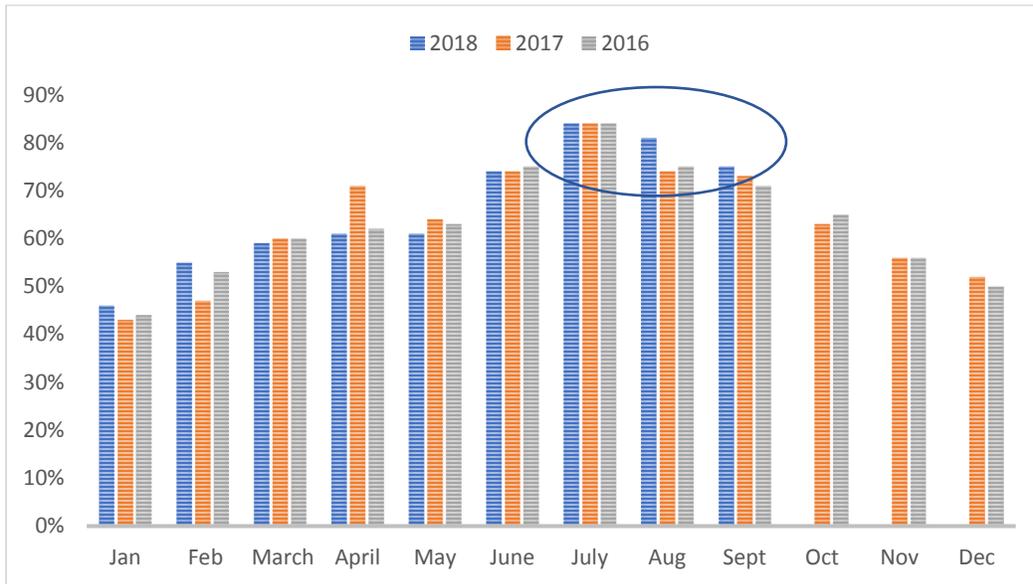
Figure 3: Morro Bay Visitor Spending by Category



Source: Economic Impact of Tourism in Morro Bay 2017

In terms of seasonality occupancy, Morro Bay’s strongest quarter are the summer quarter (Average 76%) followed closely by spring (Average 62%) and fall (Average 60%). The winter quarter has the lowest months of demand (Average 58%) The figure below illustrates the typical demand pattern as measured by occupancy rates. Clearly, there is an opportunity to grow during all parts of the year.

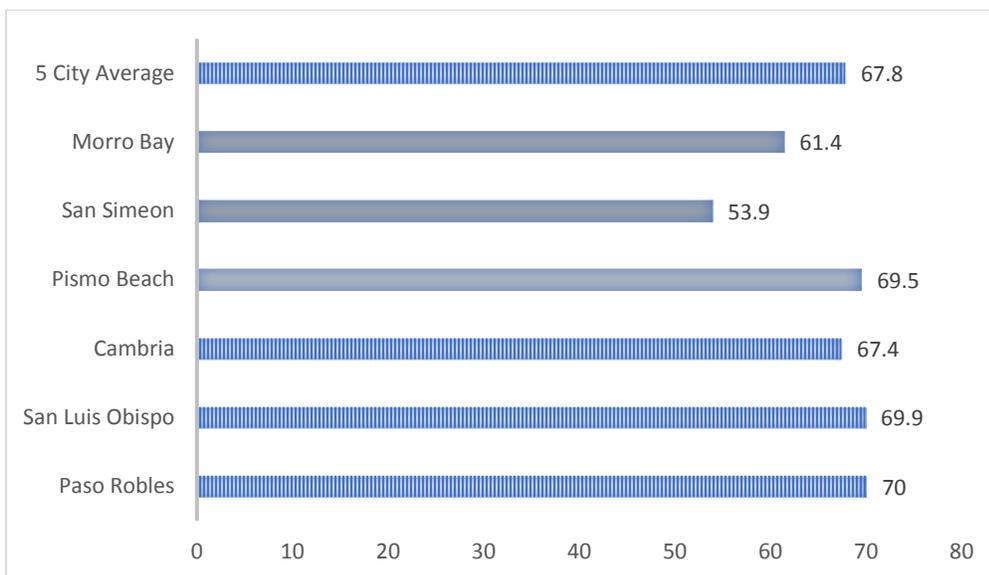
Figure 4: Morro Bay Seasonality



Source: City of Morro Bay

When compared to other destinations within the County, Morro Bay Occupancy lags behind all other destinations except for San Simeon which was significantly impacted by the closure of Highway 1 which had been closed 20 of the 24 months that Morro Bay tourism has been a city department.

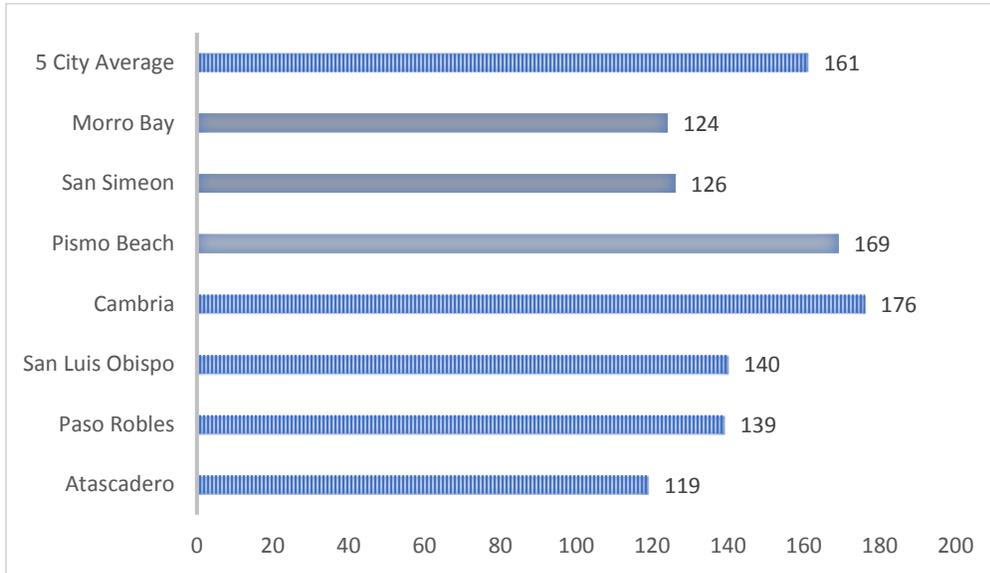
Figure 5: San Luis Obispo County Destinations Annual Occupancy %



Source: City of Morro Bay

In terms of Average Daily Rate, Morro Bay has the lowest of any destination within the county fully 33% below the five-city average. This is due in part from an older lodging infrastructure, as well as lower tourism promotion funding levels and in the past a lack of a clear and consistent marketing strategy.

Figure 6: San Luis Obispo County Destinations Average Daily Rate \$



Source: City of Morro Bay

Morro Bay Tourism Promotion

Morro Bay Tourism is a City department charged with the promotion of Morro Bay as a tourism Destination. The promotional aspects of Morro Bay have taken place for many years but only in the past two years have these efforts come under the management of the City of Morro Bay. The General Fund agreement was a five-year commitment by the city council and is critical for the long-term stabilization of tourism as a city department. Previously these responsibilities were handled by a separate tourism promotion organization. The organization is funded by the City of Morro Bay and a lodging industry Tourism Business Improvement District assessment. The organization provides a full range of Destination Marketing Organization marketing programs designed to create awareness for the destination and attract visitation to Morro Bay including the following:

- ✚ Website/Internet
- ✚ Public relations/ Content development
- ✚ Social media
- ✚ Search engine optimization
- ✚ Special events promotions

Additionally, the organization has industry input via its 7-member advisory board including 5 hotels & 2 at-large positions, which provides input on the implementation of marketing programs.

Part 3: Destination Assets, Liabilities, and Opportunities (Understanding)

SMG Consulting engaged with a cross-section of ten community groups in an effort to understand the values, character, and culture of Morro Bay residents. It is these elements and how local residents define themselves that allows the destination to define its core assets. While often times assets are thought of in terms of a destination's attributes, i.e. bike trails, hiking trails, etc., it is really the local community's culture and values that help to define it and differentiate from other destinations.

Morro Bay Assets

The process identified four core assets.

- **Friendly and Welcoming Community**
Perhaps one of the most constantly mentioned values of the community is its friendliness. Morro Bay residents are friendly and welcoming to visitors. They recognize the importance of tourism to their local economy and way of life, and as such, they welcome those who visit.
- **Outdoor Recreation**
Morro Bay has the most extensive variety and quality outdoor recreation of any destination within the County. Land-based and water-based recreation help define the local residents' passions. Be it surfing, hiking, paddling with them and seeing the otters; the local community places high importance on the availability of these activities.
- **Protect the Environment**
Local residents are protective of the area's natural resources and environment. The estuary, harbor and "the Rock" are the centerpiece of local residents' passion for the environment. While they do want visitors to enjoy the environment, they also want visitors to respect the environment.
- **Waterfront Fishing Village**
It's a large part of the heritage of the destination and the last working commercial fishing port in California. True authenticity.
- **An Eclectic Community**
One of Morro Bays key assets is the eclectic persona of the local community. This can be seen and experienced through their local restaurants (the destination has no commercial chain restaurants), its extensive local public mural program, and several signature special events which all combine to create a unique and eclectic local culture. This funky local culture is easy going and one of the most defining values that separate Morro Bay from other destinations within the county.

Morro Bay Liabilities

Along with its core assets, Morro Bay also has liabilities that over time can limit its ability to maximize its tourism experience.

- **Lack of high-end Lodging**
There is a perception among local industry stakeholders that Morro Bay lacks enough high-end resort lodging supply that can be found in other parts of the county.
- **Perceived location**
Several stakeholders mentioned the location as a detriment to visitation, noting its Highway 1 location as opposed to many of the other destinations located on Highway 101. The reality is Morro Bay is 12 miles from San Luis Obispo, and given its mix of amenities and location, this is not an issue to overnight visitors planning a trip.
- **Signage and wayfinding**
One area that could be improved is the signage on Highway 1. While a new outdoor board has recently gone up (with a Kayak presentation) there needs to be a cohesive sign strategy could that focuses on tourism attribute, i.e. the beach, harbor, etc. Additionally, the wayfinding in town is lacking but is currently being addressed by the City of Morro Bay.
- **Mindset**
Often familiarity can breed passivity or an attitude or that's the way it is. A key step to improving the competitiveness of Morro Bay is to reimagine the destination's assets in a more competitive way and effectively communicate the appropriate message. To that end, one area that is of critical importance is the mindset of the local community. In many of the meetings, those participating began to see the assets of Morro Bay in a new and more competitive way. In short, Morro Bay is the recreation leader and the most eclectic destination within the county. This perception should open new possibilities about the destination and its marketing efforts.
- **Embarcadero and Downtown Integration**
A long-standing challenge is the separation from the waterfront area and the downtown. Visitors tend to see the waterfront area as "downtown" where residents see the downtown up in the middle of the city. This causes confusion and needs to be sorted out with appropriate signage.
- **Lack of Conference/Meeting Facility**
Morro Bay lacks a get revenue generation opportunity with meeting/conference facilities that can host groups year-round.

Morro Bay Assets and Liabilities -Summary



Part 4: Strategy Development (Creating)

The development of a destination strategy for Morro Bay is based on two important elements: reevaluating its current mix of community values and assets and successfully repositioning the destination as one of the unique places in the county.

I. Asset Re-Evaluation

For years Morro Bay has been known as three stacks and a rock, referring to the power plant smokestacks and the Morro Rock, and this shorthand has defined the destination for decades. This depiction often is how other see the destination.

While no one can dispute their importance and the role they have played in the history, culture, and minds of residents and visitors alike, there is so much more to Morro Bay. Rethinking Morro Bay’s assets along the lines of beach/harbor and land and community provide a much more expanded portfolio of assets to present to consumers.

“It’s nothing short of jarring to see the looming triple stacks of Morro Bay’s long defunct power plant rise into the skyline, but those who have come to love the collection of still funky towns dotting the “Gibraltar of the Pacific” have learned to embrace their industrial past via paddleboard, among other modes of transit.”

Newsweek.com

Beach/Harbor	Land	Community/Culture/Values
Surfing	Golf	Dining
Stand Up Paddling (SUP)	Biking (Road and Mountain)	Art
Boating/Sailing	Hiking	Shopping
Kayaking	Walking	Friendly destination
Fishing	Bike Park	Farmers Markets
State Beach	Local and State Parks	National Estuary/Special Events
		Eclectic fell
“Three stacks and a rock.”		

By viewing Morro Bays assets in this way, one can see the high concentration of land and water-based recreation combined with a unique community that is different from other destinations within the county. Viewed in this way it, in fact, makes the destination more competitive both from a local value and cultural perspective and destination attribute perspective. Stakeholders need to consider expanding their view of Morro Bay beyond the more historical three stacks and a rock perspective and see how a broader view can make the destination more competitive.

II. Asset Repositioning

The second component in the strategy development is repositioning Morro Bay in a way that accentuates the differences from other destinations. It’s important for stakeholders to think in strategic terms about the differences that make the destination unique and give it a different character everything from its recreation offerings to its lack of chain restaurants to its friendly culture. Positioning lines like the following give stakeholder a different way to think about Morro Bay.

“Some places are like all the rest; Morro Bay is different”

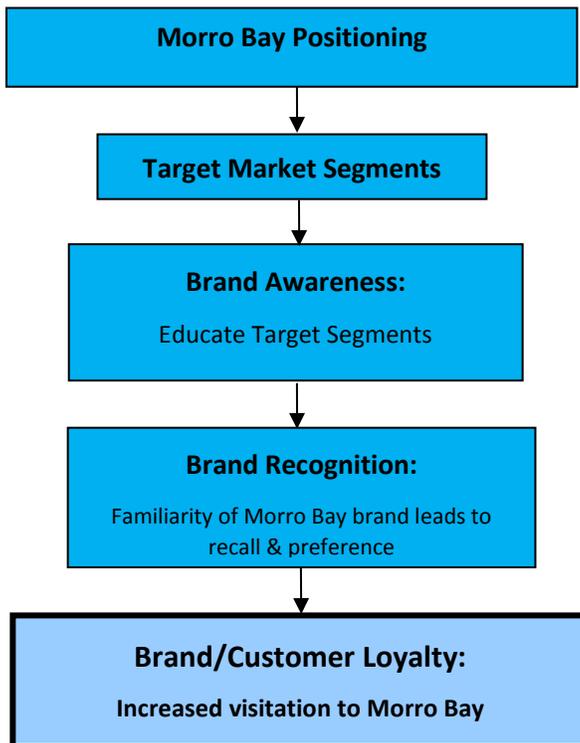
“A little different, that feels right”

This positioning, using the eclectic culture and feel of the destination, looks to fully differentiate Morro Bay from other destinations within the county specifically and all destinations in general in a way that is defensible. What other destination can offer the range of recreation and eclectic vibe that Morro Bay can? This kind of thinking can be integrated into creative advertising and messaging campaigns that must communicate that Morro Bay is a different kind of place.



Located in a highly competitive Central Coast market, **Morro Bay can leverage this repositioning and differentiation into its branding and communication as it increases awareness of the destination** among its identified target segments.

The communication of a differentiated Morro Bay positioning not only serves to unify all of the



assets/attributes of the destination under one identity, but it also works to unify the tourism community and encourage it to provide the highest quality standards and customer service that will further strengthen the customer experience.

Building a broader and more differentiated positioning of Morro Bay and Customer Loyalty:

By broadening and differentiating the Morro Bay positioning, it can motivate a buying decision that is both emotionally and functionally driven and **is positively reinforced when the experience meets the expectation.** As such, Morro Bay’s lodging properties, attractions, and all visitor-oriented businesses should strive to consistently offer exceptional customer service beginning with the information gathering process through to the actual visitor experience. The continual and dedicated commitment by each community member, tourism agency, and business to provide a positive overall experience will help to build brand awareness, reinforce positive brand associations,

and generate customer (brand) loyalty among target segments. **Above all, a highly loyal customer base can be expected to generate repeat visitations and revenue flow.**

It is critical that the key points of differentiation that help to build the Morro Bay brand be interwoven and communicated throughout all aspects of tourism marketing efforts over the long-term.

III. Marketing Strategy Integration

The final element is to integrate this new way of thinking into Morro Bays marketing strategy.

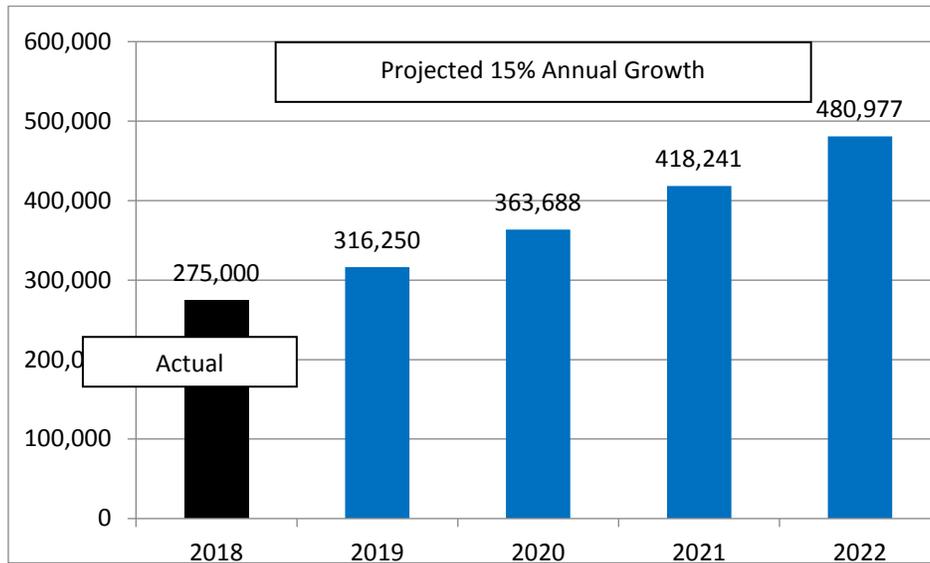
Given the prominent role that the internet plays in travel planning, Morro Bay's marketing efforts should continue to drive potential visitors to its website. The current TMD and city funding will help Morro Bay increase these efforts. At the core of the strategy are two basic principles:

- The **best organization to create awareness and brand positioning** and influence visitors to choose Morro Bay is the Destination Marketing Organization.
- The **best organization to book a room or make a sale** is a lodging property or an online travel agency (OTA).

How the strategy works (see the model on following page)

- Marketing programs (traditional advertising, digital advertising, content development) are executed to attract target market segments and to increase the existing database for future tourism marketing efforts. Once the target segment is attracted, they either show interest (go to the visitor bureau website) or not.
- Once they go to the website, at some point, they may click on a lodging property or attraction. They may book directly, or they may book through an online travel agency or some other channel. This sequence of events may happen all at once or over a period of time.
- Based upon their experience, new visitors either become repeat visitors going back to the lodging property/attraction directly or back to VCB's website to choose another lodging property or attraction, or they fall out of the entire system.
- The DMO can measure its effectiveness and accountability at several points.
 - First, it will be able to measure **how many visits are generated overall** by its marketing efforts.
 - Second, it can **develop online surveys to determine how people were directed to the website** and its influence to take a vacation. This can be measured and a return on investment (ROI) analysis developed.
 - Third, it can measure **how many visitors (leads) it provides to its members**.
- Current unique visitors to the website are approximately 275,000 annually. The chart below projects unique visitor growth at 15% annually, which should be achievable given the available budget.

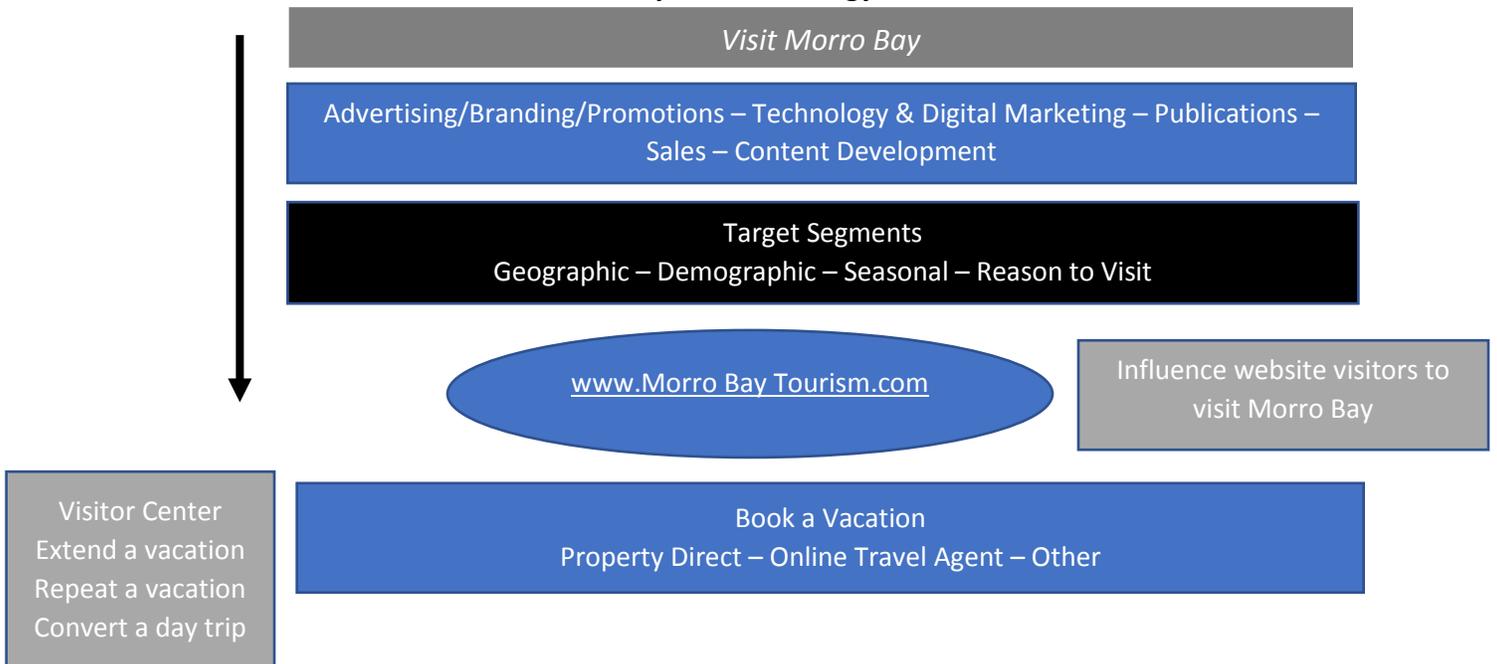
Figure 7: Visit Morro Bay Unique Visitors to Website | Past 12 months



Source: Google Analytics. SMG Estimates

In the figure above, assuming a 15% annual growth rate of website visitor annually over the next five years there would be an incremental increase of 205,000 website visitors and assuming 10% are influenced to visit with an average stay of 1.5 nights for all visitors and an Average Daily Rate of \$123, it would mean an increase in \$3.8M in lodging revenue to the industry and an approximate \$8.8 million annually of lodging revenue generated just through the Morro Bay tourism marketing efforts. These can be tracked through the website. This does not include consumers that might have been influenced to visit but did not use the Morro Bay website.

Competitive Strategy



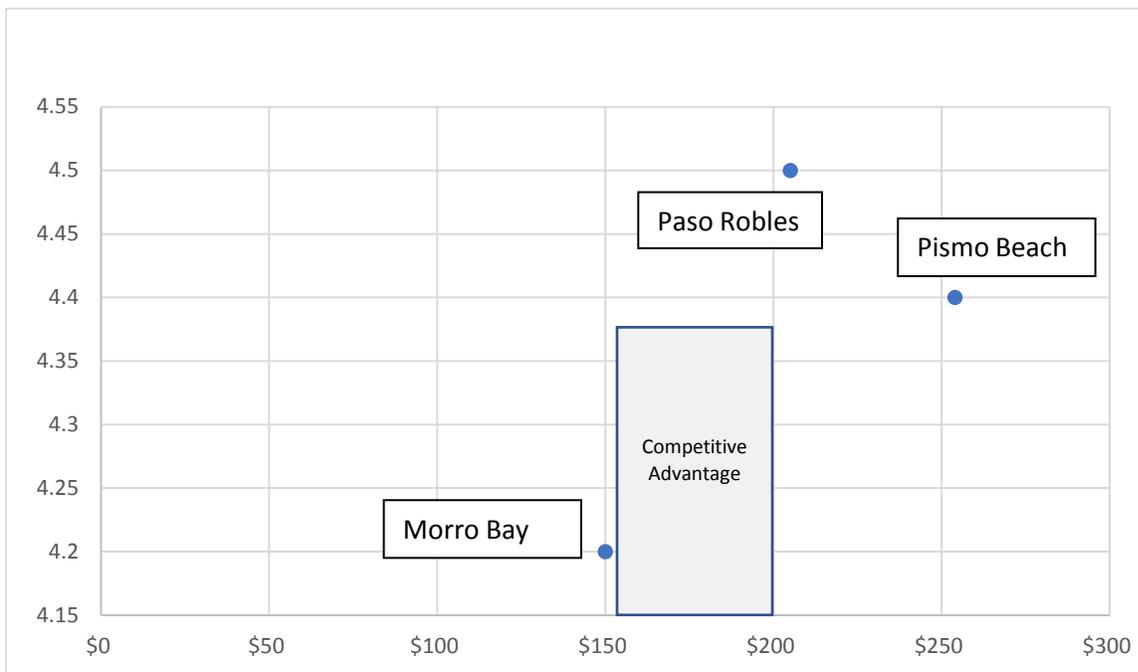
Morro Bay must concentrate its efforts on **repositioning the destination and creating awareness and driving potential visitors to its website** in order to educate potential visitors on the difference of the destination to encourage them to visit the area. In doing so, it is important to remember two key priorities:

- Tourism promotion efforts must concentrate on **the marketing elements that individual organizations/businesses cannot do (or do as well) for themselves**
- Stakeholders **must work together in a very competitive market**

Visitor Benefits

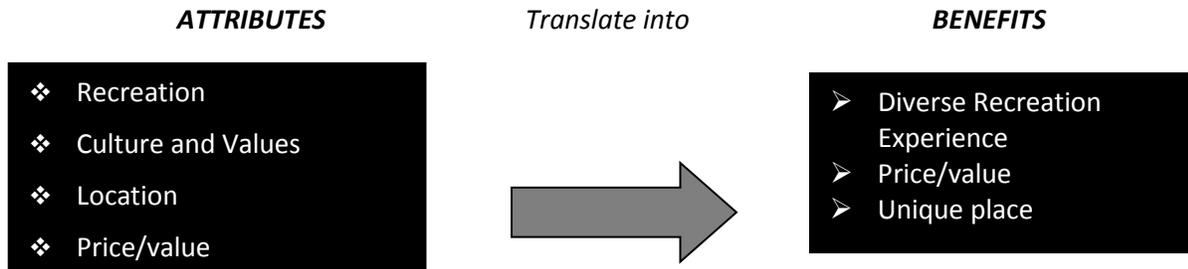
Properly promoted, Morro Bay’s product attributes and price/value translate into a variety of visitor benefits. The core strategy is to fully exploit the price value advantage Morro Bay has with regard to Pismo Beach and other destinations within the county. The chart below illustrates this price advantage. The chart compares the price for one night’s lodging in the three destinations as was found on Trip Advisor. The chart also illustrates the average rating for the hotels in each destination as assigned by users in TripAdvisor. **As can be seen, Morro Bay, while rated slightly lower on quality, 4.2 vs 4.5 for Paso Robles and 4.4 for Pismo Beach, is priced significantly lower than its competitors.** This sustainable pricing, when combined with the recommended repositioning of Morro Bay, can present to the consumer a clear choice of similar activities in a unique destination that can be enjoyed by someone staying in Morro Bay at significant cost savings. This is the clear sustainable advantage of the Morro Bay market.

Figure 8: Morro Bay Lodging Pricing and Rating vs. Comp Set



Source: Trip Advisor prices of November 24, SMG Consulting

The key toward leveraging this advantage is to not only communicate the pricing, Morro Bay's sustainable competitive advantage but more importantly to communicate the unique community and recreation that the destination offers.



➤ **Diverse Recreation Experience**
Morro Bay's close proximity to both land and water based outdoor activities make it a fun experience for those looking for an affordable destination with recreation activities.

➤ **Unique and Eclectic Place**
The natural surroundings combined with the local community culture provided a differentiated and unique experience for visitors in the central coast.

➤ **Price/Value**
Morro Bay provides visitors with a unique local experience at a very affordable price. It gives visitors an alternative to more costly lodging in neighboring areas without sacrificing proximity.

Part 5: Tourism Mission and Goal (Direction)

This section focuses on implementing specific steps in an effort to drive the new strategy and transform the destination into a more competitive position which in turn increases revenues, employment, and taxes for the City of Morro Bay.

In order to develop a consistent tourism strategy designed to increase the competitiveness of the destination and tourism spending within Morro Bay, SMG has included the following recommended mission and goals.

Tourism Mission

The mission of Morro Bay Tourism is to improve the area's economy and increase its tax base by attracting targeted overnight visitors to the area through marketing and promotional efforts.

Marketing and promotional efforts are designed to encourage longer stays and future returns. By bringing together the interests of local businesses, government and civic organizations, the organization creates an alliance that increases awareness and enhances the image of Morro Bay.

Overall Strategic Goal

Increase tourism spending in Morro Bay from the current estimated \$161 million to \$200 million¹ over the next five years by effectively promoting the destination in a way that optimizes Morro Bay's assets including its location, superior price value, eclectic culture and vibe, recreation, and history. By doing so, this will contribute to economic prosperity and increased employment development for Morro Bay while working to retain the rural small-town attributes and local culture.

¹ Assumes approximately 4.5% annual growth.

Part 6: Implementation (Transforming)

The key to implementing any strategy element is the actual execution of specific action steps, and to that end, it will be imperative for Morro Bay Tourism to integrate implementation steps into their work plan.

The following “Strategic Pillars” were identified to provide Morro Bay Tourism and the tourism industry important direction to implementing the competitive strategy.



Combined these pillars, working together, leverage the opportunities available to Morro Bay in a way that increases the destination’s competitive advantage by building on its strength and further differentiating Morro Bay as a unique place within San Luis Obispo County. These implementation steps enable the destination to maximize its competitive opportunity.

I. Destination and Product Development

The following strategies and implementation steps are designed to support the community and visitor experience in a way that leverages Morro Bay’s physical attributes to provide a unique recreational and eclectic community visitor experience.

A. Signage

There is a need to improve Highway 1 access signage to communicate what is available in Morro Bay.

Strategy:

The City of Morro Bay should work with Cal Trans to modify Highway 1 signs to better communicate the harbor, beach, and community of Morro Bay. Thus, providing visitors and potential visitors with more knowledge of what is available in Morro Bay. Additionally, the Highway 41 sign heading west before getting to Paso Robles has Paso Robles listed but not Morro Bay which is the terminus of the highway.

Action Steps:

1. The City of Morro Bay should develop and communicate a comprehensive recommendation for sign changes for Highway 1 and 41 to Cal Trans.
2. The City of Morro Bay should solicit appropriate local, regional and state politicians to support those efforts.

Measurement

1. Development and communication of recommendations to Cal Trans that feature the state parks in Morro Bay.
2. Engagement and cooperation with all political levels and cooperation with Cal Trans.
3. The actual implementation of new and revised signs.

B. Art & Culture

In an effort to emphasize Morro Bay's unique and eclectic culture, it's important for Morro Bay to develop an arts and culture funding strategy. The community has an excellent start with its previous mural program and efforts should build on those.

Strategy:

It is important to capture the local community culture and character through a sustainable arts and culture program. This element implemented strategically can support local and visitor interest in making the destination more unique and interesting which in turn makes the destination more competitive.

Action Steps:

1. Morro Bay Tourism and the City of Morro Bay should take the lead in developing potentially sustainable funding sources to support arts and culture in the community.
2. Morro Bay tourism should consider taking the lead in developing an arts and culture strategy that builds on existing efforts.

Measurement

1. The development of sustainable funding sources.
2. The continual addition of new community arts programs that help bring out the local culture and eclectic nature of the community.

C. Lodging

There are several key issues related to the lodging industry that are of concern to the broader tourism industry. These issues include how to deal with Vacation Rentals within the city limits, the effort to attract selected new hotel developments and the need to upgrade the lodging experience with existing lodging properties within Morro Bay.

Strategy:

1. The issue of VHR rentals is complicated and interrelated with other issues. The best approach is one that would find a compromise for all parties. The addition of VHR provides the destination with an added supply of upper-end lodging choices which are currently not available. There is a need to continue to work to a defined policy about VHR's in an effort to determine TBID rates and contribution throughout the industry.
2. Support efforts by the City of Morro Bay to attract quality developers for potential new lodging properties that can broaden the appeal of consumers given the proposed repositioning of the destination.
3. Work with existing lodging properties to educate them on regional supply and demand pricing issues. This is an effort to develop pricing that better reflects regional supply and demand and to present the destination as a way to "sell" rooms.

Action Steps:

1. Make available accurate information regarding tourism levels and vacation rental performance. Avoid taking a political position that can entangle Morro Bay tourism and damage its long-term interests.
2. Because lodging is spread throughout the community, it is recommended the city consider modifying its T.O.T. reporting into different lodging zones. That refinement could assist in understanding needs better in different parts of the lodging community. As well, it would provide potential developers with a more nuanced understanding of Morro Bay as a place for potential investment.
3. Make available information that potential developers might find helpful in understanding the Morro Bay Tourism market to aid them in their decision-making process.
4. Make available information on supply and demand trends within the county to provide the industry with as complete information to aid them in their pricing and marketing decision.
5. Make available appropriate photos, video, etc. to the lodging industry to assist them in better selling their property by taking advantage of the new repositioning.

Measurement:

1. VHR issue is resolved and fully integrated into destination lodging offerings.
2. Developers are using destination information to inform their decision about investing in Morro Bay.

3. The local lodging industry integrates more fully regional supply and demand pricing information and takes advantage of destination repositioning to reflect the value of their rooms.

D. Environment

The environment is one of the key cornerstones of what defines Morro Bay and its uniqueness, and as such the need to continually educate visitors about how to protect this valuable resource is essential.

Strategy:

1. Integrate the environment and its protection into Visitor Morro Bays communication strategy as a way to further differentiate the destination.

Action Steps:

1. Continue the relationship with the Morro Bay National Estuary Program (MBNEP) and work to provide them with an expanded communication channel for their environmental awareness and protection messages.
2. Be a nexus point between tourism and the (MBNEP) helping to educate the industry, not just the recreational activities available at the estuary, but also how to protect it.
3. Provide space in Morro Bay Tourism website and communication channels to educate visitors on how they can be a part of protecting the resources they enjoy.
4. Develop a visitor guide to that includes protecting and enjoying the environment of Morro Bay and distribute the information at lodging properties upon check-in.

Measurement:

1. Expanded exposure to visitors about the estuary and its need for protection.
2. Strengthened position and visitor perceptions of Morro Bay as a destination that cares about and protects the environment and communicates it effectively to consumers.

E. Recreation

Recreation is an integral part of Morro Bays competitive advantage. The land and water-based recreation define the destination as one that is active, and that cares about the environment as these recreation activities are based on natural resources. Simply put, the recreation offerings combined with the eclectic feel of the community and the positive pricing differential fully differentiate the destination compared with other parts of the Central Coast.

Strategy:

1. Utilize recreation activities as a way to communicate the story of Morro Bay. Tell the story behind the activity in the personality of those who engage in the activity and the joy the activity brings.

Action Steps:

1. Consider partnering with the Recreation Advisory Board and other key industry stakeholders to act as an advisory group to Morro Bay Tourism using their input to understand the recreation trends and insight of users better. This can be used to tell the recreation story.
2. Be a nexus point between tourism and the recreation community and other parts of the tourism industry including the protection of natural resources.
3. Continue to feature recreation in more detail including video, photo and the written word 'recreation' in all of the communications about Morro Bay.
4. Continue to support and develop new special events that emphasize recreation and sports activities year-round in Morro Bay.

Measurement:

1. Expanded exposure to visitors the varied recreation choices. Identify and track visitors who visit recreation web pages.
2. Strengthened position and visitor perceptions of Morro Bay as the premier outdoor recreation location in the County.

II. Marketing and Promotion

One of the key elements for marketing success is to rethink Morro Bay Tourism promotional and marketing efforts not as a series of activities but rather to view their efforts as a comprehensive marketing platform. The platform contains three distinct components: potential visitors that Morro Bay Tourism would like to reach and influence to visit, Morro Bay Tourism promotional activities and community stakeholders. Viewed as an integrated platform, it is the goal of Morro Bay tourism to add value to the whole platform and to add value to both potential visitors and stakeholders. Adding value for potential visitor means delivering appropriate and well-executed visitor information, booking capabilities, etc. Adding value to stakeholders means increasing the amount of travel spending by visitors. In this way, the DMO is an indispensable platform serving both visitors and stakeholders and in doing so becomes an integral part of the destination's revenue, employment, and tax generating assets.



A. Positioning

Strategy:

Positioning the destination to potential visitors is essential to maximize the area's competitive advantage. Communicating how potential visitors see the destination creates the ability to differentiate Morro Bay from its competitors, creating interest and potentially influencing them to visit. Simply promoting recreation does not effectively create a sustainable and defensible difference. But by capturing the eclectic feel of the destination and the local culture, combined with these assets, does create a sustainable and defensible way to present the destination as an authentic experience that is unique within the county.

Action Steps:

1. Work to position Morro Bay as a different kind of place from other destinations within San Luis Obispo County. Focus on the unique personality, the eclectic feel, culture and mindset of the community as a point of differentiation.
2. Emphasize the differences including the recreation, culture and eclectic nature of the destination.

Measurement:

1. Implement periodic advertising and perception tracking studies to understand how potential visitors see the destination and what their changes of perception are over time.

B. Branding

Strategy:

Continue to develop the Morro Bay Brand as a way to distinguish the destination but also work to define the brand by positioning the destination identified previously.

Action Steps:

1. Continue to emphasize the brand identity for Morro Bay to all target segments and in all marketing channels.
2. Leverage the diversity of content (recreation, community) within the destination to communicate the difference of Morro Bay.
3. Ensure the millennial footprint is leverage and develop appropriate marketing communications through appropriate channels.
4. Solidify the brand and Morro Bay as the unique destination within San Luis Obispo County.
5. Look to leverage the brand wherever possible including signage, special events, etc.
6. Take a long-term view and develop branding campaigns over a 3-5-year time frame. Ask where can the “Put Life on Coast” campaign go in the future. How will it evolve? What are the opportunities?

Measurement:

1. Measure the existing “Go Coastal” brand to asses if the brand resonates with key target markets. How do potential visitors see the brand? Does it connect?

C. Story Telling

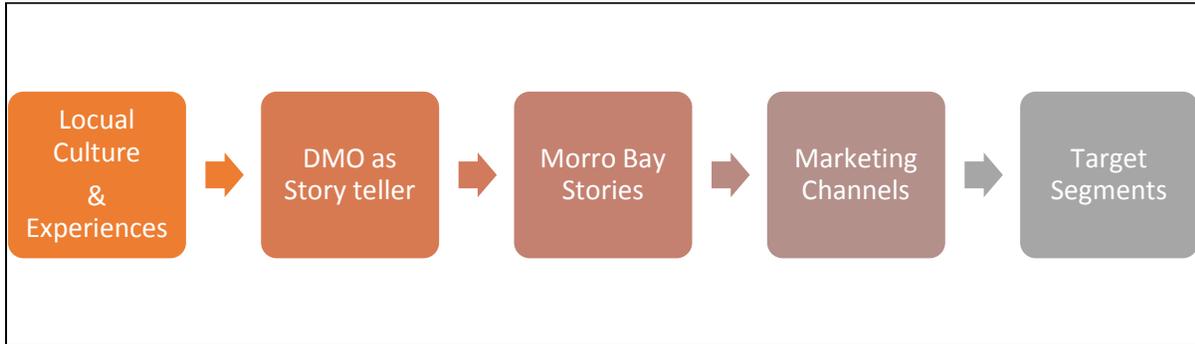
Strategy:

In today’s world, consumers have much greater control over what information they receive and more importantly what they pay attention to. As such, it will be critical for Morro Bay to dig deep into the destination and local culture to develop stories that emphasize the uniqueness of the destination and create interest with potential visitors.

Action Steps:

1. Consider the destination storyteller model to develop stories, video, written and photographed around a wide range of topics to be found in Morro Bay. (See Next Page)

Morro Bay Story Teller Model



Source: SMG Consulting

2. Communicate destination content from the perspective of a storyteller bringing out the rich uniqueness of the destination and the community.
3. Augment existing video library to include destination stories from a wide range of elements including specific recreational activities, dining, history, local culture. All should be designed to reinforce the unique destination positioning.

Measurement:

1. Periodically survey the organization's database to determine if consumers are understanding and getting the stories and perceptions of the destination.

D. Tourism Research

Strategy:

Morro Bay Tourism should be an integral player in collecting and disseminating research and data related to the industry. Morro Bay Tourism should understand what the data is saying and how it impacts their tourism strategy and how local tourism stakeholders can take advantage of emerging trends as well as adjust to threats and challenges.

Action Steps:

1. Continue to support and secure pertinent research and data collection at the county level and in turn communicate important information to local tourism stakeholders.
2. Develop a Morro Bay Information dashboard that quickly communicates vital tourism related statistics. (See next page.)

Dashboard Data Elements

Dashboard Indicator	Collection Period	Collection area	Comments	Source
Regional Performance				
Taxable sales	Quarterly	County-wide	Lags 6-12 Months	State Board of Equalization
Travel spending	Annual	County-wide	Lags a year in the collection	Visit California
Travel Industry Employment	Annual	County-wide	Lags a year in the collection	Visit California
Travel Industry taxes generated	Annual	County-wide	Lags a year in the collection	Visit California
Lodging Performance				
Transient occupancy tax collections	Monthly	City-wide	Lags 60 Days	Morro Bay/STAR
Occupancy Rate	Monthly	City-wide		Morro Bay/STAR
Average Daily Rate	Monthly	City Wide		Morro Bay/STAR
RevPAR	Monthly	City-Wide		Morro Bay/STAR
DMO Performance				
Site Performance				
Unique Visitors	Monthly	DMO		Visit Morro Bay
Time on site	Monthly	DMO		Visit Morro Bay
Bounce Rate	Monthly	DMO		Visit Morro Bay
Data Base				
Email address capture	Monthly	DMO		Visit Morro Bay
Social Media				
New Facebook fans	Monthly	DMO		Visit Morro Bay
New Twitter followers	Monthly	DMO		Visit Morro Bay
Public Relations				
Ad equivalency	Seasonally	DMO		Visit Morro Bay
Number of editors visited	Seasonally	DMO		Visit Morro Bay
Number of feature articles	Seasonally	DMO		Visit Morro Bay
Sales				
Leads generated	Seasonally	DMO		Visit Morro Bay
Advertising				
Leads generated	Seasonally	DMO		Visit Morro Bay
Visitor Center				
Number of visitors	Monthly	DMO		Visit Morro Bay

3. Conduct research as a need to identify issues and opportunities.

Measurement:

1. Research is integrated into new marketing initiatives and plans. It is used to evolve tourism related strategies.
2. The Tourism community feels informed on current trends and topics.

E. Website

Strategy:

With the majority of travelers using the Internet for vacation planning and with limited marketing funds, **it is critical that the website continually reflect the newest information. The website is a key element in adding value for potential visitors.** The website will strengthen and reinforce the Morro Bay brand and, above all, assist potential visitors with information gathering and vacation planning.

In order to optimize its efficiency for visitors and the tourism organizations and businesses, the new website **should be viewed as a central marketing element and not just an addition to existing marketing efforts.**

Not only will this help the potential visitor, but the tourism industry will be able to track the performance of the site with a full suite of analytics in order to gauge its success and identify needed areas of improvement.

This measurement provides a means so that continual changes and improvements can be made thus increasing the organization's efficiency.

Action Steps:

1. Morro Bay Tourism should continue to build and enhance its digital marketing, promotions, and communications platforms by continually investing in technology that enables the organization to achieve its digital goals and objectives.
2. **Continue to invest in developing ongoing content for the website and other channels.** This should include photography, video, and written content. Work with Visit SLOCAL and other partners to leverage assets.
3. **Continue to implement an SEO (search engine optimization) strategy** for Morro Bay that will facilitate organic positioning on search engines with tactics such as adding keywords in the descriptive copy of every page to ensure the **site includes the most popular words used by visitors searching for Morro Bay.**
4. **Use website measurements and input from visitor surveys** to identify issues and make improvements to the website on an ongoing basis.

Measurement:

1. Monitor and evaluate Google Analytics with regard to standard measurement, i.e. time on site, bounce rate, click patterns, etc.
2. Periodic survey of website visitors as to likes, dislikes, user experience, etc.

F. Content Development and Communications

External Communication

Strategy:

Content development is a critically important component within the tourism strategy **to help build awareness and shape the perception that Morro Bay is a unique and interesting place to visit.** Effective content development can also educate potential visitors about the eclectic feel and vibe of the destination as well as educate them on all of the related activities.



Action Steps:

1. Shape stories based on the eclectic feel and vibe of Morro Bay combined with its diversity of recreation and activities and price advantage. Activities could include the following:
 - Unique things to do in Morro Bay
 - Area history and things to see
 - Food and wine in Morro Bay
 - Recreation in Morro Bay
 - Bicycle rides in Morro Bay
 - Motorcycle rides in Morro Bay
 - Morro Bay special events
 - Morro Bay fishing
 - Morro Bay Boating
 - Other

Measurement

1. Measure content efforts via generated coverage and ad equivalency. It should be noted that in conjunction with advertising and other marketing activities, content development is vital for building brand awareness, but is often hard to measure and attribute to specific content development efforts.

G. In Market Communication

Strategy:

Equally important, to external communication and the shaping of the Morro Bay message, is internal communication to keep stakeholders and residents informed on tourism-related activities and the importance tourism does play in the local quality of life. As such part of the destination, strategy is to implement and augment existing internal communications.

Action Steps:

1. Develop an ongoing communication program with the local tourism officials in order to keep them informed about tourism efforts. These efforts can include the following:
 - Monthly email to key politicians and stakeholders
 - An annual report summarizing tourism activities
2. Educate the local community about how tourism can help preserve their quality of life while generating revenues for city/community services through stories in local newspapers or town hall meetings. Story ideas could include the following:
 - The value of tourism to the City budget
 - Tourism business and employment
3. Work with local news media to educate the community about Morro Bay promotion efforts and their results.

Measurement:

1. Continue to gauge local resident perceptions and attitudes toward tourism and its related issues including vacation rentals, crowding, etc.

H. Visitor Services/Information

Strategy:

Visitor information consists of two primary components. The first is **information that is used to attract potential visitors to Morro Bay**. The second component is **information used to assist visitors once they arrive**. Both information components are critical in defining the visitor experience and have the potential to impact both first-time and repeat visitations.

As it currently exists, the Chamber of Commerce office serves as the primary source for walk-in visitor information while Morro Bay Tourism, with its website, etc., serves as the primary source of information to visitors outside of Morro Bay.

Action Steps:

1. Promote the new Morro Bay website as the primary visitor information tool. Include the new Visit Morro Bay website address in every marketing initiative and encourage regional tourism related businesses and tourism officials to include in their marketing materials.
2. Continue distributing the Visitor Guide both outside and inside the city/county.
3. Create a visitor information system by providing a signage link similar to the one at the right. Have the link prominently displayed at the Visitor Center and areas that come in contact with visitors so visitors clearly can understand these locations are for official visitor information.
4. Improve directional signage for people coming off the Highway that can easily direct them to the visitor center.
5. Look to develop a visitor information Center down in the wharf area in an effort to reach a high concentration of visitors. This in an effort to educate visitors on the option in Morro Bay to extend their stay and /or plan a future trip.



Measurement:

1. Increased visitors to the visitor center.
2. Increased traffic to the Morro Bay website.

I. Special Events

Strategy:

Utilize special events as a way to broaden the appeal and increase incremental visitation to Morro Bay. Special events are an important strategy for Morro Bay, as they can work to solidify the positioning of the destination, broaden the appeal of the destination and attract new visitors to the area.

Action Steps:

1. Develop and implement events that will work to broaden the current Morro Bay positioning of family and recreation.
2. Develop and implement special events that help to create awareness for and position Morro Bay as a destination to visit.
3. Review the existing roster of events and determine which ones fulfill the needs from a tourism perspective. Identify new potential events that solidify the destination's eclectic and recreational positioning.
4. Key to using special events as a tool to broaden the appeal of Morro Bay as a reason to visit is

the formation of a special events advisory committee to support those efforts. That committee, along with Morro Bay Tourism should review the existing events and identify if current events support the above objectives and develop a special events action plan designed to meet those objectives. Additionally, it is important for the advisory committee to share ideas, potential new opportunities and bring the tourism community together in an effort to maximize the area's revenues.

Measurement:

1. Development of a roster of events that drives overnight visitation and supports the destination positioning.

III. Leadership and Alliances

Strategy:

An additional element that can improve Morro Bay's competitiveness is the support of alliances and partnerships that further leverage its resources. Currently, the staff is already participating with some of these organizations, but it's important to review how each alliance further leverages the organization's goals to increase awareness and influence visitation to Morro Bay.

Action Steps:

- 1. Strategic Alliances** – To fully leverage Morro Bay's resources, it makes sense to continue existing alliances as well as develop new ones where appropriate to develop strategic partnerships where mutual objectives can be identified.

Visit California

Visit California's focus on increasing international business is a key opportunity for Morro Bay to leverage their resources in order to create more awareness and visitation to the area in the international marketplace.

Central Coast Tourism Council

This organization includes DMOs from around the Central Coast and is designed to attract visitors to the entire region, with a focus on international visitation.

Visit SLOCAL

This organization is the primary tourism promotion organization for San Luis Obispo County. Cooperative efforts with this organization make sense, but it's also important that Morro Bay Tourism have a greater impact at the board of director level in shaping strategy resources allocations.

- 2. Partnerships** – Given the need to grow targeted tourism visitation to Morro Bay, it's important for the organization to support partnerships in order to provide a positive experience for visitors.

Arts and Culture

Reach out to those who support arts and culture in Morro Bay. Continue to build on the partnership with these efforts within the city and support community arts efforts.

Morro Bay National Estuary

Continue to support the estuary and identify ways Morro Bay Tourism can support those efforts by specifically assisting with educating visitors about the need to protect the areas natural assets.

Recreation

Reach out to those in the recreation industry. Continue to build on the partnership with these businesses and continue to promote them as an integral part of the Morro Bay experience.

Lodging Industry

As the primary funding source for Morro Bay Tourism, it's important to have an excellent relationship with the lodging industry. This should include soliciting their input, assisting them in taking advantage of marketing opportunities, and educating them about the need to change to meet today's and the future visitor needs.

Measurement:

1. Integration of all of the groups and organizations into Morro Bay Tourism marketing efforts.

IV. Organization

Structure

Currently, tourism promotion efforts are being implemented by the Morro Bay Tourism staff, including a Tourism Manager, a part-time Marketing Coordinator, and a part-time Administrative Assistant. These individuals are supported by a combination of task-specific vendors including advertising, digital service, public relations, etc.



A BID advisory committee of seven (five hotel properties and two at-large members) was formed to provide insight and leadership to the marketing program. This core advisory group can be supplemented with others from arts, culture, sports, and other visitor-related segments that can provide a good cross-section of input to the tourism staff.

Strategy:

The strategy is to match the internal capabilities with the changing needs as dictated by a changing tourism marketplace. As changes occur in the marketplace, Morro Bay Tourism will need to adjust its internal capabilities with a combination of staff and vendors.

Action Steps:

1. At some point, the part-time employees will need to become full time. Morro Bay Tourism needs to assess its staffing needs on an annual basis and adjust accordingly.
2. Additionally, it is recommended that Morro Bay Tourism develop a special events committee that not only reviews event proposals but also takes on a more strategic role in working with Morro Bay tourism to develop a comprehensive special event strategy that identifies potential future events that support the positioning of the destination and drive overnight visitors at specific times of the year.

Funding

Currently, Morro Bay Tourism is funded primarily through the City of Morro Bay and a hotel/motel funded Tourism Business Improvement District. The tourism promotion effort has not been funded by the Vacation Rental segment despite this segment having approximately 250 units that benefit tourism promotion efforts.

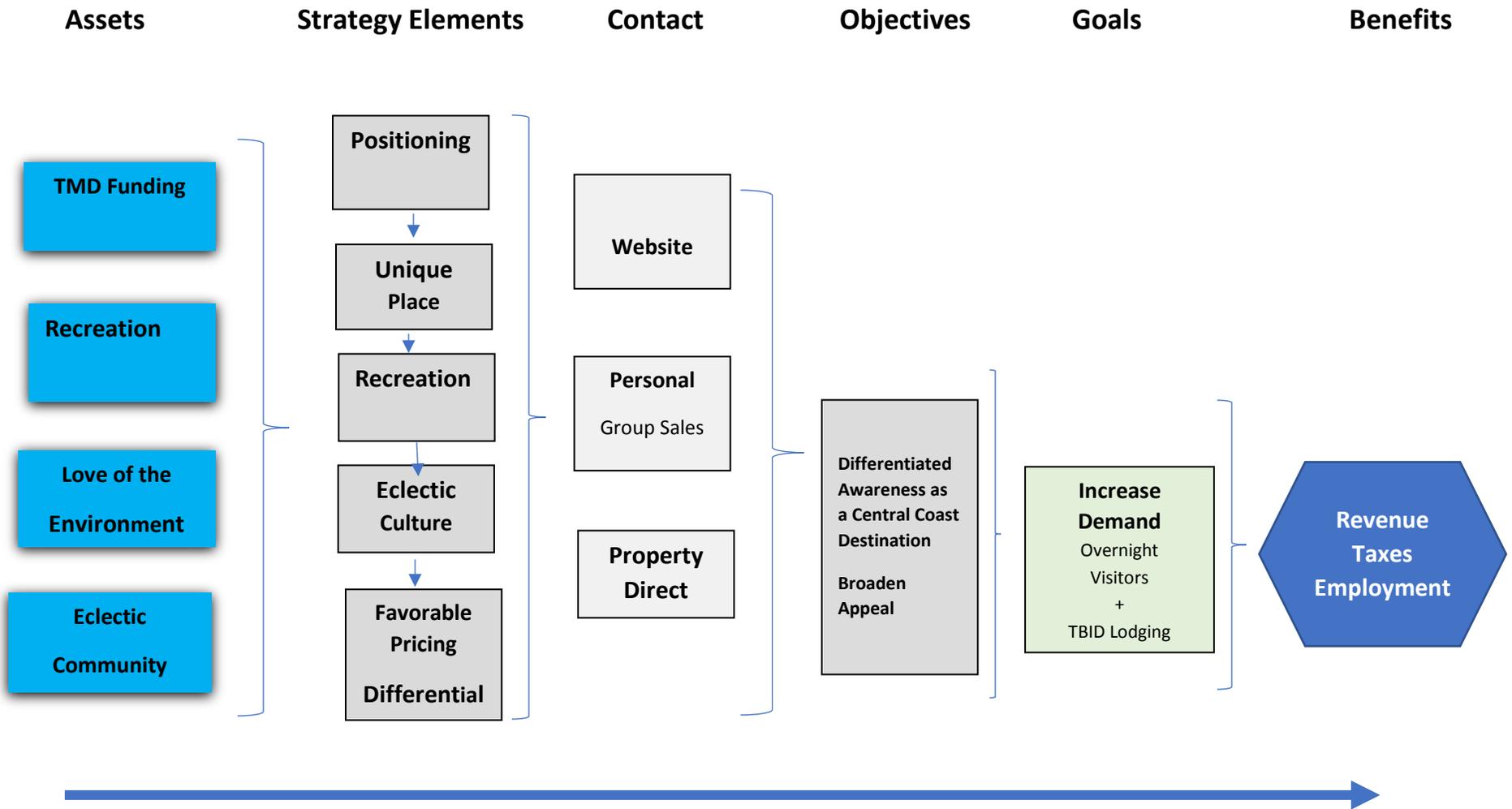
Strategy:

Revise the funding mix to create equity between the Vacation Rental Segment and the hotel/motel segment. This should in total equal current budget levels and at the same time make funding more inclusive to what the lodging industry currently is.

Action Steps:

1. Develop the analysis to understand the impact of this proposed change and modify the strategy as needed to meet Morro Bay tourism funding needs.
2. Develop an action plan for how to include vacation Rentals into the Morro Bay Tourism marketing activities.
3. Maintain the current advisory board structure of five lodging properties but consider adding someone with VHR experience to include perspective in marketing activities.

Morro Bay Tourism Strategy Blueprint



Appendix

Appendix 1- List of Invited Participants

Jim Allen	California State Parks
Jalpa Patel	Lodging Industry
Joan Sulu	Community Member
Charlie Yates	Lodging Industry
John Heading	City Council
Michelle Anderson	Lodging Industry
Nick Yellen	Lodging Industry
Doug Redakin	Master lease holder
Anna Patel	Lodging Industry
Matt Makowetski	City Council
Ken Vesterfelt	Community Member
Jack Patel	Lodging Industry
Travis Leage	Master Lease Holder
Charles Hannsen	Master Lease Holder
Paula Radke	Art & Culture
Cherese Hannsen	Master Lease Holder
Christine Johnson	Central Coast Aquarium
Monte Shaller	Entertainment
Cyndee Edwards	Chamber of Commerce
Alex Raben	Art & Culture
Nancy Castle	Art & Culture
Judy Salamacha	Morro Bay Maritime Museum
Carol Truesdale	Community Member
Jamie Irons	Former Mayor
Walter Heath	Morro Bay in Bloom
Janice Peters	Former Mayor
Neal Farrell	Media
Giovanni DeGarimore	Food and Beverage
Lexie Bell	National Estuary Program
Hunter Kilpatrick	Photographer
Tara Kasarjian	Former Director Avila Aquarium
Maryls McPherson	City Council
Dunae Oberhoff	Morro Bay Quota Foundation
Erica Crawford	Morro Bay Chamber of Commerce
Scott Collins	City Manager
Scott Graham	Director of Community Development
Jennifer Little	Morro Bay Tourism

SMG Consulting is a tourism and recreation industry consulting firm specializing in marketing, strategy, economic analysis and organizational development.



www.smgonline.net



AGENDA NO: C-3

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council

DATE: February 21, 2019

FROM: Jennifer Callaway, Finance Director

SUBJECT: Receive Fiscal Year 2018/19 Mid-Year Budget Performance and Status Report – Six Months Ending December 31, 2018; Adopt Resolution No. 15-19 Authorizing Staff to Proceed with Recommended Budget Adjustments; and Receive the FY 2018/19 Capital Improvement Plan Mid-Year Update

RECOMMENDATION

Staff recommends that the City Council:

- A. Receive FY 2018/19 Mid-Year Budget Performance and Status Report and authorize Budget Adjustments as recommended in the attached Second Quarter Budget Performance Report;
- B. Adopt Resolution No. 15-19 authorizing staff to proceed with the second-quarter budget adjustments; and
- C. Receive the FY 2018/19 Capital Improvement Plan Mid-Year Update

BACKGROUND

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

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

A draft report was presented to the Citizen’s Finance Advisory Committee (CFAC) on February 19, 2019. CFAC provided valuable feedback and concurred with the budget adjustments as presented in second quarter FY 2018/19 Budget Performance and Status Report for the period ending December 31, 2018 (Attachment 1).

DISCUSSION

FY 2018/19 Mid-Year Budget Performance and Status Report: General Fund

An analysis of FY 2018/19 General Fund revenues identified that revenues are trending well and on par with expectations. Both Sales Tax and Property Tax revenues are exceeding budget expectations and staff is recommending budget augmentations to both revenues’ categories. This is a sign that the economy remains strong although the City’s sales tax consultant, HDL, has

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

indicated that they are forecasting a flattening of the economy for next fiscal year.

In addition, staff has confirmed Cal Fire and FEMA reimbursements for the City's support of wildfires across the state totaling \$271,586.63. Staff recommends approximately \$200,000 be allocated to the General Fund to offset personnel costs associated with the fire support and purchase of safety equipment. The remaining \$70,000 in reimbursement is recommended to be appropriated to the Vehicle Replacement Fund for purchase of future fire vehicles.

Staff is also recommending a budget adjustment to charges for service to account for unbudgeted revenue associated with the cannabis applications. There are direct offsetting expenditures related to review of these applications.

General Fund revenue adjustments recommended at this time total \$430,002.

General Fund expenditure adjustments recommended at this time total \$227,498. This is primarily related to offsetting direct expenses incurred for the mutual aid fire support. Mutual aid strike team support incurred \$182,511 in overtime and personnel costs. In addition, the Fire Department is requesting to utilize a portion of the mutual aid reimbursement to purchase safety equipment for Department staff, totaling \$18,000. Staff is also recommending expenditure augmentations to support the initial screening of the City's cannabis applications, purchase of the Polco online survey tool service, a homeless point in time survey to be conducted by San Luis Obispo County, and installation of a new internal telephone service. Staff is recommending a reduction of the General Fund contribution to TBID based on the calculation formula of \$60,000 plus 20% of TOT revenue above \$3,000,000. FY 17/18 year-end TOT results totaled \$3,429,186. Base funding of \$60,000 plus 20% of \$429,186 totals \$145,837, a difference of \$11,163 from the budgeted contribution amount of \$157,000.

Measure Q:

Second quarter FY 2018/19 Measure Q sales tax has generated \$309,983 (29% of budgeted revenues) for the first five months of the fiscal year (July through November). While this is lower than in prior years, the State did incur a reporting error that was discussed during the first-year budget update. The City's sales tax consultant reports that the majority of corrections have been made through January (although there are some reporting errors still occurring) and with these corrections in place is forecasting that sales and transaction receipts for the year will be \$22,000 ahead of budgeted figures. Based on this analysis, staff is recommending a budget augmentation to increase revenues by \$22,000.

Staff is also recommending a budget adjustment to Measure Q expenditures totaling \$65,500. If approved, this appropriation would be funded from unallocated fund balance of \$145,469. The City Manager and Police Chief have worked closely with the San Luis Coastal Unified School District (School District) and have tentatively negotiated an agreement for the School District to fully fund the personnel costs of a School Resource Officer (SRO). The SRO would be dedicated to the School District and the City would be responsible for providing a vehicle, safety equipment, training, and other necessary items such as a laptop. It is anticipated the SRO contract will be presented to the City Council in March and, pending approval of the contract, the School District would like for the SRO position to resume immediately. The addition of an SRO position is effectively adding a position to the force. The Police Department currently has a vehicle that is in need of replacement and the SRO will need to be assigned a dedicated vehicle as part of the agreement with the School District. As such, staff is recommending that Measure Q funds be used to purchase a new patrol vehicle, safety and uniform equipment for the SRO and a new laptop for the SRO. These are one-

time purchases related to the position. Should the contract be approved, staff is recommending that the necessary equipment, vehicle and safety items be purchased from Measure Q to support the SRO position. If the contract is not approved, the appropriation would not be spent.

The Citizen’s Finance Advisory Committee agreed to this recommendation by a vote of 5-1-1.

TBID and Other Funds:

Staff is proposing adjustments to the Tourism Business Improvement District (TBID) fund to support the establishment of an accumulation fund, true-up prior year actual TOT receipts with the formula for calculating the General Fund contribution and support of AMGEN from SLOCAL.

Other fund revenue adjustments include allocation of funds from the fire mutual aid reimbursement to the vehicle replacement fund to purchase future fire vehicles and a transfer of funds into the City’s Information Technology fund (from the General Fund) to support the installation of fiber optics for the City’s new internet-based phone system. A corresponding expenditure adjustment from the Information Systems fund to offset this expense is also proposed.

Enterprise Funds:

Staff is proposing two revenue adjustments to the Harbor Operating Fund to account for a state grant that was not received and Council’s action to establish a Triangle Lot Boat Parking Fund. The Harbor Department had previously budgeted revenues in anticipation of boat parking at the Triangle Lot and therefore an adjustment is being made to reduce budgeted revenues.

Staff is also recommending two budget expenditure increases from the Water Operating Fund, first to refund the General Fund for previously misallocated utility bills for the prior year misallocation of utility charges for the Juniper & Elena Street booster station. These utility charges were inadvertently paid by the General Fund when they should have been charged to the Water Revenue Fund. Staff recommends that the Water Revenue Fund reimburse the General Fund for these expenses by funding the roof replacement on the Vet’s Hall.

In addition, staff recommends a budget adjustment to account for the transfer of excess revenues over expenditures at fiscal year 2017/18 year-end into the Water Accumulation Fund. These funds are then available for water capital projects and infrastructure needs pending Council appropriation.

Similarly, staff is recommending a budget adjustment to account for the transfer of excess revenues over expenditures at fiscal year 2017/18 year-end into the Sewer Accumulation Fund. These funds are then available for water capital projects and infrastructure needs pending Council appropriation.

Lastly, staff is recommending capital project budget adjustments related to the Vet’s Hall roof repair as well as the addition of four new water capital projects and two new sewer capital projects in accordance with the adopted OneWater plan. The proposed capital projects are as follows:

Water Enterprise Fund

Proposed Project		Existing	Proposed	Length	Total Project Cost
PWP-1	Fill line for Blanca Tanks	4	8	2,210	\$ 750,000
PWP-5	Pipeline on Sequoia Street	--	8	530	\$ 154,000
PWRR-1	Pipeline R&R Program	1-16	> 6	varies	\$ 100,000

PWO-2	Re-Skin Desalination Plant Building	--	--	--	\$ 60,000
CIP Total					\$ 1,064,000

Wastewater (Sewer) Enterprise Fund

Proposed Project		Existing	Proposed	Length	Total Project Cost
WWGM-1	Gravity Main along Atascadero Road	18	27	1,000	\$ 530,000
WWRR-4	Cap Replacement Upstream of LS-1	--	Manhole	~15	\$ 249,000
CIP Total					\$ 779,000

The approved water and wastewater rates are sufficient to complete the development, design, and construction of the Water Reclamation Project along with the funding of the CIP identified in the OneWater Plan.

FY 2018/19 Capital Improvement Plan Mid-Year Update

1. Morro Creek Restoration (\$60,894): Due to high flows in Morro Creek during the 2017 storm season, erosion occurred near the mouth of the creek adjacent to the bike path dogleg into the "South Pit" parking lot. Survey and preliminary design for Rip Rap bank stabilization was submitted California Coastal Commission staff for their review. Initial comments from Coastal staff is that they would not support a Coastal Development Permit for this heavy rip-rap armoring. City staff has submitted a redesign of the bank stabilization project with less rock armoring and will rely upon geotextile fabric and planting for the upper bank stabilization and limited placement of large rock to maintain the toe of the stream channel. This redesign is currently being reviewed by Coastal staff. Recently, City staff closed off a larger portion of this dogleg as erosion has occurred closer to the pathway.
2. Bocce Ball Court (\$32,000): Survey work is complete and preliminary design of the Bocce Ball court and Green House placement is being reviewed by stakeholders.
3. Facility/Audiovisual Upgrades – Vet’s Hall (\$34,755): Staff has been working with stakeholders to identify the needs of the facility. Initial assessment indicates the needs exceed the budget available. Staff will be working to refine the scope of work and prioritize the "wish list." Requirements include reroof, upgrade of electrical, upgrade of AV equipment for meeting broadcast, and purchase of new chairs.
4. Fire Engine Replacement (\$675,000): The replacement for Engine 5391 is on schedule with the design and early buildouts completed. A Fire Department committee led by Engineer Paramedic Travis Hasch has worked closely with Pierce Manufacturing to meet the following objectives to meet the requirements of a Type 1 pumper and maintain our community’s ISO rating of a 3.

The Fire Department has chosen a Pump Under Cab (PUC) design very similar to our Truck 5341 to give us a great turning radius and good ground clearance. A new cost saving Power Take Off (PTO) electrical inverter is being designed to replace our traditional internal combustion engine type of generator to increase reliability and efficiency. With the changes in the pump and generator configuration, we will be able to have more space for our ocean rescue and technical rescue equipment that will be stored in compartments in the hose-bed

area. With the fundamental changes in the design of the engine, new Engine 5391 will look closely the same as the units we have purchased over 25 years ago. We are scheduled for two more inspections and we are looking forward to the buildout.

Soon we will have a web-link to monitor the building progress of the Fire Engine so we will be able to watch the progress of the build. We will most definitely share the website so our community can watch the building of next Fire Engine that will serve our community until 2045. Below is a graphic reference of Engine 5391 scheduled for delivery in July 2019.



5. Striping for On-Street Angle Parking (\$83,700): Work has not started. This work will be associated with the redevelopment of the “Market Plaza” project to provide the optimal parking yield.
6. City Park Play Equipment (\$150,000): Work has not started.
7. ADA Transition Plan to Improve Sidewalks/Crosswalks (\$143,847): Work has not started. Work will commence once the pavement work is complete, due to resource availability.
8. State Route (SR)1/SR41 Interchange Improvement (\$567,043): Both phases of the Intersection Control Evaluation (ICE) have been completed. Two alternatives, Roundabout and Signalization and Roundabout continuing forward for additional review. The project is currently in the Project Approval/Environmental Determination PA&ED phase. The City’s design consultant is working with CalTrans and City staff on the development of the documents required for further analysis and review. It is anticipated that the project will be brought forward for public review of the design and environmental determination in late Spring 2019. It should also be noted construction funds for this project have not been secured. Staff has been working with SLOCOG representatives to identify grant funding to secure the regional share of project funding, but the local share has not been identified.
9. Pavement Management Plan (\$728,672): Council Awarded a contract amendment to Pavement Coatings in the Fall of last year. Work has commenced and is approximately 75 percent complete. The project has faced delays due to weather, rain and temperature. It is anticipated the project will be complete by mid-March 2019.
10. Replacement Vehicle Bus (\$83,540): Staff began work on the procurement of a replacement transit bus and has received an assignment letter from CalACT authorizing the City’s purchase of the bus from the CalACT/Morongo Basin Transit Authority Purchasing Cooperative’s purchasing contract. Once the City’s purchase order approval is finalized,

staff can proceed with ordering the vehicle.

11. Short Range Transit Plan (\$20,715): The SRTP consultant, LSC Transportation Consultants, completed the draft plan that compiles all previous Technical Memorandums prepared over the last year and includes the marketing strategies, financial, and capital components. Staff is in the process of reviewing the draft plan and will provide comments to the consultant before the plan will be finalized and presented to the City Council for adoption.
12. Replacement Vehicle – Trolley (\$193,000): After the City Council adopted Resolution 78-18 authorizing the City Manager to purchase a replacement trolley, staff moved forward with finalizing the purchase order and ordering the vehicle from the CalACT/Morongo Basin Transit Authority Purchasing Cooperative's purchasing contract.
13. City Park Transit Hub – Improvement Study (\$30,000): Staff have been working with LSC Transportation Consultants to conduct a focused study of the City Park transit hub site and develop potential improvements. The consultant has developed a draft report of existing conditions and potential improvements at three locations surrounding the park. City and San Luis Obispo Regional Transit Authority staff are in the process of reviewing the draft study and will provide comments to the consultant before the study will be finalized and presented to the City Council for adoption.

CONCLUSION

The available second quarter preliminary data is optimistic that the economy is continuing to hold strong, although projected to be flattening. Staff recommends the City continue with conservative fiscal planning and efforts to sustain the City's economically sensitive revenues. Staff will continue to examine revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating needs.

The Second Quarter FY 2018/19 Budget Performance and Status Report for the period ending December 31, 2018 was presented and discussed with the Citizen's Finance Advisory Committee on February 19, 2019. The Committee provided valuable feedback and discussion related to the recommendations in the report and approved those recommendations to be presented to the City Council.

The Second Quarter FY 2018/19 Budget Performance and Status Report for the period ending December 31, 2018 was also presented to the TBID Board on February 21, 2019. The TBID Board recommended, by a vote of 6-0-1 to wait until the third quarter budget update to reimburse the General Fund the \$11,163 true-up that is recommended. The Board's reasoning is that they would like to have a larger picture of current year's assessment revenues to determine if the reimbursement should be made from the TBID's operating fund or accumulation reserves. Staff would support this recommendation and will bring forth the FY 2017/18 true-up adjustment of \$11,163 at the third quarter budget review.

The TBID board also recommended, by a vote of 6-0-1, the CalPERS Unfunded Accrued Liability (UAL) of \$15,827 be paid for by the General Fund rather than through the assessments as the Tourism Division as a function of the City did not exist during the economic downturn which resulted in the UALs being levied by CalPERS. UAL's are calculated as a percentage of payroll for all City employees using the same methodology. Should Council concur with this recommendation, the General Fund budget would increase by \$15,827 for this fiscal year and continue to rise in future years. Similarly, the Board raised objections to the Tourism Manager's cell phone

expenditures being charged to the TBID fund. Resolution 03-16 states that the "...the City shall provide for accounting, legal advice, IT support as well as the aforementioned office space." As such, staff has not charged TBID for general utilities related to the facility use but continued to charge for staff's cell phone.

ATTACHMENTS

1. Second Quarter FY 2018/19 Budget Performance and Status Report for period ending December 31, 2019.
2. Resolution No. 15-19 authorizing staff to proceed with the second-quarter budget adjustments.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

INTRODUCTION

Purpose

This is the second quarterly budget report for the Fiscal Year 2018/19, for the six-month period ending December 31, 2018. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

Content

This quarterly report presents an overview of the City's operating revenues and expenditures from the General Fund for the six-month period ending December 31, 2018, as compared to previous years, and explains any notable aberrations or trends in these numbers.

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

Timeframe and Limitations

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

annual comprehensive audit, which is released in the winter of each year for the prior fiscal year.

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

With respect to expenditures: The expenditure information in this report is extracted directly from the City's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time, and does not reflect final FY 2018/19 adjustments.

Table of Contents

Introduction.....	1
Executive Summary.....	2
General Fund – Key Revenue Analysis.....	3
Other Taxes	3
Sales Tax	4
Transient Occupancy Tax	6
Franchise Fees	7
Property Tax	8
Charges for Service.....	9
Licenses and Permits.....	10
Business Tax	11
General Fund – Key Expenditure Analysis.....	12
Salaries and Benefits.....	12
Supplies, Materials and Services	13
FY 2018/19 Recommended Budget Adjustments....	14
Financial Summaries and Projections.....	15
General Fund by Category	17
General Fund by Department	18
Enterprise Funds	19
Water Reclamation Facility Capital Project.....	23
Capital Project.....	24
Other Funds.....	27
Conclusion	30

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

EXECUTIVE SUMMARY

Status of FY 2018/19 Adopted Budget

Overall, second quarter revenue trends are steady when compared to the second quarter of Fiscal Year 2017/18, at about 46% of budgeted levels. Of the City's most economically-sensitive revenues - sales tax is trending well and based on the update from the City's consultant staff is recommending a budget adjustment to increase sales tax revenue. Transient Occupancy Tax (TOT) is trending on par with actual receipts from the prior fiscal year at the second quarter period. Similarly, the City's business tax, charges for service and other sources is trending quite well when compared to prior year actuals. This is partly due to the Fire Department's mutual aid work and support of the wildfires and. The Fire Departments support of these tragedies is

reimbursed to the City to offset corresponding costs the City incurs.

Overall, General Fund expenditures for the second quarter are trending on target at 50% of budgeted levels. Supplies, Materials and Services expenditures at about 40% of budget. Overall salary and benefits are trending a bit high which is to be expected given the amount of mutual aid support provided for the fires and landslides that occurred down south. Staff is continuing to monitor both revenues and expenditures through the third quarter and continue to true-up budget figures to more closely align to actual results. As such, a series of budget adjustments in recommended for revenues and expenditures.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

GENERAL FUND – KEY REVENUE ANALYSIS

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

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

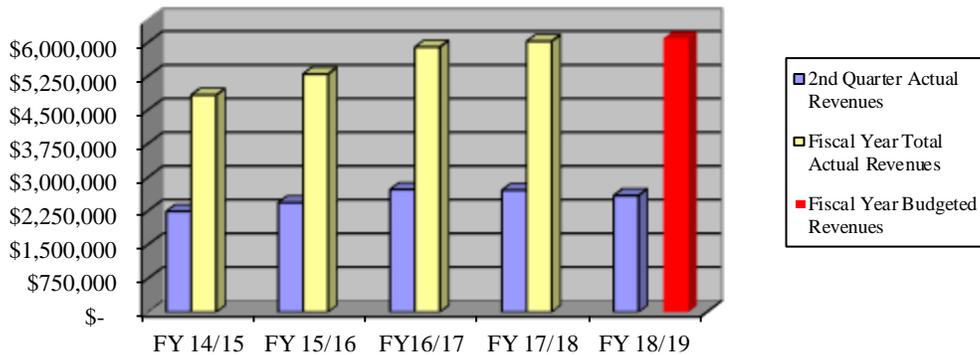
Other Taxes

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

Analysis – Second quarter receipts is trending on par with those in prior years and therefore no budget recommendation is recommended at this time. A detailed analysis of sales tax, TOT and Franchise fees is following.

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 2,242,006	\$ 2,434,683	\$ 2,727,457	\$ 2,712,525	\$ 2,593,026
Fiscal Year Total Actual Revenues	\$ 4,828,679	\$ 5,297,172	\$ 5,896,997	\$ 6,025,040	
Fiscal Year Budgeted Revenues					\$ 6,091,317
2nd Quarter Percent of Total	46.43%	45.96%	46.25%	45.02%	42.57%
Recommended Budget Revision					-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

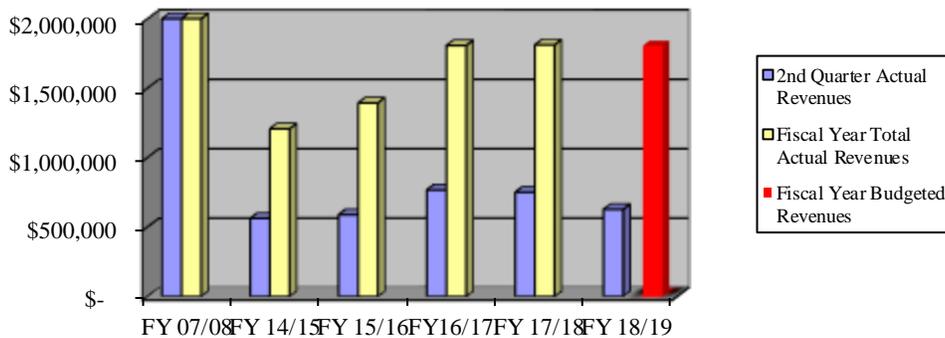
Sales Tax

Sales tax generates approximately 14% of revenues, the third largest revenue source for the City’s General Fund in FY 2018/19. The City’s General Fund receives 1 cents for every 7.5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Morro Bay. Previously, the State Board of Equalization retained 25% of the City’s 1-cent share, referred to as the “Triple Flip,” requiring the San Luis Obispo County Auditor to replace it with an equal amount of property tax revenue. Revenues are remitted from the State to the City on a monthly basis, and from the County to the City on a biannual basis. These revenues are placed in the General Fund for unrestricted uses. The “triple flip” period ended in FY 2015/16, and is no longer impacting sales tax receipts.

Analysis – As a revenue category, second quarter receipts are trending slightly behind those in the same period in the past fiscal year, however the state is still in progress of trueing up receipts due to the reporting error with the state’s sales tax reporting system. Based on data available from the City’s sales tax consultant, staff is recommending a budget adjustment of \$47,490.

Sales Tax

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

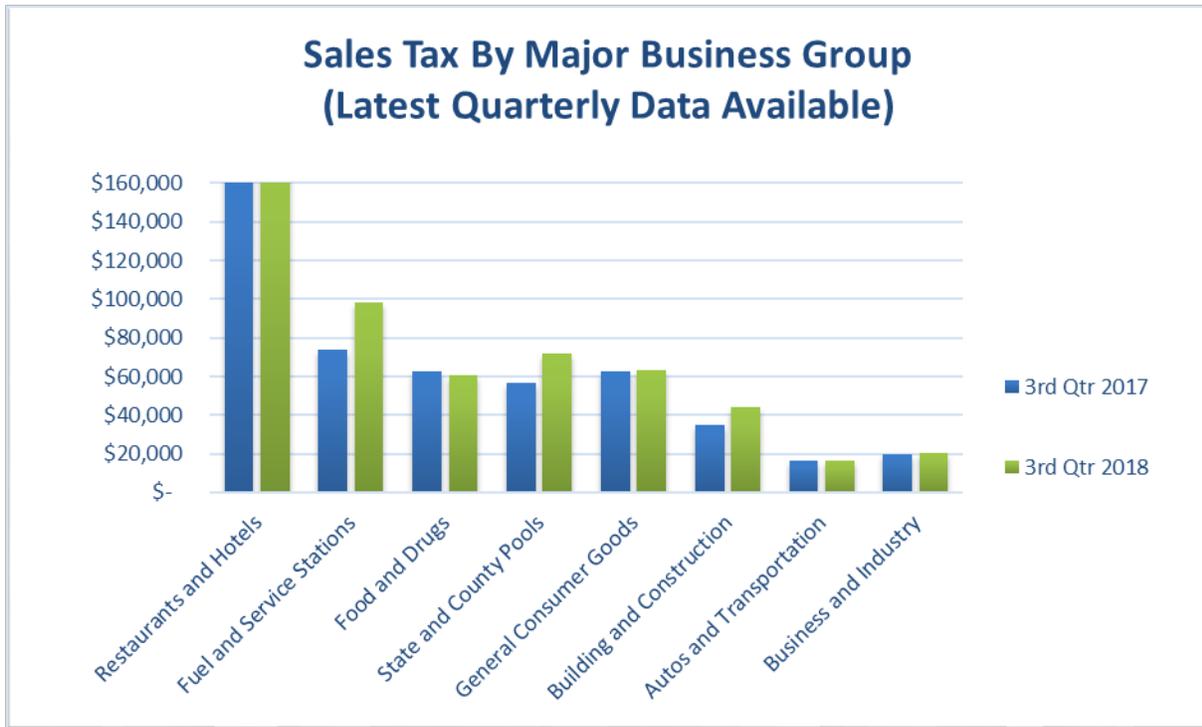


	<u>FY 07/08</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues		\$ 562,291	\$ 588,667	\$ 767,884	\$ 750,841	\$ 627,781
Fiscal Year Total Actual Revenues		\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	\$ 1,811,884	
Fiscal Year Budgeted Revenues						\$ 1,806,000
2nd Quarter Percent of Total		46.57%	42.22%	42.48%	41.44%	34.76%

Recommended Budget Revision	47,490
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

As depicted in the graph below, the categories of Fuel and Service Stations and State and County Pools represent the most significant increase in sales tax from the 3rd quarter of 2017 to the 3rd quarter of 2018. All other reporting categories remained steady.



QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

TOT Tax

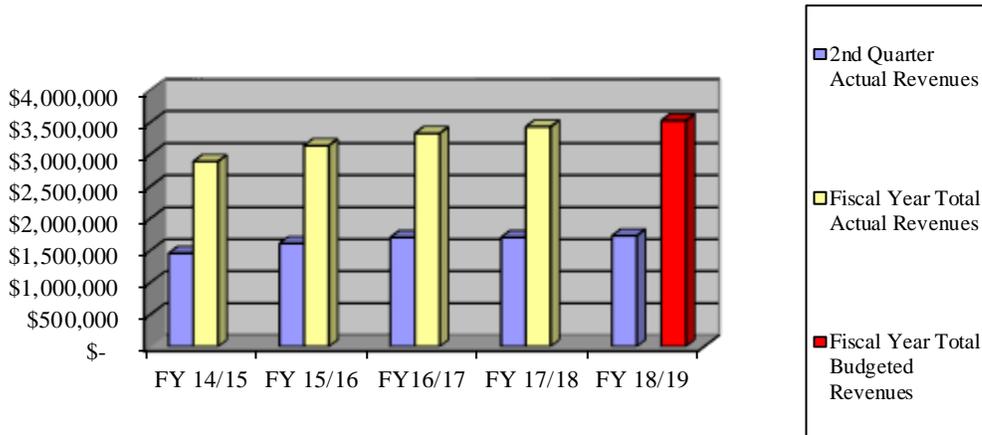
Transient Occupancy Tax (TOT) accounts for 25% of the City’s general fund revenues for FY 2018/19. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

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

Analysis –Second quarter TOT revenues are trending consistent with prior year second quarter results, when viewed as a percentage of budget. Therefore, no budget adjustment is recommended at this time.

Transient Occupancy Tax

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 1,455,090	\$ 1,607,926	\$ 1,701,933	\$ 1,702,037	\$ 1,727,757
Fiscal Year Total Actual Revenues	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	\$ 3,429,186	
Fiscal Year Total Budgeted Revenues					\$ 3,524,835
2nd Quarter Percent of Total	50.37%	51.27%	51.15%	49.63%	49.02%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

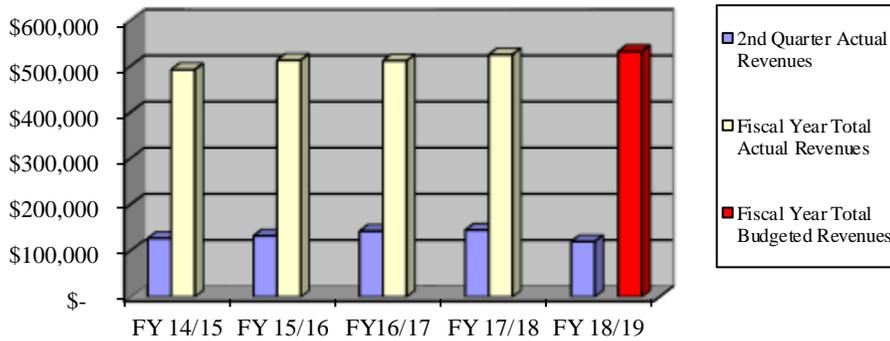
Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Morro Bay, and as a fee in lieu of a business tax. Franchise fees are currently received for electricity, garbage, cable TV and natural gas. Franchise fees represent 4.0% of budgeted General Fund revenues in FY 2018-19.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; specifically, with Electricity Franchise Fees generally not be remitted until the third quarter. Based on the second quarter results, franchise fee revenues to date are 22.54% of budgeted total receipts, slightly behind prior year’s 2nd quarter results. No budget adjustment is recommended at this time.

Franchise Fees

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 126,873	\$ 132,314	\$ 142,446	\$ 144,862	\$ 119,847
Fiscal Year Total Actual Revenues	\$ 492,572	\$ 513,081	\$ 511,696	\$ 524,997	
Fiscal Year Total Budgeted Revenues					\$ 531,799
2nd Quarter Percent of Total	25.76%	25.79%	27.84%	27.59%	22.54%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

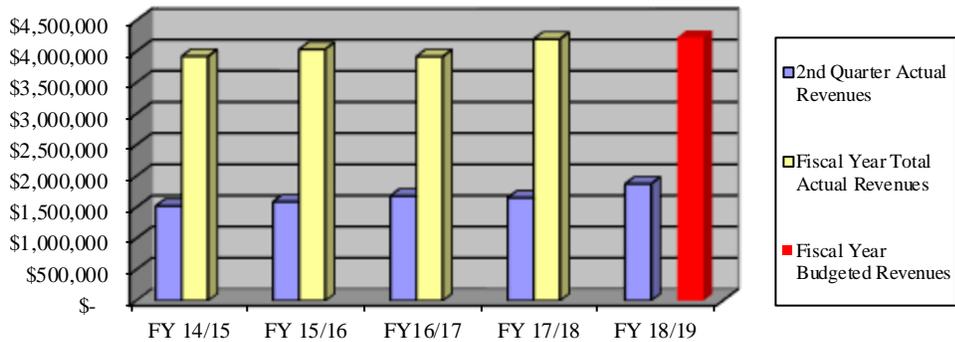
Property Tax

Property tax, including property tax in-lieu, is the second largest revenue category for the City’s General Fund, accounting for 30% of budgeted General Fund revenues in FY 2018/19. Property tax is levied by the San Luis Obispo County Assessor’s Office at 1% of a property’s assessed value, of which the City receives approximately 10.696 cents per dollar paid on property located within the municipal limits of Morro Bay.

Analysis – Property tax distributions are largely received in the third and fourth quarters, however the chart below depicts the 2nd quarter receipts for the past four years as compared to the current fiscal year. Second quarter receipts are trending higher than in prior years. This coupled with the most recent update from the San Luis Obispo Auditor, Controller, Treasurer, Tax Collector, staff is recommending a budget adjustment of \$95,000 to account for the increased collections.

PROPERTY TAX

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 1,519,476	\$ 1,588,966	\$ 1,680,724	\$ 1,651,301	\$ 1,875,035
Fiscal Year Total Actual Revenues	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	\$ 4,197,259	
Fiscal Year Budgeted Revenues					\$ 4,227,326
2nd Quarter Percent of Total	38.75%	39.38%	42.90%	39.34%	44.36%

Recommended Budget Revision	\$ 95,000
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

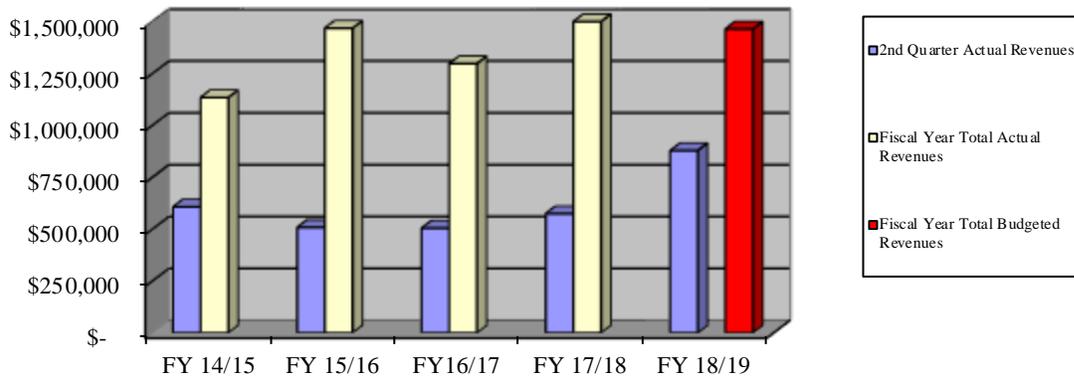
Charges for Services

City service revenues consist primarily of Plan Check fees, Building Inspection fees and Recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect approximate costs of providing these services and, as a total category, account for 10% of the City’s General Fund revenues. Generally, community Development and Recreation Services account for most of these fees.

Analysis – Second quarter receipts are trending very high, as both Community Development and Fire revenues have surged. The Fire Departments reimbursement for their strike team support of the various wildfires is included in the charges for services category. In addition, the City’s Cannabis Application Fees are included in this revenue category, both revenues have corresponding offsetting expenditures. As a result, a \$308,511 budget augmentation is recommended.

Charges for Services

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 606,960	\$ 507,974	\$ 505,004	\$ 574,312	\$ 878,281
Fiscal Year Total Actual Revenues	\$ 1,134,047	\$ 1,468,119	\$ 1,297,352	\$ 1,726,241	
Fiscal Year Total Budgeted Revenues					\$ 1,464,253
2nd Quarter Percent of Total	53.52%	34.60%	38.93%	33.27%	59.98%

Recommended Budget Revision	308,511
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

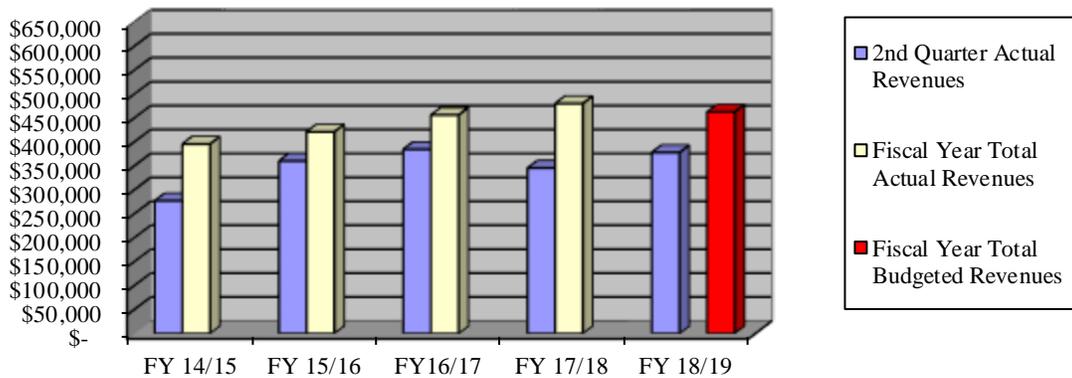
Licenses and Permits

Licenses and permits consist mainly of business and transient vendor taxes. Conditional use permits, and coastal permits are the other primary revenues sources in this category. The Licenses and Permits category represents approximately 3% of total City General Fund revenues for FY 2018/19. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

Analysis – Second quarter licenses and permit revenue as an overall category is trending higher than the second quarter results from the previous fiscal year. Staff is not recommending a budget adjustment at this time and will review licenses and permits again during the third quarter update.

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 277,300	\$ 360,386	\$ 384,530	\$ 345,779	\$ 378,197
Fiscal Year Total Actual Revenues	\$ 395,769	\$ 421,205	\$ 456,319	\$ 480,440	
Fiscal Year Total Budgeted Revenues					\$ 462,859
2nd Quarter Percent of Total	70.07%	85.56%	84.27%	71.97%	81.71%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

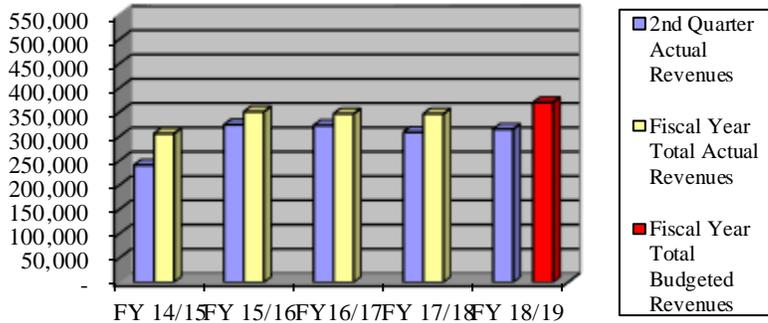
Business Tax

The City requires all business located within Morro Bay, or those that operate within Morro Bay, to obtain a business tax certificate. Business taxes apply to businesses operating as a general or sub-contractor, as a home occupation, from a commercial or office space rental, or as a business conducting temporary activities within the City limits. The amount of business tax paid by each business is based on the type of business being operated and varies depending on that type. Businesses, with gross receipts under \$4,000 per year for all work conducted within Morro Bay, are exempt from applying for and receiving a business tax certificate. These activities account for approximately 2.6% of annual General Fund operating revenues. Annual renewal payments are due in July, or for newer businesses, the month in which the business started.

Analysis – Business tax revenue grew steadily from FY 2013/14 through FY 2015/16, at which point revenues appear to have flattened out. When viewed as a percentage of budget, current year second quarter revenues are trending consistent with those of the previous years. Staff is not recommending a budget adjustment at this time.

Business Tax

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	241,281	324,236	322,787	308,867	315,155
Fiscal Year Total Actual Revenues	\$ 305,844	\$ 351,055	\$ 346,704	\$ 346,701	
Fiscal Year Total Budgeted Revenues					\$ 370,000
2nd Quarter Percent of Total	78.89%	92.36%	93.10%	89.09%	85.18%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the second quarter ending December 31, 2018. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

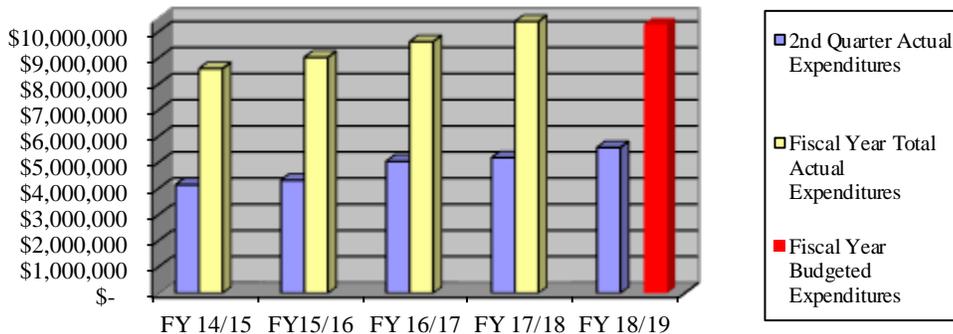
SALARIES AND BENEFITS

Salaries and benefits include full-time employee salaries, elected official’s stipends, temporary/relief employees, overtime, other benefits, pensions and health care. Under typical circumstances, it would be expected that salaries and benefits would be at approximately 50% of total budget at the end of the second quarter.

Analysis – Second quarter results are trending slightly high, at approximately 54.17% of budgeted totals. This includes substantial fire related personnel costs due to mutual aid assistance provided for the wildfires, totaling \$182,511. These expenditures are reimbursed, and an offsetting revenue adjustment was recommended in the Charges for Services Category previously discussed (page 9). In addition, this includes full payment of the City’s annual CalPERS unfunded accrued liability (UAL), slightly skewing the figures when viewed on a quarterly basis. When adjusted for the fire mutual aid and 50% of the prepaid UAL, Salaries and Benefits are trending right at 50% of budget. An overall budget augmentation of \$182,511 is recommended for Salaries and Benefits.

SALARIES AND BENEFITS

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



	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
2nd Quarter Actual Expenditures	\$ 4,151,356	\$ 4,326,271	\$ 5,050,750	\$ 5,186,818	\$ 5,577,502
Fiscal Year Total Actual Expenditures	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	\$ 10,400,062	\$ 10,400,062
Fiscal Year Budgeted Expenditures					\$ 10,296,042
2nd Quarter Percent of Total	48.30%	47.92%	52.47%	49.87%	54.17%
Recommended Budget Revision					182,511

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

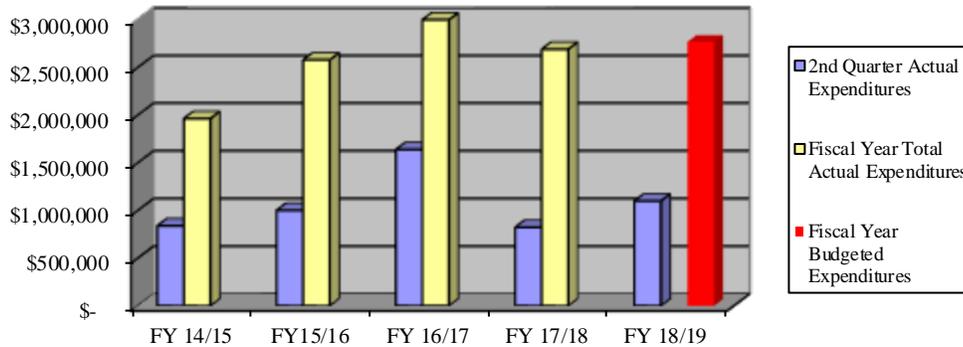
SUPPLIES, MATERIALS AND SERVICES

Operating expenditures consist of all General Fund costs to provide services, including supplies and materials, consulting services, contract services, and debt service. For analysis materials, utilities, insurance, payment to other agencies and transfers are categorized individually as they are often expenditure categories that staff have limited control or ability to reduce expenditures. The category of supplies, materials and services, the City’s most controllable expenditure category, should trend around the 50% level for the second quarter. Consulting and contractual services, a component of this category, may have various contract start dates and payments may not be equally spread throughout the fiscal year so variation from the 50% amount may be explained due to these consulting and contractual services.

Analysis – Second quarter results are trending a bit low at about 40% of budgeted totals (exclusive of transfers). As staff continues to provide services and looks towards the remainder of the fiscal year, a small budget augmentation of \$48,500 is recommended to help offset unbudgeted expenditures primarily related to purchase of fire uniforms and equipment from mutual aid support, the purchasing of an online surveying tool, review of the City’s cannabis applications, and a homeless study.

SUPPLIES, MATERIALS AND SERVICES

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Expenditures	\$ 840,080	\$ 1,001,382	\$ 1,638,283	\$ 822,445	\$ 1,099,247
Fiscal Year Total Actual Expenditures	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	\$ 2,691,066	
Fiscal Year Budgeted Expenditures					\$ 2,767,232
2nd Quarter Percent of Total	42.78%	38.82%	54.21%	30.56%	39.72%

Recommended Budget Revision **48,500**

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

FY 2018/19 Recommended Budget Adjustments

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

GENERAL FUND				
Fund	Acct	Sub	General Fund Revenues	
001	3510	3051	Sales Tax - City Portion	47,490
001	3510	3011	Property Tax Current Secured	40,000
001	3510	3021	Property Tax in Lieu-VLF	55,000
001	4110	3391	Other Grant Public Services	(20,979)
001	4210	3472	Fire Mutual Aid Reimbursement	200,511
001	7105	3121	Commercial Cannabis Application Fee	108,000
TOTAL GENERAL FUND REVENUES				\$ 430,022
001			General Fund Expenditures	
001	4210	4120	Overtime Pay	174,511
001	4210	4310	Part-Time Pay	8,000
001	4210	5109	Uniforms/Safety Equipment	18,000
001	3110	5201	Other Expense - Polco Surveying Tool & Homlessness	6,000
001	7710	8530	Transfer to Special Revenue Fund (TBID)	(11,163)
001		8580	Transfer to Interna Service Fund: IT for Telephone	7,650
001	7105	6106	Contract Services: Cannabis Application Screening	24,500
001			TOTAL GENERAL FUND EXPENDITURES	\$ 227,498

Fire Mutual Aid Reimbursements Detailed Below:

Revenue:

Mutual Aid Reimbursement Revenue: \$271,587

General Fund Reimbursement (Expenditures)

Fire Overtime Pay	\$174,511
Fire Part-time Pay	\$8,000.00
Fire Uniforms/Safety Equipment	\$18,000.00

Allocation to Fire Vehicle Equipment

Replacement Fund: \$71,076

Total Allocation of Revenues \$271,587

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Sales Tax – City Portion: A budget augmentation of \$47,490 is recommended due to higher than budgeted receipts. This budget adjustment is recommended based on the latest sales tax data received from the City's sales tax consultant HDL.
- Property Tax: A budget augmentation of \$40,000 is recommended based on the latest estimates provided by San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector.
- Property Tax in Lieu-VLF: A budget augmentation of \$55,000 is recommended based on the latest estimates provided by San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector.
- Mutual Aid Fire Reimbursement: A budget augmentation of \$200,511 is recommended due to confirmed expected receipts for mutual aid services provided during the fires and debris flow that occurred during late 2018.
- Other Grant Public Services: A budget reduction of \$20,979 is recommended. This budget amount was a carryforward from previous years for one-time police grant receipts. The City does not anticipate receiving those grant funds this fiscal year and therefore staff recommends eliminating the budget.
- Commercial Cannabis Application Fee: A budget increase of \$108,000 is recommended to account for the cannabis application fees collected minus anticipated refunds. There are direct offsetting costs related to the review of these fees, an appropriate expenditure adjustment is also recommended.

Expenditures:

- Overtime Pay - Fire: A budget augmentation of \$174,511 is recommended as this is direct reimbursement for staff time and strike team support of the fires and landslide that occurred during the fiscal year. A revenue augmentation has also been recommended.
- Part-Time Pay - Fire: A budget augmentation of \$8,000 is recommended as this is direct reimbursement for staff time and strike team support of the fires and landslide that occurred during the fiscal year. A revenue augmentation has also been recommended.
- Operating Expenditures – Fire Department: A \$18,000 budget augmentation is recommended for the fire department to purchase uniforms and safety equipment related to use during the mutual aid support. These purchases are supported by the mutual aid received and the budget augmentation to Other Fire Service revenues.
- Other Expenses – City Manager: A budget augmentation of \$6,000 is recommended to support the purchase of the Polco online survey tool (\$4,000) and to complete a homeless point in time survey (\$2,000).
- Contract Services – A \$24,500 budget increase is recommended for the community development department to hire consultant services (HDL) to perform initial screening of the cannabis applications. There is a direct offsetting revenue adjustment to support these expenditures.
- Transfer to Internal Service Fund: Information Technology – A total budget adjustment of \$7,650 is recommended to transfer funds to the Information Technology fund for the installation of fiber optics for the new internet based phone service.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

- Transfers to Speical Revenue Fund: A \$11,163 budget reduction to the transfer of funds to the Tourism Business Improvement District (TBID) fund is recommended as a result of prior year FY 2017/18 actual receipts.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the second quarter of FY 2018/19, and is sorted by revenue and expenditure category, which includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year, based upon the trends observed through the second quarter.

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

	FY17/18 Final Balance	FY17/18 2nd Qtr Actuals	FY17/18 % YTD	FY18/19 Adopted Budget	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues							
Property Tax	\$ 4,197,259	\$ 1,651,301	39%	\$ 4,227,326	\$ 1,875,035	44%	\$ 4,322,326
Other Taxes	258,974	114,785	44%	228,683	117,642	51%	228,683
Transient Occupancy Tax	3,429,186	1,702,037	50%	3,524,835	1,727,757	49%	3,524,835
Sales Tax	1,811,884	750,841	41%	1,806,000	627,781	35%	1,853,490
Franchise Fees	524,997	144,862	28%	531,799	119,847	23%	531,799
Licenses & Permits	133,739	36,912	28%	92,859	63,042	68%	92,859
Business Tax	346,701	308,867	89%	370,000	315,155	85%	370,000
Charges for Services	1,726,241	574,312	33%	1,464,253	878,281	60%	1,772,764
Fines & Forfeitures	20,984	11,268	54%	12,000	9,695	81%	12,000
Intergovernmental	110,988	2,889	3%	62,642	2,936	5%	41,663
Other Sources	17,797	14,421	81%	14,736	24,293	165%	14,736
Use of Money & Property	528,707	225,748	43%	379,200	261,751	69%	379,200
Fund Transfers	1,528,702	566,837	37%	1,605,795	623,432	39%	1,605,795
Total Revenues	14,636,158	6,105,081	42%	14,320,128	6,646,645	46%	14,750,150
Expenditures							
Salaries	4,700,913	2,346,945	50%	5,226,307	2,500,988	48%	\$ 5,246,029
Overtime	476,464	250,156	53%	202,529	256,213	127%	\$ 377,040
Part-time	895,116	501,872	56%	895,092	416,338	47%	\$ 903,092
Other Salaries	342,199	217,612	64%	325,391	235,746	72%	\$ 325,391
Labor Costs Applied	145,152	94,897	65%	26,280	2,859	11%	\$ 26,280
Benefits	3,840,218	1,775,337	46%	2,549,737	1,296,271	51%	\$ 2,549,737
Unfunded Accrued Liability				1,070,706	869,087	81%	\$ 869,087
Supplies, Materials and Services	2,260,582	822,445	36%	2,767,232	1,099,247	40%	\$ 2,815,732
Utilities	463,334	192,886	42%	434,222	213,470	49%	\$ 441,872
Insurance	142,770	71,385	50%	160,974	82,884	51%	\$ 160,974
Debt Service	35,078	17,595	50%	35,190	17,595	50%	\$ 35,190
Payment to other Agencies	32,635	22,932	70%	30,525	26,186	86%	\$ 30,525
Total Expenditures	\$ 13,334,461	\$ 6,314,062	47%	\$ 13,724,185	\$ 7,016,884	51%	\$ 13,780,949
Transfers Out	553,492	522,322	94%	624,080	127,464	20%	612,917
Total Operating Expenditures	\$ 13,887,953	\$ 6,836,384	49%	\$ 14,348,265	\$ 7,144,348	50%	\$ 14,393,866
Net Surplus or (Use) of Reserves	\$ 748,205	\$ (731,303)		\$ (28,137)	\$ (497,703)		\$ 356,284

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the second quarter of FY 2018/19 displayed by revenue type and expenditures per department. The chart includes comparison information from the prior year and serves to monitor Department expenditures related to both budgeted amounts and prior year actuals. In the last column are projections of final balances for the current fiscal year based upon the trends observed through the second quarter.

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

	FY17/18 Y/E Actuals	FY17/18 2nd Qtr Actuals	FY17/18 % YTD	FY18/19 Adopted Budget	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues							
Property Tax	\$ 4,197,259	\$ 1,651,301	39%	\$ 4,227,326	\$ 1,875,035	44%	\$ 4,322,326
Other Taxes	258,974	114,785	44%	228,683	117,642	51%	\$ 228,683
Transient Occupancy Tax	3,429,186	1,702,037	50%	3,524,835	1,727,757	49%	\$ 3,524,835
Sales Tax	1,811,884	750,841	41%	1,806,000	627,781	35%	\$ 1,853,490
Franchise Fees	524,997	144,862	28%	531,799	119,847	23%	\$ 531,799
Licenses & Permits	133,739	36,912	28%	92,859	63,042	68%	\$ 92,859
Business Tax	346,701	308,867	89%	370,000	315,155	85%	\$ 370,000
Charges for Services	1,726,241	574,312	33%	1,464,253	878,281	60%	\$ 1,772,764
Fines & Forfeitures	20,984	11,268	54%	12,000	9,695	81%	\$ 12,000
Intergovernmental	110,988	2,889	3%	62,642	2,936	5%	\$ 41,663
Other Sources	17,797	14,421	81%	14,736	24,293	165%	\$ 14,736
Use of Money & Property	528,707	225,748	43%	379,200	261,751	69%	\$ 379,200
Fund Transfers	1,528,702	566,837	37%	1,605,795	623,432	39%	\$ 1,605,795
Total Revenues	14,636,158	6,105,081	42%	14,320,128	6,646,645	46%	14,750,150
Expenditures							
City Council	108,530	65,279	60%	150,550	79,843	53%	\$ 150,550
City Manager	257,365	121,204	47%	353,343	165,103	47%	\$ 356,807
Contract Services	788,610	187,539	24%	646,176	299,551	46%	\$ 645,513
City Attorney	(2,184)			409,376	103,992	25%	\$ 409,376
City Clerk/HR/Elections	405,309	215,026	53%	409,880	188,106	46%	\$ 412,869
Deputy City Manager	50,968	55,932	110%	-	-		\$ -
Accounting & Treasury	619,031	318,592	51%	629,073	413,256	66%	\$ 627,995
Police Department	3,276,678	1,650,541	50%	3,166,165	1,729,960	55%	\$ 3,166,165
Support Services	244,871	106,263	43%	233,099	121,024	52%	\$ 233,099
Fire Department	3,195,989	1,476,602	46%	2,557,512	1,518,163	59%	\$ 2,591,159
Emergency Operations Center	4,720	(7,874)	-167%	11,967	1,637	14%	\$ 11,967
Community Development	849,906	385,280	45%	1,136,633	494,273	43%	\$ 1,138,205
Public Works	554,914	310,117	56%	713,183	250,219	35%	\$ 742,559
Consolidated Maintenance	1,195,537	558,131	47%	866,162	501,384	58%	\$ 861,897
Vehicle, Parks, Facilities	120,789	57,194	47%	127,231	70,395	55%	\$ 126,309
Streets, Street Trees, Storm Drains/Creeks	388,662	248,008	64%	870,390	390,729	45%	\$ 865,660
Street lighting	111,380	47,491	43%	122,000	46,482	38%	\$ 122,000
Curbside Recycling	23,920	-	0%	26,280	-	0%	\$ 26,280
Recreation Services - Administration	279,454	134,890	48%	324,961	150,384	46%	\$ 322,333
Recreation Services - Dance 39+	12,539	5,100	41%	10,000	5,535	55%	\$ 10,000
Recreation Services - Sports	450,441	190,982	42%	554,673	264,775	48%	\$ 554,673
Recreation Services - Youth Services	328,472	183,314	56%	345,532	189,999	55%	\$ 345,532
Electricity	68,561	4,450	6%	60,000	32,074	53%	\$ 60,000
Total Expenditures	\$ 13,334,461	\$ 6,314,062	47%	\$ 13,724,186	\$ 7,016,884	51%	\$ 13,780,948
Transfers Out	553,492	522,322	94%	624,080	127,464	20%	612,917
Total Operating Expenditures	\$ 13,887,953	\$ 6,836,384	49%	\$ 14,348,266	\$ 7,144,348	50%	\$ 14,393,866
Net Surplus or (Use) of Reserves	\$ 748,205.13	\$ (731,303)		\$ (28,138)	\$ (497,703)		\$ 356,284

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this 2nd quarter report we have focused on the Enterprise Funds, Harbor, Water, and Sewer.

Enterprise Funds

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

A summary of each operating fund is found below:

Harbor Operating Fund - 331					
	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
2nd Quarter Actual Revenues	\$ 844,693	\$ 832,086	\$ 882,218	\$ 809,290	\$ 846,662
Fiscal Year Total Actual Revenues	\$ 1,992,648	\$ 2,104,019	\$ 1,940,152	\$ 2,129,177	
Fiscal Year Total Budgeted Revenues					\$ 2,001,255
2nd Quarter Percent of Total	42.39%	39.55%	45.47%	38.01%	42.31%
2nd Quarter Actual Expenditures*	\$ 939,398	\$ 1,031,230	\$ 1,057,560	\$ 948,674	\$ 1,109,626 *
Fiscal Year Total Actual Expenditures	\$ 2,096,385	\$ 2,118,296	\$ 2,166,628	\$ 1,978,382	
Fiscal Year Total Budgeted Expenditures					\$ 2,001,966
2nd Quarter Percent of Total	44.81%	48.68%	48.81%	47.95%	55.43%
Recommended Budget Revision Revenues					(35,000)
Recommended Budget Revision Expenditures					

**Includes incumbrance of \$10,753.35*

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Revenues:

- Harbor State Grant Public Services: A budget reduction of \$11,000 is recommended due to revised amounts received from SAVE grant for boat demolition.

- Harbor Other Revenue/Current Services: A budget reduction of \$24,000 is recommended due to budgeted revenue from the Triangle Boat Parking Lot – rental income is now retained in fund 925, Triangle Boat Storage Parking Lot Fund.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

WATER FUND - 311

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 1,586,902	\$ 2,062,875	\$ 2,417,816	\$ 2,686,792	\$ 2,815,256
Fiscal Year Total Actual Revenues	\$ 3,657,206	\$ 4,338,311	\$ 4,928,645	\$ 5,533,392	
Fiscal Year Total Budgeted Revenues					\$ 5,814,501
2nd Quarter Percent of Total	43.39%	47.55%	49.06%	48.56%	48.42%
2nd Quarter Actual Expenditures	\$ 2,264,964	\$ 2,464,111	\$ 1,694,995	\$ 2,110,540	\$ 2,175,044
Fiscal Year Total Actual Expenditures	\$ 4,477,798	\$ 5,416,380	\$ 3,659,970	\$ 3,655,468	
Fiscal Year Total Budgeted Expenditures					\$ 5,741,179
2nd Quarter Percent of Total	50.58%	45.49%	46.31%	57.74%	37.88%
Recommended Budget Revision Revenues					\$ 3,067,573
Recommended Budget Revision Expenditures					\$ 3,098,145

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Enterprise Funds

Revenues:

- Transfer in from Water Accumulation Fund: A budget adjustment of \$3,067,573 is recommended to transfer revenues over expenditure from the water revenue fund to the water accumulation fund. This is a year-end adjustment for FY 2017/18 based on results of the City's audit and available funds to transfer to the accumulation fund for capital needs.

Expenditures:

- Transfer to Other Government Fund - Water Operations: A budget augmentation of \$30,572 is recommended due to transfer money from the water operations fund to the facilities fund. This is an correction of utility charges that the general fund paid for the Juniper & Elena Street Booster station. These utility charges were inadvertently paid by the General Fund when they should have been charged to the Water Revenue Fund. Staff recommends that the Water Revenue fund reimburse the General Fund for these expenses.
- Transfer out to Accumulation – Water Operations: A budget augmentation of \$3,067,573 is recommended to transfer excess revenues over expenditures from the water operations fund to the water accumulation fund. This is a year-end adjustment for FY 2017/18 based on results of the City's audit and available funds to transfer to the accumulation fund for capital needs.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SEWER FUND - 321

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 2,011,389	\$ 2,269,228	\$ 2,660,409	\$ 2,955,602	\$ 3,249,946
Fiscal Year Total Actual Revenues	\$ 4,336,206	\$ 5,118,266	\$ 5,690,877	\$ 6,379,674	
Fiscal Year Total Budgeted Revenues					\$ 6,719,876
2nd Quarter Percent of Total	46.39%	44.34%	46.75%	46.33%	48.36%
2nd Quarter Actual Expenditures	\$ 1,915,074	\$ 1,019,443	\$ 1,424,012	\$ 2,065,045	\$ 1,206,180
Fiscal Year Total Actual Expenditures	\$ 4,696,610	\$ 3,814,036	\$ 3,170,631	\$ 2,325,296	
Fiscal Year Total Budgeted Expenditures					\$ 6,719,876
2nd Quarter Percent of Total	40.78%	26.73%	44.91%	88.81%	17.95%
Recommended Budget Revision Revenues					\$ 3,829,219
Recommended Budget Revision Expenditures					\$ 3,829,219

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Revenues:

- Transfer in from Sewer Accumulation Fund: A budget adjustment of \$3,829,219 is recommended to transfer revenues over expenditure from the sewer revenue fund to the sewer accumulation fund. This is a year-end adjustment for FY 2017/18 based on results of the City’s audit and available funds to transfer to the accumulation fund for capital needs.

Expenditures:

- Transfer out to Accumulation – Sewer Operations: A budget adjustment of \$3,829,219 is recommended to transfer excess revenues over expenditures from the sewer operations fund to the sewer accumulation fund. This is a year-end adjustment for FY 2017/18 based on results of the City’s audit and available funds to transfer to the accumulation fund for capital needs.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

FY 2018/19 Recommended Budget Adjustments

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

ENTERPRISE FUNDS				
<i>Enterprise Funds - Revenues</i>				
<i>Harbor Operating Fund</i>				
331				
331	6510	3371	State Grant Public Services	(11,000)
331	6510	3499	Other Rev/Current Services	(24,000)
<i>Water Accumulation Fund</i>				
951	1111	3860	Transfer In From Water Revenue Fund	3,067,573
<i>Sewer Accumulation Fund</i>				
952	1111	3860	Transfer In From Sewer Revenue Fund	3,829,219
303			TOTAL ENTERPRISE FUND REVENUES	\$ 6,861,792
<i>Enterprise Funds - Expenditures</i>				
<i>Water Revenue Fund</i>				
311				
311	7710	8520	Transfer to Other Gov't Fund	30,572
311	7710	8410	Transfer Out to Accumulation	3,067,573
				3,098,145
<i>Sewer Revenue Fund</i>				
321				
321	7710	8410	Transfer Out to Accumulation	3,829,219
321				3,829,219
			TOTAL ENTERPRISE FUND EXPENDITURES	\$ 6,927,364

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

Water Reclamation Facility Capital Project

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

Below is a snapshot of expenditures, by category for the WRF project for the first six months of FY 2017/18. Staff is working to capture all prior year costs in a similar format for the Council and Community.

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

	FY17/18 Y/E Actuals	FY18/19 Adopted Budget	FY18/19 2nd Qtr Encumbrances	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Expenditures						
Salaries & Benefits	107,537	75,000		67,004	89%	\$ 75,000
Laboratory Testing	-	25,000		-	0%	\$ 25,000
Miscellaneous Operating Supplies	13,157	5,000		19,864	397%	\$ 5,000
Legal Services - General	-	25,000		27,848	111%	\$ 25,000
Engineering Services	81,567	450,000	351,000	(750)	78%	\$ 450,000
Consulting Services	21,065	-	24,000	14,007	78%	\$ 24,000
Contractual Services	650	-		19,350		\$ -
Licenses & Permits	-	-		1,232		\$ -
Rate Study	-	21,000		-	0%	\$ 21,000
Program Management and DB Procurement	914,638	500,000		28,906	6%	\$ 500,000
Grant Support	94,880	30,000		39,465	132%	\$ 30,000
Government Relations	57,017	57,000		27,131	48%	\$ 57,000
Postage	4,547	-		3,450		\$ -
Meetings & Conferences	225	-		-		\$ -
Meals & Lodging	3,009	-		-		\$ -
Travel Expense	7,567	-		-		\$ -
Maintenance Contracts	44,776	44,776		-	0%	\$ 44,776
Notices & Publications	6,129	-		451		\$ -
Business Equipment Rental	433	-		-		\$ -
Land Acquisition	-	337,000		1,000	0%	\$ 1,000
Water Reclamation Facility (WRF)-OnSite Improv Design/Build	-	6,075,000		-	0%	\$ 6,075,000
Design Phase - Lift Station & Force Main	275,162	839,000		14,433	2%	\$ 839,000
Planning & Permitting	313,155	270,000		10,937	4%	\$ 270,000
Design Phase - Injection Wells & Recycled Water Pipeline	-	625,000		-	0%	\$ 625,000
Total Operating Expenditures	\$ 1,945,515	\$ 9,378,776	\$ 375,000	\$ 274,329	3%	\$ 9,066,776

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

Capital Projects

With the adoption of the FY 2018/19 budget, the City was still in process of adopting a one water plan, outlining a long-term capital improvement plan for the City’s water and sewer services. As such, staff incorporated minimal capital projects related to water and sewer (with the exception of the WRF discussed above) and did not begin work on any other utility related capital projects until the one water plan was adopted. As such, staff is recommending the following budget adjustments for water and sewer capital projects to replace the projects proposed in the adopted budget. These capital projects are aligned with the one water plan.

Water Enterprise Fund

Proposed Project		Existing	Proposed	Length	Total Project Cost
PWP-1	Fill line for Blanca Tanks	4	8	2,210	\$ 750,000
PWP-5	Pipeline on Sequoia Street	--	8	530	\$ 154,000
PWRR-1	Pipeline R&R Program	1-16	> 6	varies	\$ 100,000
PWO-2	Re-Skin Desalination Plant Building	--	--	--	\$ 60,000
CIP Total					\$ 1,064,000

Wastewater (Sewer) Enterprise Fund

Proposed Project		Existing	Proposed	Length	Total Project Cost
WWGM-1	Gravity Main along Atascadero Road	18	27	1,000	\$ 530,000
WWRR-4	Cap Replacement Upstream of LS-1	--	Manhole	~15	\$ 249,000
CIP Total					\$ 779,000

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Revenues:

- Transfer into the Vets Bldg Improvement Audio Visual/Chairs capital project- staff recommends a transfer of \$30,572 from the water revenue fund from prior year misallocation of utility charges for the Juniper & Elena Street Booster station. These utility charges were inadvertently paid by the General Fund when they should have been charged to the Water Revenue Fund. Staff recommends that the Water Revenue fund reimburse the General Fund for these expenses by funding the roof replacement on the vet's hall.
- Intrafund Transfer into the Water Capital Projects Fund (from accumulation fund) – Staff recommends a budget adjustment of \$1,064,000 to fund four new water capital projects as outlined in the one water plan as follows: Fill line for Blanca Tanks, Pipeline on Sequoia Street, Pipeline R&R Program, Re-Skin Desalination Plant Building.
- Intrafund Transfer into the Sewer Capital Projects Fund (from accumulation fund) – Staff recommends a budget adjustment of \$779,000 to fund two new sewer capital projects as outlined in the one water plan as follows: Gravity Main along Atascadero Rd, and Cap Replacement upstream of LS-1.

Expenditures:

- Vets Bldg Improvement Audio Visual/Chairs capital project- staff recommends a budget adjustment of \$30,572 to partially fund the replacement of the vet's hall roof.
- Water Capital Project Funds – staff recommends a budget adjustment of \$1,064,000 to fund four new water capital projects as outlined in the one water plan as follows: Fill line for Blanca Tanks, Pipeline on Sequoia Street, Pipeline R&R Program, Re-Skin Desalination Plant Building.
- Sewer Capital Project Funds - Staff recommends a budget adjustment of \$779,000 to fund two new sewer capital projects as outlined in the one water plan as follows: Gravity Main along Atascadero Rd, and Cap Replacement upstream of LS-1.
- Transfer Out from the Water Accumulation Fund into the Water Capital Projects Fund – Staff recommends a budget adjustment of \$1,064,000 to fund four new water capital projects as outlined in the one water plan as follows: Fill line for Blanca Tanks, Pipeline on Sequoia Street, Pipeline R&R Program, Re-Skin Desalination Plant Building.
- Transfer Out from the Sewer Accumulation Fund into the Sewer Capital Projects Fund – Staff recommends a budget adjustment of \$779,000 to fund two new sewer capital projects as outlined in the one water plan as follows: Gravity Main along Atascadero Rd, and Cap Replacement upstream of LS-1.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

FY 2018/19 Recommended Budget Adjustments

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

<i>CAPITAL PROJECTS</i>			
<i>Capital Project Funds - Revenues</i>			
<i>Capital Projects General Government</i>			
915			
915	9508	3801	Transfer In 30,572
<i>Capital Project Fund Water Funds</i>			
921			
921	7710	3802	Intrafund Revenue Transfer In from Water Accumulation Fund 1,064,000
<i>Capital Project Fund Sewer Funds</i>			
922			
922	7710	3802	Intrafund Revenue Transfer In from Sewer Accumulation Fund 779,000
303			<u>TOTAL CAPITAL PROJECT FUND REVENUES \$ 1,873,572</u>
<i>Capital Project Funds - Expenditures</i>			
<i>Capital Projects General Government</i>			
915			
915	9508	6106	Vets Bldg Improvement - Audio Visual/Chairs: Roof Repair 30,572
<i>Capital Project Fund Water Funds</i>			
921			
921			Blanca Tanks 750,000.00
921			Sequoia Street 154,000.00
921			Pipeline R&R Program 100,000.00
921			Re-Skin Desalination Plant Building 60,000.00
<i>Capital Project Fund Sewer Funds</i>			
922			
922			Gravity Main - Atascadero Road 530,000
922			Cap Replacement Upstream of LS-1 249,000
<i>Water Accumulation Fund</i>			
951			
951	7710	8501	Transfer Out to fund Water Capital Projects 1,064,000
<i>Water Accumulation Fund</i>			
952			
952	7710	8540	Transfer out to Sewer Capital Improvement Fund 779,000
303			<u>TOTAL CAPITAL PROJECT FUND EXPENDITURES \$ 3,716,572</u>

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

Other Funds

Other Funds can consist of internal service type funds that are used to account for various types of insurance coverage for the City, and to manage the City's information technology needs. In addition, the City has other funds that have been set-up to accumulate monies for various projects or capital and equipment needs, such as the facility maintenance fund. The report covers the Morro Bay Tourism Business Improvement District, the Measure Q fund. Both the Measure Q and Morro Bay Tourism Business Improvement District are discussed in more detail below:

Morro Bay Tourism Business Improvement District

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

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

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

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

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

For second quarter 2018/19 revenues and expenditures are trending well and in line with budget projects. It should be noted that revenues include fund transfers in which is the General Fund's contribution towards TBID. For FY 2018/19 the General Fund contribution was budgeted at \$157,000. Staff is recommending a revenue reduction of \$11,163 as the General Fund contribution to TBID is \$60,000 base funding plus 20% of prior year actual TOT revenues above \$3,000,000. FY 2017/18 TOT receipts totaled \$3,429,186. Therefore, the General Fund TBID contribution should total \$145,837 (\$60,000 base funding + 20%*\$429,186), a difference of \$11,163 from budgeted amounts. In addition, staff recommend augmentation to budgeted revenues to account for the transfer in of \$65,000 from the TBID Accumulation Fund and \$32,000 for SLOCAL's support of Amgen. This was previously approved by the Board and City Council to support Amgen, with the expenditure budget adjustment approved during the first quarter budget update.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

With respect to revenues, the FY 2017/18 budget included allocation of funds to a TBID specific accumulation fund. The accumulation was not officially established, and funds remained within the TBID’s operating fund (Fund 007) as fund balance. Staff has established a separate TBID accumulation fund (Fund 954). As a result, staff is recommending a budget augmentation to the TBID operating fund (Fund 007) expenditures of \$273,521 to transfer fund balance to the accumulation fund.

TBID OPERATING FUND

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 467,151	\$ 392,912	\$ 510,489	\$ 538,016	\$ 543,929
Fiscal Year Total Actual Revenues	\$ 882,109	\$ 841,295	\$ 935,834	\$ 935,691	
Fiscal Year Total Budgeted Revenues				\$	997,135
2nd Quarter Percent of Total	52.96%	46.70%	54.55%	57.50%	54.55%
2nd Quarter Actual Expenditures	\$ 485,699	\$ 425,537	\$ 434,309	\$ 531,601	\$ 541,586
Fiscal Year Total Actual Expenditures	\$ 872,550	\$ 660,205	\$ 917,560		
Fiscal Year Total Budgeted Expenditures				\$ 1,046,791	\$ 1,046,791
2nd Quarter Percent of Total	55.66%	64.46%	47.33%	50.78%	51.74%
Recommended Budget Revision Revenues				\$	85,837
Recommended Budget Revision Expenditures				\$	273,521

*Revenues includes transfers in

TBID ACCUMULATION FUND

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ -	\$ -	\$ -	\$ -	\$ 273,521
Fiscal Year Total Actual Revenues	\$ -	\$ -	\$ -	\$ -	
Fiscal Year Total Budgeted Revenues				\$	-
2nd Quarter Percent of Total					
2nd Quarter Actual Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Fiscal Year Total Actual Expenditures	\$ -	\$ -	\$ -	\$ -	
Fiscal Year Total Budgeted Expenditures				\$	65,000
2nd Quarter Percent of Total					100.00%
Recommended Budget Revision Revenues				\$	273,521
Recommended Budget Revision Expenditures				\$	65,000

*Revenues includes transfers in

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

TBID

Revenues:

- Transfers In – TBID: Staff recommends a reduction in the general fund contribution to TBID of \$11,163 to agree with the funding calculation approved by City Council as discussed above.
- Transfers In – TBID: A budget adjustment of \$65,000 is recommended to transfer in funds from the TBID Accumulation Fund to support the AMGEN expenditures previously approved.
- Other Miscellaneous Revenues – TBID: A budget adjustment of \$32,000 is recommended to account for SLOCAL support of AMGEN.
- Transfers In – TBID Accumulation: Staff recommends budget increase of \$273,521 to account for TBID fund balance to be transferred into the newly created accumulation fund.

Expenditures:

- Transfer to Accumulation Fund - TBID Operations: A budget augmentation of \$273,521 is recommended to transfer fund balance from the TBID operating fund to the TBID accumulation fund.
- Transfer out to Operatons – TBID Accumulation: A budget augemetnation of \$65,000 is recommended to transfer funds from the accumulation fund to the TBID operating fund to support AMGEN as previously approved.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

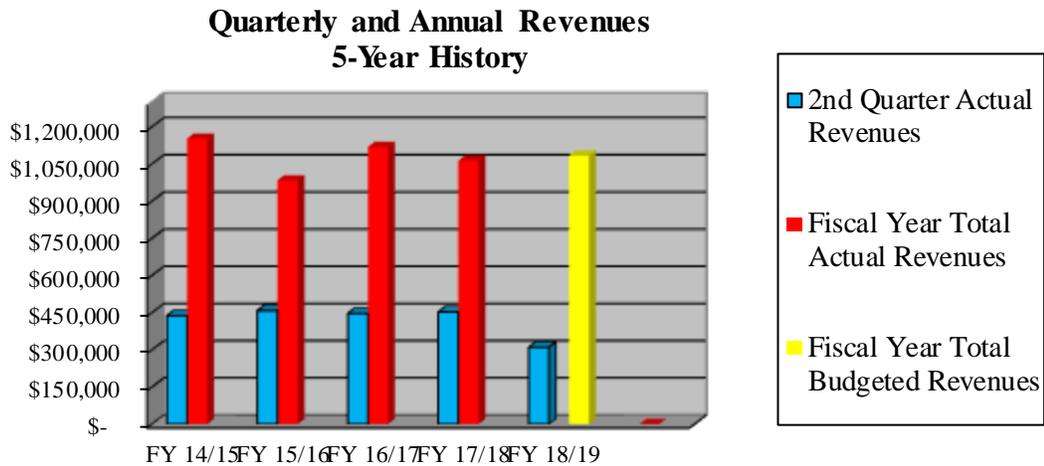
Measure Q

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

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

Measure Q revenues are trending well and a budget adjustment of \$22,000 is recommended to align budget with the most recent sales tax update provided by the City’s sales tax consultant.

Measure Q Revenues



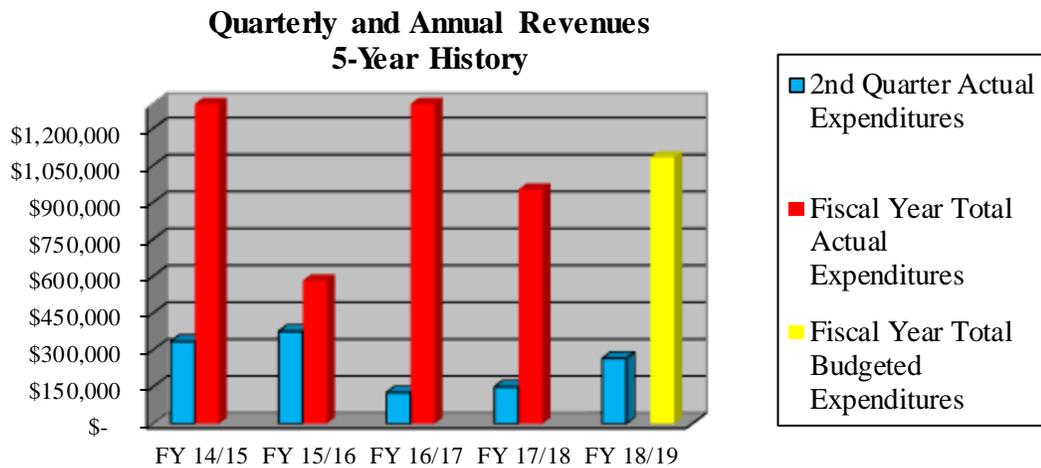
	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Revenues	\$ 437,892	\$ 458,250	\$ 446,882	\$ 452,616	\$ 309,983
Fiscal Year Total Actual Revenues	\$ 1,151,549	\$ 983,602	\$ 1,118,270	\$ 1,062,895	
Fiscal Year Total Budgeted Revenues					\$1,083,000
2nd Quarter Percent of Total	38.03%	46.59%	39.96%	42.58%	28.62%

Recommended Budget Revision	22,000
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

Measure Q Expenditures are generally trending well when compared to prior year actuals. Staff is recommending a budget augmentation of \$65,500 from fund balance (\$145,469) to fund equipment (i.e. patrol vehicle, safety equipment, uniform and laptop) for a School Resource Officer (SRO), pending contract approval from the City Council. Staff have worked closely with the School District to negotiate an agreement for the School District to fully fund the personnel costs of a School Resource Officer. The City’s obligation will be to purchase the necessary equipment and provide the required training. A contract will be brought forth for City Council consideration in March. Pending approval of the Contract, the School District would like the SRO to begin immediately. Staff is requesting the that one-time equipment supplies mentioned above be purchased from Measure Q fund unallocated fund balance.

Measure Q Expenditures



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
2nd Quarter Actual Expenditures	\$ 335,296	\$ 375,877	\$ 126,949	\$ 150,342	\$ 266,128
Fiscal Year Total Actual Expenditures	\$ 1,408,279	\$ 582,073	\$ 1,491,240	\$ 952,399	
Fiscal Year Total Budgeted Expenditures					\$ 1,083,000
2nd Quarter Percent of Total	23.81%	64.58%	8.51%	15.79%	24.57%

Recommended Budget Revision	65,500
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Measure Q

Revenues:

- Sales Tax – City Portion – Measure Q: Staff recommends a budget increase of \$22,000 in sales and transaction tax due to recent budget update provided by the City's sales tax consultant HDL.
- Other Revenue – Vehicle Replacement Fund: Staff recommends a budget increase of \$71,076 to the City's Fire Department Vehicle Replacement Fund for accumulation for future vehicle purchase. This is revenue received from mutual aid support.

Expenditures:

- Equipment Acquisition – Measure Q Police: A budget adjustment of \$60,000 is recommended to support the purchase of a patrol vehicle.
- Uniforms/Safety Equipment – Measure Q Police: A budget adjustment of \$3,000 is recommended to support the purchase of uniform and safety gear for the School Resource Officer.
- Machinery/Equipment/Supplies – Measure Q Police: A budget adjustment of \$2,500 is recommended to support the purchase of a laptop for the School Resource Officer.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

Pavement Management Plan

In FY 2017/18 the Citizen Finance Advisory Committee (CFAC) agreed with staff's recommendation to establish one pavement management plan and have all revenues and expenditures related to the City's pavement management plan identified in one capital project. Therefore, the Measure Q allocation to pavement management is transferred into the pavement management plan capital project. As such, staff provides the CFAC committee with a detailed analysis of revenues and expenditures for the project. As of December 31, 2018, the City had not expensed costs related to the pavement management plan and as such revenues from Measure Q have not been transferred to the project. Detail is provided below:

**City of Morro Bay
Schedule of Pavement Management
Project Expenditures
For the period ended December 31, 2018**

	FY17/18 Y/E Actuals	FY18/19 Adopted Budget	FY18/19 2nd Qtr Encumbrances	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues						
Road Maint. & Rehab Alloc SB1-2032(h)(2)	\$ 49,609	\$ 191,000		\$ 62,355	33%	\$ 191,000
SB1-State GF Loan Repay from Traffic Congestion Relief(Prop 42)	12,235	-		-		\$ -
State Grant Capital Impv	245,000	35,985	-	-	0%	\$ 35,985
State Grant Other Govt Sv	49,439	-		-		
Transfers In	487,351	582,979		-	0%	\$ 582,979
Total Project Revenues	\$ 843,634	\$ 809,964	\$ -	\$ 62,355		
Expenditures						
Salaries & Benefits	8,851	-		-	0%	\$ -
Engineering Services	405,117	-		-	0%	\$ -
Consulting Services	50,847	-		-	0%	\$ -
Contractual Services	377,474	809,964		-	0%	\$ 809,964
Other Utilities	1,344	-		-	0%	\$ -
Total Operating Expenditures	\$ 843,634	\$ 809,964	\$ -	\$ -	0%	\$ 809,964

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

FY 2018/19 Recommended Budget Adjustments

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

OTHER FUNDS

<i>Other Funds Revenues</i>				
<i>TBID Operating Fund</i>				
007				
007	7710	3801	Transfers In	(11,163)
007	7710	3801	Transfers In	65,000
007	3170	3990	Other Misc. Revenues	32,000
<i>TBID Accumulation Fund</i>				
954				
954	7710	3801	Transfers In	273,521
<i>Measure Q</i>				
003	1111	3051	Sales Tax- City Portion	22,000
<i>Vehicle Replacement Fund</i>				
050	4210	3472	Other Revenue	71,076
<i>Information Technology Fund</i>				
450	7710	3801	Transfer In: Transfer from General Fund to IT Fund for Telephone	7,650
<i>TOTAL OTHER FUNDS REVENUES</i>				\$ 460,084

<i>Other Funds Expenditures</i>				
<i>TBID Operating Fund</i>				
007				
007	7710	8510	Transfers Out: Transfer to Accumulation	273,521
<i>TBID Accumulation Fund</i>				
954				
954	7710	8501	Transfers Out	65,000
<i>Measure Q Fund</i>				
003	4110	7302	Equipment Acquisition: Patrol Vehicle - SRO	60,000
003	4110	5109	Uniforms/Safety Equipment:SRO Uniform/Gear	3,000
003	4110	5504	Machinery/Equip/Supplies: SRO Laptop	2,500
<i>Information Technology Fund</i>				
450				
450	3520	6201	Telephone: Intallation of Fiberoptic for new phone system	7,650
<i>TOTAL OTHER FUNDS EXPENDITURES</i>				\$ 411,671

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Other Funds

Revenues:

- Other Revenue – Vehicle Replacement Fund: Staff recommends a budget increase of \$71,076 to the City's Fire Department Vehicle Replacement Fund for accumulation for future vehicle purchase. This is revenue received from mutual aid support.
- Transfers In: Information Technology Fund: Staff recommends a budget increase in the amount of \$7,650, transferring funds from the general fund to support installation of fiber optics for the new internet based phone system.

Expenditures:

- Telephone – Information Technology Fund: A budget adjustment of \$7,650 is recommended to support installation of fiber optics for the new internet based phone system.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2018/19

CONCLUSION

The financial results from the FY 2018/19 second quarter data highlighted areas where budget expectations exceeded actual receipts and areas where the City is in good position. While the economy is holding strong and staff is remaining conservative with spending habits, the City's sales tax consultant has cautioned that they are forecasting a flattening of the economy. As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating and capital needs.

RESOLUTION NO. 15-19

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 18/19 BUDGET
TO AUTHORIZE VARIOUS ADDITIONAL EXPENDITURES**

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

WHEREAS, second-quarter adjustments were discussed and approved during the February 26, 2019 Council meeting; and

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

1. The operating budgets of the City are amended by the additional revenues and expenditures, as shown on the attached Exhibit 1, that were discussed at the February 26, 2019, Council Meeting.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 26th day of February 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

Revenues				
Fund	Prog	Acct	Description	Adjustment
001	3510	3051	Sales Tax - City Portion	47,490.00
001	4210	3472	Other Revenue	200,511.00
001	3510	3011	Property Tax Current Secured	40,000.00
001	3510	3021	Property Tax in Lieu-VLF	55,000.00
001	4110	3391	Other Grant Public Services	(20,979.00)
001	7105	3433	Commercial Cannabis Application Fee	108,000.00
Total General Fund				430,022.00

Other Funds				
Fund	Prog	Acct	Description	Adjustment
050	4210	3472	Other Revenue	71,075.63
003	1111	3051	Sales Tax- City Portion	22,000.00
007	7710	3802	Intrafund Transfer: Transfer In From Accumulation	65,000.00
007	3170	3990	Othe Misc. Revenues: SLOCAL support of Amgen	32,000.00
007	7710	3801	Transfer In: Reduction in General Fund Contribution	(11,162.89)
954	7710	3802	Transfer In: Transfer of Fund Balance to TBID Accumulation	273,521.00
450	7710	3801	Transfer In: Transfer from General Fund to IT Fund for Telephone	7,650.00
Total Other Funds				460,083.74

Enterprise Funds				
Fund	Prog	Acct	Description	Adjustment
331	6510	3371	State Grant Public Services	(11,000.00)
331	6510	3499	Other Rev/Current Services	(24,000.00)
951	1111	3860	Transfer In From Water Revenue Fund	3,067,573.00
952	1111	3860	Transfer In From Sewer Revenue Fund	3,829,219.00
Total Other Funds				6,861,792.00

Capital Projects Funds				
Fund	Prog	Acct	Description	Adjustment
915	9508	3801	Transfer In	30,571.55
921	7710	3802	Intrafund Revenue Transfer In from Water Accumulation Fund	1,064,000.00
922	7710	3802	Intrafund Revenue Transfer In from Sewer Accumulation Fund	779,000.00
Total Other Funds				1,873,571.55

Grand Total: Revenues 9,625,469.29

Expenditures				
Fund	Prog	Acct	Description	Adjustment
001	4210	4120	Overtime Pay	174,511.00
001	4210	4310	Part-Time Pay	8,000.00
001	4210	5109	Uniforms/Safety Equipment	18,000.00
001	3110	5201	Other Expense - Polco Surveying Tool & Homlessness	6,000.00
001	7710	8530	Transfer to Special Revenue Fund (TBID)	(11,162.89)
001	7710	8580	Transfer to Interna Service Fund: IT for Telephone	7,650.00
001	7105	6106	Contract Services: Cannabis Application Screening	24,500.00
Total General Fund				227,498.11

Other Funds				
Fund	Prog	Acct	Description	Adjustment
003	4110	7302	Equipment Acquisition: Patrol Vehicle - SRO	60,000.00
003	4110	5109	Uniforms/Safety Equipment:SRO Uniform/Gear	3,000.00
003	4110	5504	Machinery/Equip/Supplies: SRO Laptop	2,500.00
007	7710	8510	Transfers Out: Transfer to Accumulation	273,521.00
954	7710	8520	Transfer out to TBID Operating Fund	65,000.00
450	3520	6201	Telephone: Intallation of Fiberoptic for new phone system	7,650.00
Total Other Funds				411,671.00

Enterprise Funds				
Fund	Prog	Acct	Description	Adjustment
311	7710	8520	Transfer to Other Gov't Fund	30,571.55
311	7710	8410	Transfer Out to Accumulation	3,067,573.00
321	7710	8410	Transfer Out to Accumulation	3,829,219.00
Total Other Funds				6,927,363.55

Capital Projects Funds				
Fund	Prog	Acct	Description	Adjustment
915	9508	6106	Vets Bldg Improvement - Audio Visual/Chairs: Roof Repair	30,571.55
921			Blanca Tanks	750,000.00
921			Sequoia Street	154,000.00
921			Pipeline R&R Program	100,000.00
921			Re-Skin Desalination Plant Building	60,000.00
922			Gravity Main - Atascadero Road	530,000.00
922			Cap Replacement Upstream of LS-1	249,000.00
951	7710	8501	Transfer Out to fund Water Capital Projects	1,064,000.00
952	7710	8540	Transfer out to Sewer Capital Improvement Fund	779,000.00
Total Other Funds				3,716,571.55

Grand Total: Expenditures 11,283,104.21

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AGENDA NO: C-4

MEETING DATE: February 26, 2019

Staff Report

TO: Honorable Mayor and City Council

DATE: February 20, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Approval of Issuance of Request for Proposals for Redevelopment of Lease Sites 34W and 35W-36W, Adjacent to 225 & 235 Main Street, Respectively

RECOMMENDATION

Staff recommends the City Council provide input and authorize the release of a Request for Proposals for redevelopment of Lease Sites 34W and 35W-36W.

ALTERNATIVES

Council could elect to not issue a Request for Proposals (RFP) for these lease sites, and direct staff accordingly.

FISCAL IMPACT

There will be no fiscal impact until the site(s) are redeveloped; post-redevelopment a positive fiscal impact is anticipated depending on proposals received and new leases negotiated.

BACKGROUND

Lease Site 34W is a City lease originally entered into in 1997 that expired in December 2018, now on holdover with the current tenant. It is a small slip complex for four vessels and includes a small portion of the revetment and seawall adjacent.

Lease Site 35W-36W is currently vacant. Under the previous landowner's tenancy of the lease, this site was historically an active fish buying station and tie-up location for commercial fishing vessels. Those operations largely ceased approximately ten years ago, and the property and lease were sold to its current owner. Approximately eight years ago, the wharf was removed from the lease site after the lease was terminated. There currently exist no improvements in the lease site, with the adjacent seawall on private property.

Although the City has previously received and considered proposals from the landowner adjacent to 35W-36W that did not come to fruition for various reasons, on August 9, 2017 in closed session to discuss negotiation of a proposal from the existing tenant of 34W, Council directed staff to put 34W and 35W-36W out to bid in a request for proposals. Lease Site 34W just expired in December 2018 so staff is now seeking approval of RFP issuance.

DISCUSSION

Attachment 1 is a draft request for proposals document for the two sites. It is structured such that the two sites can be bid either separately or together. Staff is seeking Council input and concurrence on the document, with particular emphasis on:

Prepared By: EE

Dept Review: EE

City Manager Review: SC

City Attorney Review: CN

- A. The Key Objectives (page 4) to ensure the desired components are incorporated.
- B. Invitation to Participate and Selection Process (pages 9 and 11); is this a reasonable and effective process?
 - Does the Criteria for Selection capture the necessary elements?
 - Does the Selection Methodology rating accurately reflect our priorities?
 - Is the Consent of Landowner (COL) / Interim Lease / Concept Plan / Long-Term Lease process the desired one as we have followed in the past?
- C. Proposer Information – Financial and Business Data (page 14); what is the City willing to accept for proof of financial ability/capacity?
- D. Tentative Proposal Schedule (page 17); how long do we want to have the bid open? Staff recommends a minimum of 90 and maximum of 180 days.
- E. Interim Management of Lease Site 34W; as currently structured in the document, a winning proposer on 34W will take over operation and management of the site after being granted a COL and Interim Lease. Would Council prefer the existing tenant remain in lesseeship (assuming they are willing) until Concept Plan approval is obtained for a proposal? Should the existing lessee submit a proposal and win the bid, this, of course, would be a moot point.

CONCLUSION

Input and direction received from Council will be incorporated into the RFP document, and the RFP issued and managed accordingly.

ATTACHMENT

1. Draft Request for Proposals document for Lease Sites 34W and 35W-36W.



City of Morro Bay Request for Proposals



Redevelopment of Lease Sites
34W and/or 35W-36W
225 and 235 Main Street
Morro Bay, CA 93442
Project No. MB-2019-HRFP1



CITY OF MORRO BAY

HARBOR DEPARTMENT

1275 Embarcadero Road
Morro Bay, CA 93442

XXXXXX, 2019

Prospective Proposers:

SUBJECT: REQUEST FOR PROPOSALS FOR LEASE SITES 34W AND/OR 35W-36W, LOCATED AT 225 AND 235 MAIN STREET, MORRO BAY, CA 93442

The City of Morro Bay invites the submittal of proposals from qualified individuals and entities (Proposer) to redevelop and operate/manage the water leases located on Main Street for Lease Sites 34W and/or 35W-36W, located adjacent to 225 and 235 Main Street, Morro Bay, CA 93442.

The City of Morro Bay intends to select a Proposer or Proposers to redevelop the Properties. The Properties will be available for short-term Interim Lease initially, then on a long-term ground lease basis after Concept Plans for site redevelopment are approved.

Instructions and forms to be used in preparing a proposal are found in the information included in the RFP document. The activity schedule for the RFP is included.

For more information and a copy of the City of Morro Bay Harbor Department Lease Management Policy, as well as a copy of the City's standard lease format, visit the Harbor Department's page of the City website under "Harbor Administration and Leases." If you cannot agree to the requirements exactly as set forth in the RFP, then please do not submit a proposal.

For general questions, please contact Eric Endersby, Harbor Director, by email at eendersby@morrobayca.gov. Specific questions relevant to the RFP must be submitted as-directed in the "Invitation to Participate" section of the RFP. It is the responsibility of any Proposer to review the City's website for any revisions or answers to questions regarding the RFP prior to submitting a proposal in order to ensure all proposals are complete and responsive.

Sincerely,

Eric Endersby,
Harbor Director

**REQUEST FOR PROPOSALS
REDEVELOPMENT OF LEASE SITES
34W AND/OR 35W-36W, LOCATED AT
225 AND 235 MAIN STREET, MORRO BAY, CA 93442
PROJECT MB-2019-HRFP1**

TABLE OF CONTENTS

INTRODUCTION4

SECTION I **SITE HISTORIES**6

SECTION II **SITE DATA**..... 7

SECTION III **INVITATION TO PARTICIPATE**9

SECTION IV **SELECTION PROCESS** 12

SECTION V **REQUEST FOR PROPOSALS SUBMITTAL PACKAGE**... 15

SECTION VI **TENTATIVE PROPOSAL SCHEDULE**..... 18

SECTION VII **ATTACHMENTS** 19

INTRODUCTION

Purpose

The City is seeking proposals from qualified individuals and entities (“Proposers”) to redevelop and manage the water-only Lease Sites 34W and/or 35W-36W, located at 225 & 235 Main Street, respectively, Morro Bay, CA 93442, and hereinafter referred to as the “Site” or “Sites.”

The City will consider proposals to redevelop and lease the Sites either individually or collectively, and will be available for short-term interim lease while Concept Plans for the Proposer’s proposal(s) are processed and approved, where after a long-term lease or leases will be negotiated and executed.

The term (length) and conditions of the long-term lease to be awarded as a result of this Request for Proposals (RFP) will be negotiable, depending on the investment and redevelopment plan of the Proposer. The subsequent long-term lease agreement will become effective once approved by the City Council.

Objectives

The Morro Bay City Council has determined it is in the best interest of the City and public to consider redevelopment proposals for these Sites. The City desires to have the Sites redeveloped to continue to provide access to the bay with marine-dependent uses, as well as an economic return to the City, while meeting modern design criteria that incorporate current planning, building and zoning codes in compatibility with the residential neighborhood in which the Sites are located.

Key Objectives with the RFP are redevelopments that include:

- Best and highest use of Sites to maximize revenues and return on investment, including maximization of public benefit.
- Continue to provide and enhance bay access and marine-dependent uses.
- Restore and/or enhance the environment, where applicable.
- Include safety enhancements to the area, where applicable.
- Provide 10-foot wide lateral public access along the bayfront, if feasible.

- Proposers who have the demonstrated experience, financial resources, and professional expertise to deliver the highest quality and economically feasible project(s).
- Proposals that are consistent with and best implement the land and water uses outlined in the General Plan, Local Coastal Program, Harbor Department Lease Management Policy and City Council Goals and Objectives, as applicable.

SECTION I: SITE HISTORIES

Tracing back to English Common law, the Public Trust Doctrine establishes navigable water or lands subject to tidal influence are “sovereign,” held open to the public for public uses as stipulated in the Coastal Act.

In 1947, the State of California granted those public trust lands in Morro Bay to the County of San Luis Obispo. The City of Morro Bay assumed trusteeship of the granted lands upon incorporation in 1964-1965. The Tidelands Grant in Morro Bay is in perpetuity, provided the City conforms to the terms of the legislative grant. The granted lands must be used, where applicable, for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Residential or strictly private use of the public lands is specifically prohibited. The City may lease out the lands to private businesses for a period up to 50 years and all revenues from such leases must be expended within the area of the granted lands for the purposes of the public trust.

It is primarily with those lease revenues the City manages the waterfront leases, provides and maintains various public, commercial fishing and other facilities and amenities, manages open spaces and the moorings in the bay and provides for the public safety with Harbor Patrol and Lifeguard services.

These Sites have operated as water-only leases as the adjacent upland properties are fee-simple private property.

SECTION II: SITE DATA

Lease Site 34W is located adjacent to 225 Main Street, and delineated in City of Morro Bay Resolution No. 77-74 approving the “Lease Site Map” for the City of Morro Bay. The Site is located within the Tidelands Trust granted lands, has been surveyed and contains approximately 5,525 square feet of water lease area and adjacent revetment and seawall area. Said map is included with this document in Attachment 3.

Lease Site 35W-36W is located adjacent to 235 Main Street, and delineated in City of Morro Bay Resolution No. 77-74 approving the “Lease Site Map” for the City of Morro Bay. The Site is located within the Tidelands Trust granted lands, has been surveyed and contains approximately 13,537 square feet of water lease area. In addition, a lease extension to the west of approximately 250 feet and incorporating an additional approximately 67,500 square feet is available. Said map is included with this document in Attachment 3.

A. Current Uses

Site 34W currently serves as a small recreational vessel slip facility for up to four vessels, with access through the adjacent private properties by way of legal covenants recorded on those properties, and restroom facilities for the marina at 225 Main provided for in the same legal covenant. Vehicle parking is provided for the Site across Main Street at 206 Main Street by way of a legally-recorded parking covenant on the 206 Main property. 34W is currently under lease holdover with its current tenant.

Site 35W-36W is currently vacant and unleased, but previously contained a large commercial unloading wharf that served the adjacent seafood processing and retail facility. Those uses ceased approximately a decade ago, including removal of the wharf. There is currently no established legal access to the Site through the adjacent private property.

B. Topography/Soil Conditions

Site 34W is primarily a water-only lease, with a seawall/rock revetment leading down to the water. Investigation of land, soil, seawall, revetment, and harbor bottom conditions for suitability of the proposed development shall be the responsibility of the Proposer.

Site 35W-36W is entirely a water-only lease, with the adjacent seawall under private property ownership. Investigation of the harbor bottom conditions for suitability of the proposed development shall be the responsibility of the Proposer.

C. Hazards

The Sites are subject to all conditions and hazards commonly associated with a bay/ocean-front setting including, but not limited to:

1. Flooding: the Sites are not in a designated flood zone.
2. Tsunami: the Sites are within the tsunami 50-foot inundation zone.
3. Earthquake: the Sites are within an earthquake hazard zone.
4. Storms: the Sites are subject to periodic storm conditions.
5. Tidal Overflow: the Sites can be subject to periodic tidal overflow.
6. Seawalls/Revetments (if present): subject to erosion, scouring, tidal influences and normal deterioration in the marine environment.

D. Archeology

The Sites are not listed as, nor are they within 300 feet of a known archaeological site.

E. Zoning

The Sites are zoned Harbor (H), and the adjacent upland private properties are zoned Waterfront with a Planned Development overlay (WF/PD). Allowable uses in the Harbor zone for this area can be found in Morro Bay Municipal Code (MBMC) 17.24.190 and include a mixture of mariculture, vessel habitation, promotion and accommodation of commerce and navigation and vessel accommodation.

Planning entitlements require both a Conditional Use Permit (CUP) from the City and a Coastal Development Permit from the California Coastal Commission, in addition to permit requirements from other governmental agencies, as necessary

F. Parking

There are currently five parking spaces attributed to Lease Site 34W by way of a legally recorded property covenant on 206 Main Street (across Main Street from 225 Main) when calculating parking requirements for proposals.

There are currently no legally established parking spaces for Lease Site 35W-36W.

SECTION III: INVITATION TO PARTICIPATE

The City is seeking proposals from Proposers with the experience, financial resources and capabilities to fund a proposed project, and whose general development approach and concept for the site best meets the City's objectives in this Request for Proposals.

PROPOSALS MAY BE FOR EITHER LEASE SITE 34W OR 35W-36W, OR THE TWO SITES IN COMBINATION.

A. Proposal Process

1. All proposals must be submitted per Section V, "Request for Proposals Submittal Package." All proposals become the property of the City of Morro Bay and will not be returned.
2. All times referenced in the RFP are "Verizon" cell phone time.
3. Submittals will be initially screened to ensure they are complete and conform to the RFP. City staff will review and evaluate the qualifying proposals and make recommendations in a Staff Report to a Selection Panel, defined below.
4. The City will convene a Selection Panel to review the proposals, and to interview each qualified proposing party if necessary. The Selection Panel may consist of any combination of the following, as the City Manager, in consultation with the Harbor Director, determines in the City's best interest:
 - Members from City staff.
 - Members of the public.
 - Members of the Harbor Advisory Board and/or other constituencies.
5. The Selection Panel will make Primary and Secondary Proposer recommendations, or combination of recommendations for separate site proposals, to the City Council.
6. The City Council will determine the final Primary and Secondary proposal, or combination of proposals, and approve Consent of Landowner and short-term Interim Lease agreements with the Primary Proposer(s) to begin the Concept Plan approval process.

The Consent of Landowner will include specific milestones, such as, but not limited to, dates for submissions of plans and financial capacity information. If the Primary Proposer declines to participate, then the Secondary Proposer will ascend to the Primary Proposer position.

7. Concurrent with the Concept Plan approval process, City staff will begin preliminary negotiations for a long-term lease agreement(s) with the Primary Proposer(s). Upon approval of the Concept Plan by the City Council, City staff will be in a position to complete lease negotiations and recommend to the City Council approval and execution of a long-term lease agreement. Proposing parties must assume the basic terms of the new lease agreement(s) will be as set forth in the City's draft standard master lease format and in compliance with the Harbor Department Lease Management Policy.

B. Permitting and Project Costs

ANY AND ALL COSTS INCURRED BY A PROPOSER RELATED TO THE RFP PROCESS, INCLUDING, BUT NOT LIMITED TO, PERMITTING, DESIGN, ENGINEERING, AND PLAN PREPARATION AND SUBMITTAL WILL BE THE SOLE RESPONSIBILITY OF EACH PROPOSER. THE CITY SHALL INCUR NO COST OR LIABILITY FOR ANY COSTS RELATED TO THE RFP OR IF THE PROPOSER IS UNABLE TO COMPLETE THE PROJECT APPROVAL OR PERMITTING PROCESS.

C. City's Right to Amend RFP

The City reserves the right to amend the RFP process and the selection procedures at any time. It is the responsibility of any Proposer to review the City's website for any RFP revisions or answers to questions prior to submitting a proposal in order to ensure all proposals are complete and responsive.

D. Contact Person

RFP Packets and written inquiries regarding the RFP or the project site can be obtained by contacting:

Harbor Director Eric Endersby, Morro Bay Harbor Department
1275 Embarcadero
Morro Bay, CA 93442
805-772-6254
eendersby@morrobayca.gov

E. Pre-Proposal Meeting and Questions

Attendance is recommended at the Pre-Proposal Meeting and Site Walk-Through on [REDACTED], 2019, at 10:00 a.m. starting at the Harbor Office, 1275 Embarcadero in Morro Bay. All questions on the RFP are due by 4:00 p.m. on [REDACTED], 2019. For any questions posed, a response will be posted on the City website under the original proposal posting by 4:00 p.m. on [REDACTED], 2019.

SECTION IV: SELECTION PROCESS

The City reserves the right in its sole discretion to waive any defect or omission in any proposal that does not materially affect the terms of the response to the RFP. The City reserves the right in its sole discretion to reject any and all proposals submitted, to revise its selection process at any time, and to rescind the RFP at any time.

A. Criteria for Selection of Proposer

The City will select Proposals on the basis of maximization of public benefit in the proposed project, in addition to the proposing party's potential to bring the project to completion and successfully operate the lease site based on financial capability and experience. The City expects to negotiate with the selected Proposer(s) on all aspects of the development program including a long-term lease for the Site(s).

Important elements influencing selection of a proposal are:

- Proposal best meets the Key Objectives of the RFP.
- Maximization of public benefit of the project and best utilization of the Site.
- Demonstrated financial capability, capacity, capitalization and experience at the time of submitting proposal to undertake the redevelopment and successfully maintain ongoing operations.
- Proven capabilities, history and expertise in commercial development and redevelopment projects.
- Professionally-prepared business plan and ten-year pro forma with industry-standard elements expected of such documents.
- Best balance between uses and requirements in the City's General Plan, Local Coastal Program, Zoning Ordinance, building codes, and design elements.
- The overall quality of the development team as evidenced by the professional reputations and experience of the principals and agents.
- Lease terms proposed.
- Experience in commercial leasing and property management.
- Anticipated financial benefit to the City.
- Proposed timing and progress through the design, planning, and permitting processes in order to minimize redevelopment timeline.

Proposed uses on the Site(s) shall be in conformance with the Tidelands Trust and consistent with current planning, zoning and land use policies of the City. The selected Proposal(s) will be subject to the normal planning, permitting and approval processes of the City and other regulators, including, but not necessarily limited to, the California Coastal Commission, Army Corps of Engineers and Central Coast Regional Water Quality Control Board.

B. Proposer Selection

The City reserves its right to seek input from various community and business representatives, staff, and other agencies. In addition, the City may utilize the services of leading consultants in the areas of design, land and marine architecture and engineering, real estate, economics, and law to assist in the evaluation of the proposals and to negotiate a new lease.

In order to submit a proposal, a \$5,000 deposit is required as outlined in Section V. Deposits from proposing parties reviewed by the City will be held in trust during the proposal review period. After City Council selection, the City will refund Deposits from parties not in Primary or Secondary position, if any. The City will hold the Deposits from Proposers under final Primary and Secondary consideration in trust during the approximate 12-month Concept Plan processing period. If the Primary Proposer(s) successfully complete Concept Plan approval of the selected Proposal(s), then all Deposits will be fully refunded. If Primary Proposer(s) fail to complete Concept Plan approval within the specified time, then the City will retain the Deposit(s) as a processing fee and the Secondary Proposer(s) may ascend to Primary status and the remaining Deposit(s) handled accordingly.

C. Selection Methodology

In reviewing and evaluating the qualifications of the Proposers and the Proposals, the following criteria will be considered:

1. The Proposal's compliance with the RFP – **Pass/Fail**
2. Overall quality of the conceptual design(s) of the facilities and site plan(s). – **up to 15 points**
3. Proposer's financial strength and current relationships with financing sources, and demonstrated ability to finance the proposal(s) through to completion – **up to 20 points**
4. Proposal(s) that include the Key Objectives as outlined – **up to 20 points**
5. Demonstrated understanding of the development constraints on the bay and waterfront, and market knowledge of Morro Bay and the Central Coast – **up to 10 points**
6. Proposed lease terms, including financial benefit to the City – **up to 15 points**

7. Overall Proposer(s) and team qualifications and experience in similar projects – **up to 15 points**
8. Proposed development schedule(s) – **up to 5 points**

D. Exclusive Lease Negotiation

The City intends to enter into a Consent of Landowner concept approval and short-term Interim Lease for the Proposal(s), in addition to a long-term “ground” lease(s) with the selected Proposer(s) once Concept Plan approval is obtained from the Planning Commission and City Council. The Harbor Department’s typical ground lease is “triple net” and includes base rent and percentage rent terms. The selected Proposer(s) will be financially responsible for all construction activities.

The lease(s) will outline roles, expectations, responsibilities, goals, objectives and timelines with regard to the proposed development(s) and specific financial parameters to which both the selected Proposer(s) and City will adhere. Proposers will be responsible for all costs associated with the RFP process including all costs incurred by the Proposer(s) associated with the negotiation and development of the lease(s), as well as all costs associated with the entitlement, permitting, CEQA processing, and development. The selected Proposer(s) will work closely with the City to establish general design parameters for the proposed development(s).

The City and the selected Proposer(s) shall negotiate long-term ground lease agreement(s) not to exceed a term of 50 years, the maximum allowable under State law.

SECTION V: REQUEST FOR PROPOSALS SUBMITTAL PACKAGE

- 1. Proposal Submittal.** All responses to the RFP must be received by mail or in person no later than 4:00 p.m. on [REDACTED], 2019. Postmarks and proposals submitted by facsimile or email will not be accepted.

Proposals shall be delivered in person or mailed to:

**City of Morro Bay
Attention: City Clerk
595 Harbor Street
Morro Bay, CA 93442**

Submittal envelopes shall be clearly marked “MB-2019-HRFP1.” No fax or email proposals will be accepted.

- 2. Acknowledgement Form.** Each proposing party must review, complete, and sign the attached Acknowledgement Form and include it with the Proposal(s).
- 3. Deposit Check.** A \$5,000 Deposit check or bank draft payable to the City of Morro Bay must be included with each Proposal. Deposit disposition shall be in accordance with Section IV, B.

All Proposers must submit four copies of the following information:

A. Proposer Information

- 1. Identification.** Name of Proposer and type of entity. Also, provide known members of development team such as architect, engineer, landscape architect, major equity investors, consultants, including project organizational and management roles in implementation of development.
- 2. Experience.** Provide a brief description of the Proposer’s and key team members’ recent development experience. That experience should include projects in which the Proposer was instrumental, and which are similar to the kind of project or similar project being proposed. Please be specific and indicate references for each project.
- 3. Financial and Business Data.** Provide information indicating:
 - a. How the Proposer has sufficient financial resources to undertake the project, including a statement of proof of financial capability to plan and construct the proposed project.
 - b. Bank references where appropriate. The latter may be in the form of letters of financial approval from bank or financing institutions.
 - c. A minimum of three credit references.

- d. Financing for prior or current development projects.
- e. A current Credit Report, including Credit Score.
- f. If the Proposer is involved in any litigation or other disputes that could affect its ability to fulfill the terms of a commercial lease.
- g. Any other documents or reports that would assist in determining the financial condition of the Proposer.
- h. The length of time and locations at which the Proposer has operated like or other operations or businesses.
- i. Contact information for three business references.
- j. A current or most recent Landlord reference, if applicable.

The City will independently investigate the financial background of proposing parties as agreed to in the required Acknowledgment Form.

B. Business Plan and Pro Forma(s)

The Proposal(s) shall include a business plan and ten-year pro forma for the entire development to include, but not be limited to, design, planning, permitting, construction, operation and maintenance, and stabilization. A description of the Proposal's financing as it pertains to the pro forma shall also be included. The Proposal(s) should include an estimate of the total value of the project. The pro forma(s) must reflect all income and expense line items necessary to the proper functioning of the operation, including, but not limited to, ground lease payments, with sufficient detail and clarity, for the Proposal(s) to be properly evaluated by the City.

C. Proposal Narrative(s)

- 1. **Narrative.** Written narrative(s) must be included in the Proposal(s) describing the redevelopment of the Site(s), the type of development(s) envisioned and their market orientation, which best implement the elements of the Site(s).
- 2. **Design.** The narrative(s) should include the basic design elements, especially as they pertain to the City's design criteria, and all current planning conditions and zoning standards.

D. Proposal Visuals

ALL DRAWINGS SHALL BE 24" X 36" BLACKLINE PRINTS WITH A HORIZONTAL LAYOUT. FOUR SETS ARE REQUIRED.

EACH 24" X 36" DRAWING SHALL ALSO BE PROVIDED IN 8 ½" X 11" BLACK AND WHITE REDUCTIONS WHICH CAN BE PHOTO-COPIED.

- 1. **Site Plan.** Site Plan illustrating at an appropriate scale the outline of all improvements, including any proposed public improvements. Tabulations in square

and linear footage of the following shall be shown on the Site Plan:

- a. Improvement footprints and lengths of slips, docks etc.
 - b. Parking designated as standard, compact, handicap and loading spaces, if applicable.
2. **Colored Site Plan Rendering.** A rendering utilizing the above-mentioned Site Plan shall be provided. The Site Plan rendering is intended to provide a colored overall view of the entire project.
 3. **Adjacent Land.** Proposals must include plans, elevations and other depictions for any supporting facilities or improvements proposed on the adjacent private property abutting the Site(s), if applicable.

NOTE: Each Plan will be considered “pre-Conceptual” and will be subject to adjustment and City approval once a proposal has been selected and the details of the project are finalized through the planning, permitting, and negotiation processes.

E. Terms of Lease

The proposal(s) must include an accurate estimate of the total cost of redevelopment, and a set of draft business terms and conditions the Proposer would be willing to negotiate in a short-term Interim Lease(s) and subsequent long-term Master (ground) Lease(s).

F. Schedule

Include a preliminary time schedule including any proposed phasing of redevelopment. The schedule(s) should include any financial scheduling, amortization, etc.

G. Ownership of Materials

All drawings, plan documents, proposals and other materials submitted by the Proposer shall become the permanent property of the City.

SECTION VI: TENTATIVE PROPOSAL SCHEDULE

ACTIVITY/Key Steps	DATE
Issue Request for Proposals	Friday, xx, 2019
Recommended Pre-Proposal Meeting and Site Walk-Through	Friday, xx, 2019
Questions Due by	Friday, xx, 2019
Responses to Questions Posted by	Friday, xx, 2019
Proposals Due by	Friday, xx, 2019
Proposals Evaluated	xx, 2019
Consent of Landowner Approval Granted Winning Proposer (estimated)	xx, 2019
Winning Proposer Submits Complete Plans to Begin Concept Plan Approval Process (estimated)	xx, 2019
Concept Plans Approved, Lease Negotiation (estimated)	xx, 2019
New Lease Approved and Inaugurated (estimated)	xx, 2019
Site Redevelopment Begins (estimated)	xx 2019/2020

SECTION VII: ATTACHMENTS

Attachment 1: Acknowledgement Form

Attachment 2: Proposer Information

Attachment 3: Lease Site Maps

THANK YOU FOR YOUR INTEREST IN WORKING WITH THE CITY OF MORRO BAY
ON THIS EXCITING OPPORTUNITY.

WE LOOK FORWARD TO RECEIVING YOUR PROPOSAL.

ATTACHMENT 1

**ACKNOWLEDGEMENT FORM REQUEST FOR PROPOSALS
DEVELOPMENT OF LEASE SITES 34W AND/OR 35W-36W
PROJECT MB-2019-HRFP1**

Initial Below

1. _____ I have reviewed all of the information in this Request for Proposals, and all additions, changes and answer provided on the City's website and agree to all of the terms and conditions outlined therein.
2. _____ I understand each proposing party must review the City's General Plan, Local Coastal Program, and any and all planning and permitting elements as they pertain to this lease site.
3. _____ Any new lease with the City must be in the City's approved Master Lease format and should comply with the City's Harbor Department Lease Management Policy.
4. _____ I have reviewed the City's Master Lease format and Harbor Department Lease Management Policy and agree the lease policy and basic lease format is acceptable for any future lease negotiations.
5. _____ I agree the City of Morro Bay may take all steps necessary to investigate any financial information provided in response to this Request for Proposals. The City has my permission and consent to investigate such information however it deems appropriate.
6. _____ Enclosed is a check or bank counter draft in the amount of \$5,000 made out to the City of Morro Bay as a Deposit and an indication of good faith interest for consideration in this Request for Proposals.
7. _____ I agree that check will be handled as outlined in this Request for Proposals including that the check may be retained by the City as a processing fee under certain conditions.
8. _____ The parties signing below are all the parties in interest in our proposal to the City in response to this Request for Proposals, and, if part of a partnership or other entity, affirm that they have the authority to enter into this Request for Proposals.

Printed Name

Signature

Date

Printed Name

Signature

Date

ATTACHMENT 2

**PROPOSER INFORMATION
REQUEST FOR PROPOSALS
DEVELOPMENT OF LEASE SITES 34W AND/OR 35W-36W
PROJECT MB-2019-HRFP1**

Include the personal information for all persons or entities submitting this proposal. If a partnership, include partnership information:

Name _____

Address _____

Phone(s) _____ (home) _____ (work)
_____ (cell)

Email _____

Name _____

Address _____

Phone(s) _____ (home) _____ (work)
_____ (cell)

Email _____

Name _____

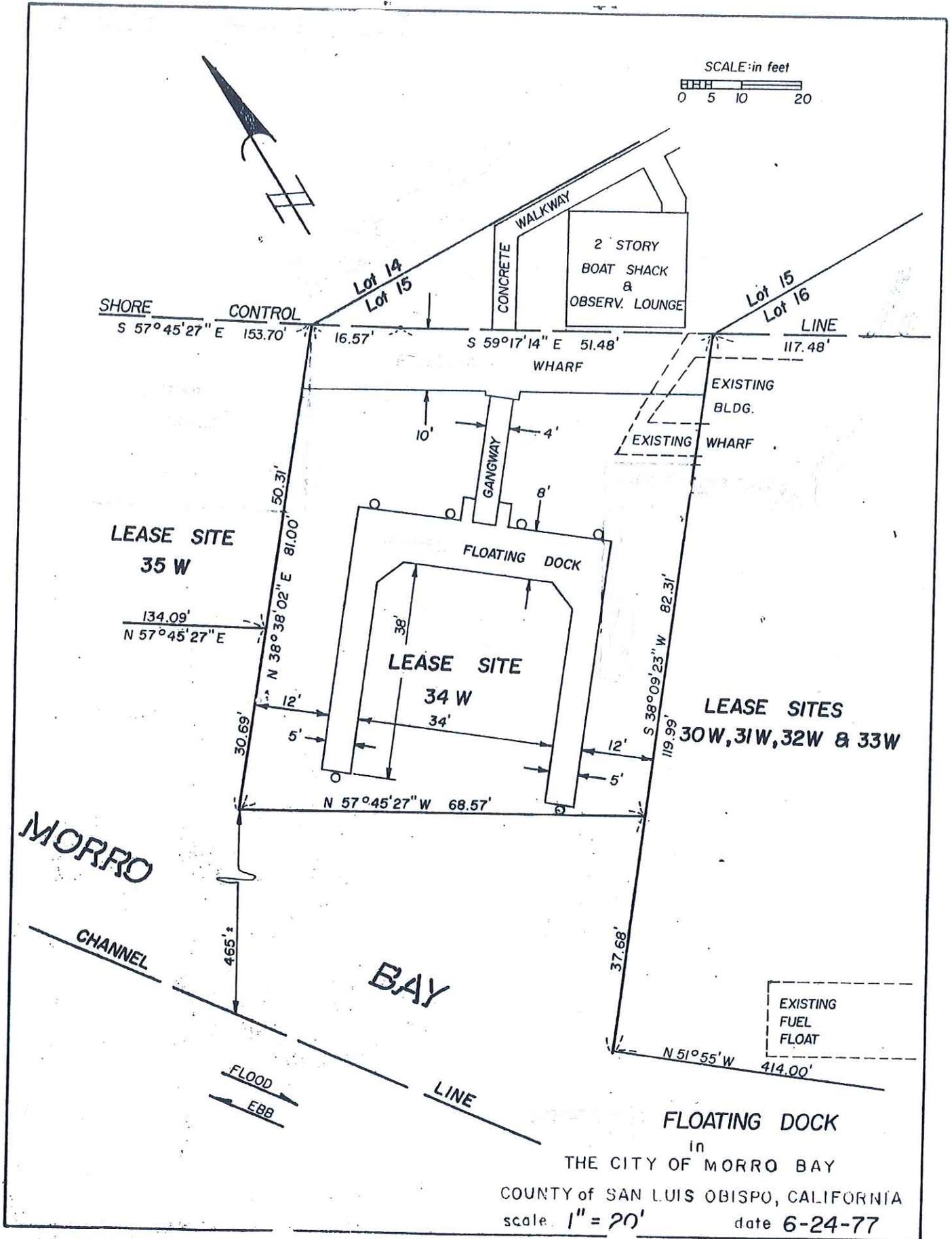
Address _____

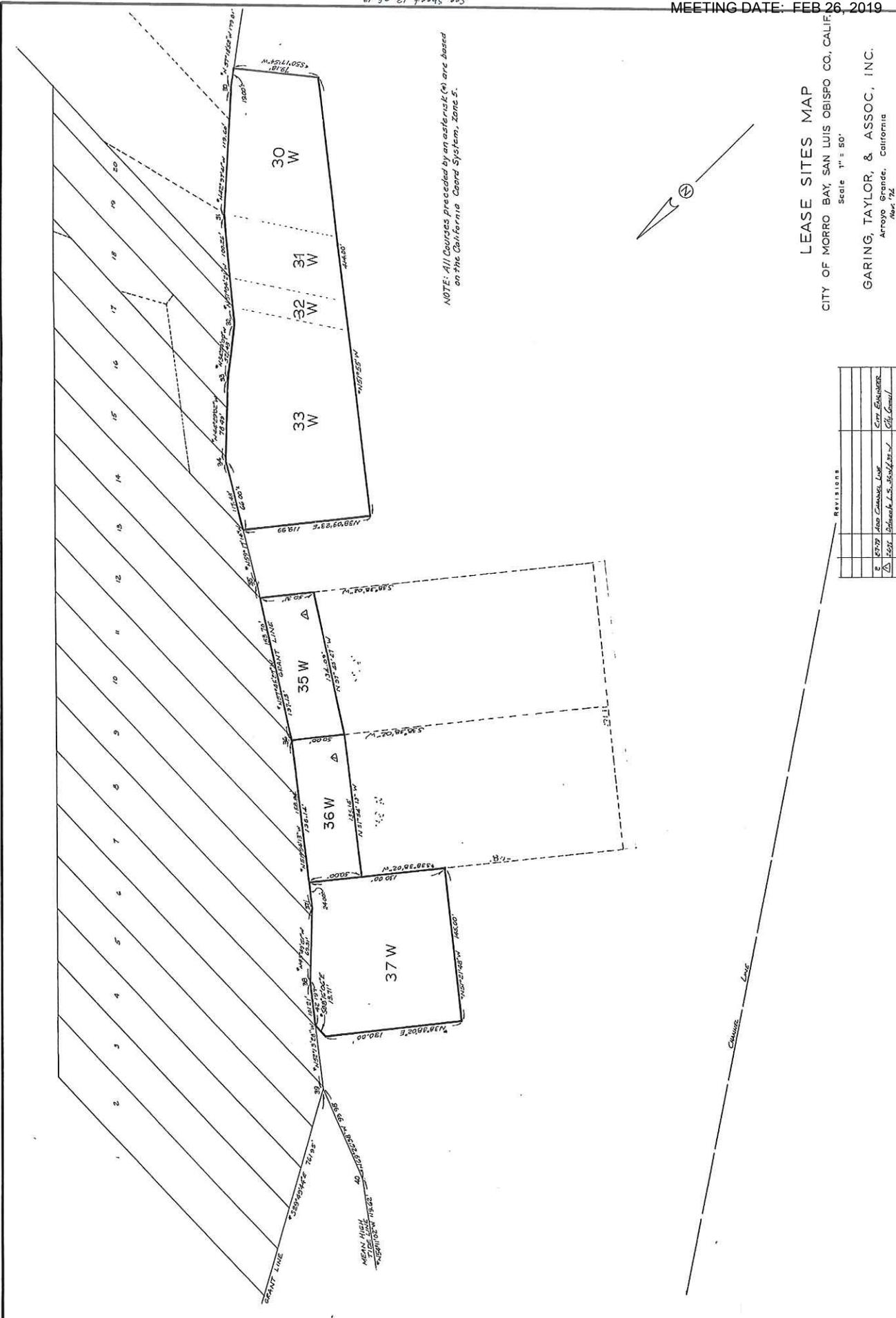
Phone(s) _____ (home) _____ (work)
_____ (cell)

Email _____

ATTACHMENT 3

LEASE SITE MAP
(follows)





LEASE SITES MAP

CITY OF MORRO BAY, SAN LUIS OBISPO CO., CALIF.

Scale 1" = 50'

GARING, TAYLOR, & ASSOC., INC.

Arroyo Grande, California
Nov. 92

REVISIONS			
No.	Date	Description	Authority
1	05-29	Issue Contract, LMP	City Engineer
2	05-21	Reference L.S. 50422, 2017	City Council