



# CITY OF MORRO BAY CITY COUNCIL AGENDA

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

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## **Regular Meeting – Tuesday, March 12, 2019 Veterans Memorial Hall - 5:30 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 - None

### **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 JANUARY 22, 2019, CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE FEBRUARY 13, 2019, CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-3 ADOPTION OF RESOLUTION NO. 16-19 APPROVING A 1-YEAR LEASE AGREEMENT WITH THE MORRO BAY SKATEBOARD MUSEUM, INC. FOR PROPERTY LOCATED AT 781 MARKET STREET; (COMMUNITY DEVELOPMENT)

**RECOMMENDATION: Council adopt Resolution No. 16-19.**

A-4 APPROVE NEW CONSULTANT AGREEMENT AND AMENDMENT NEEDED TO SUPPORT THE WATER RECLAMATION FACILITY PROJECT; (PUBLIC WORKS)

**RECOMMENDATION: City Council approve the following and authorize the City Manager to execute the requisite contract documents:**

- 1. New agreement with Environmental Science Associates, Inc. (ESA) for completion of an addendum to the WRF Final Environmental Impact Report (FEIR) in the amount of \$30,666; and**
- 2. Amendment to an existing agreement with Kestrel Consulting, Inc. (Kestrel) for preparation of two new grant applications in support of the WRF program in the amount of \$74,420.**

A-5 RESOLUTION NO. 17-19 OPPOSING PROPOSAL TO PIPE AND TRUCK OFFSHORE OIL THROUGH SAN LUIS OBISPO COUNTY AND NEIGHBORING COUNTIES; (CITY MANAGER)

**RECOMMENDATION: City Council adopt Resolution No. 17-19, opposing the proposal before Santa Barbara County to truck and pipe offshore oil through Santa Barbara, San Luis Obispo and Kern County, and authorize the Mayor to send a letter outlining the City's position on the matter to Santa Barbara County and other government agencies considering the proposal.**

A-6 APPROVAL OF MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE CITY OF MORRO BAY, THROUGH THE MORRO BAY POLICE DEPARTMENT (MBPD), AND THE SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT (SLCUSD) FOR THE POSITION OF SCHOOL RESOURCE OFFICER (SRO); (POLICE/FINANCE)

**RECOMMENDATION: City Council approve the MOU agreement between the City of Morro Bay through the Morro Bay Police Department (MBPD) and the SLCUSD to provide a full-time dedicated sworn School Resource Officer (SRO) to the District for coverage of the Morro Bay High School and Del Mar Elementary (ongoing personnel costs to be paid by SLCUSD and equipment costs to be paid by Morro Bay) and authorize Police Chief Cox to execute the agreement on the City's behalf.**

- A-7 ADOPT RESOLUTION NO. 18-19 APPROVING THE PARCEL MAP MBAL 17-0139 (787 MAIN ST. & 280 MORRO BAY BLVD) AND ABANDONMENT OF PORTIONS (FOR ONLY PARCEL 1) OF THE MAIN STREET AND MORRO BAY BOULEVARD RIGHTS-OF-WAY, WITH A REVISED DELINEATION ON PARCEL MAP MBAL 17-0139 TO NOT INCLUDE THE ABANDONMENT TO PARCELS 2 AND 3; (PUBLIC WORKS)

**RECOMMENDATION:** City Council adopt Resolution No. 18-19 approving Parcel Map MBAL 17-0139, and the partial right-of-way abandonment (vacation) of both a 2-foot wide strip along the westerly side of Main Street as well as a 1-foot wide strip along the southernly side of Morro Bay Boulevard for only Parcel 1, with a revised delineation to not include the abandonment to Parcels 2 and 3.

B. PUBLIC HEARINGS - None.

C. BUSINESS ITEMS

- C-1 INTRODUCE, DISCUSS AND PROVIDE DIRECTION ON THE NEW MORRO BAY AQUARIUM MARKET AND ECONOMIC FEASIBILITY STUDY COMPLETED BY CONSULTECON, INC. FOR THE CENTRAL COAST AQUARIUM, AND DISCUSS AND PROVIDE DIRECTION ON THE FUTURE OF LEASE SITE 69-70/69W-70W, LOCATED AT 595 EMBARCADERO AND SITE OF THE OLD MORRO BAY AQUARIUM; (HARBOR)

**RECOMMENDATION:** Council receive this report and provide direction on both the New Morro Bay Aquarium Market and Economic Feasibility Study for the Central Coast Aquarium, as well as the future of Lease Site 69-70/69W-70W (located at 595 Embarcadero and site of the Old Morro Bay Aquarium), as each are discussed in the “conclusion” section, and any other desired input on the elements herein.

- C-2 CONSIDERATION TO AUTHORIZE THE SUBMITTAL OF GRANT APPLICATION TO SAN LUIS OBISPO COUNTY CONTINUUM OF CARE FOR A HOMELESS EMERGENCY AID PROGRAM GRANT IN THE AMOUNT OF \$285,300, WITH POTENTIAL ONE TIME COST OF \$34,700 TO CITY, AND POTENTIAL ANNUAL COST TO CITY OF UP TO \$20,000, IF GRANT IS AWARDED; (CITY MANAGER)

**RECOMMENDATION:** City Council authorize staff to complete and submit an application to San Luis Obispo County Continuum of Care (SLO CoC) for a Homeless Emergency Aid Program (HEAP) grant in the approximate amount of \$285,300 to support needed renovations to the Veteran’s Hall and provide programming funds in support of a temporary warming shelter during the winter months in Morro Bay, and provide direction as appropriate.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

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

PRESENT:	John Headding Dawn Addis Robert Davis Jeff Heller Marlys McPherson	Mayor Council Member Council Member Council Member Council Member
STAFF:	Scott Collins Chris Neumeyer Dana Swanson Jennifer Callaway Rob Livick Scot Graham Jody Cox Matt Vierra Eric Endersby	City Manager City Attorney City Clerk Finance Director Public Works Director Community Development Director Police Chief Fire Marshal Harbor Director

#### ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:00 p.m., with all members present.

#### MOMENT OF SILENCE

#### PLEDGE OF ALLEGIANCE

RECOGNITION - None

CLOSED SESSION REPORT – City Attorney Neumeyer stated no reportable action was taken was taken by the City Council in accordance with the Brown Act.

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

<https://youtu.be/Uc3EHGyTTIM?t=100>

#### CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS - None

PRESENTATIONS – None

#### PUBLIC COMMENT

<https://youtu.be/Uc3EHGyTTIM?t=1008>

Jen Ford, Morro Bay, spoke to Items C-1, C-3 and C-4. She encouraged the Council to stay on course with the water reclamation facility, change regular meeting start times to 5:30 and to write a letter of support to end the Federal Government partial shutdown.

Glenn Silloway, Morro Bay resident and Chair of Morro Bay Open Space Alliance, thanked Castle Wind LLC for its matching grant up to \$25,000 for preservation of Cerrito Peak / Eagle Rock. Donations received from January 1 – June 30, 2019 will be doubled by Castle Wind. For more information go to [www.mbopenspace.org](http://www.mbopenspace.org).

Kate Angeuin, Morro Bay, asked the City to adopt an ordinance banning the use of gas-powered leaf blowers and requested the Surf Street staircase be replaced.

Dan Sedley, Morro Bay, felt it was important to note the Proposition 218 verification conducted by staff was an informal count.

John Weiss, Morro Bay resident and business owner, asked the City to commit to keeping one lane open on Quintana Road during business hours when installing sewer project pipes.

Richard Sadowski, Morro Bay, expressed concern about Item C-1 and asked that the Council table the matter for further public review.

Cynthia Hawley suggested Item C-1 was improperly noticed and expressed concern about the proposed consolidated development permit process.

Carolyn Brinkman, Morro Bay, agreed with Ms. Hawley's comments regarding Item C-1 and spoke in support of Items A-7 and C-3.

Marla Jo Sadowski, Morro Bay, asked whether Marshal Ochylski, the attorney representing Tri-W Enterprises Inc., would recuse himself from participating on annexation discussions when the item is brought to LAFCO.

Todd Gailey spoke regarding his termination as a City employee and asked to be reinstated.

Bob Eisenberg, Morro Bay, expressed his support for Mr. Gailey.

Heather O'Conner, Morro Bay, asked the City to reinstate Mr. Gailey.

Michael and Christine Williams stated their support for Mr. Gailey and asked that he be reinstated.

Brandon Apply stated his support for Mr. Gailey.

The Public Comment period was closed.

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

A. CONSENT AGENDA  
<https://youtu.be/Uc3EHGyTTIM?t=4344>

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

A-1 APPROVAL OF MINUTES FOR THE DECEMBER 11, 2018 SPECIAL CITY COUNCIL MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE DECEMBER 11, 2018 CITY COUNCIL MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-3 APPROVAL OF MINUTES FOR THE JANUARY 7, 2019 CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-4 SECOND READING AND ADOPTION OF ORDINANCE NO. 619 RENAMING AND AMENDING CHAPTER 8.08 OF THE MORRO BAY MUNICIPAL CODE RELATING TO THE EMERGENCY SERVICES ORGANIZATION; (FIRE)

**RECOMMENDATION: City Council waive reading of Ordinance No. 619 in its entirety and adopt Ordinance No. 619, “An Ordinance of the City Council of the City of Morro Bay, California, Renaming Chapter 8.08 of Title 8 of the Morro Bay Municipal Code as “Emergency Services Organization,” and Amending Chapter 8.08, to Provide Consistency with a Revised City of Morro Bay Emergency Management Plan.”**

- A-5 MEMORANDUM OF UNDERSTANDING WITH THE CITY OF SAN LUIS OBISPO FOR SHARING POLICY BOARD, OPERATIONS BOARD, AND COMMUNITY ADVISORY COMMITTEE SEATS ON MONTEREY BAY COMMUNITY POWER; (CITY MANAGER)

**RECOMMENDATION: Council:**

- 1. Approve the draft Memorandum of Understanding (MOU) with the City of Morro Bay for sharing Policy Board, Operations Board, and Community Advisory Committee seats on Monterey Bay Community Power (Attachment A); and**
- 2. Authorize the City Manager to execute the MOU in a form subject to approval of the City Attorney’ s Office.**

- A-6 ADOPTION OF RESOLUTION NO. 06-19 AUTHORIZING SUBMISSION OF RURAL TRANSIT FUND GRANT APPLICATIONS; (PUBLIC WORKS)

**RECOMMENDATION: City Council adopt Resolution No. 06-19.**

- A-7 APPOINTMENT OF COUNCIL LIAISON ASSIGNMENTS AND COUNCIL SUB-COMMITTEES; (CITY CLERK)

**RECOMMENDATION: Approve Council Liaison Assignments and Sub-Committees for calendar year 2019 as shown on the attached appointment list.**

- A-8 ADOPTION OF RESOLUTION NO. 07-19 REAFFIRMING THE CITY’S PLEDGE TO FOLLOW BEST PRACTICES OF CIVILITY AND CIVIL DISCOURSE AND REVIEW OF REVISED PUBLIC COMMENT GUIDELINES; (CITY CLERK)

**RECOMMENDATION: Council adopt Resolution No. 07-19 concerning Civil Discourse Policy, review and approve the revised Public Comment Guidelines provided on the City Council agenda, and direct staff to both post the Civil Discourse policy at entrance to Council meetings, and post revised public comment guidelines online.**

Mayor Headding opened public comment for the Consent Agenda.

Dan Sedley, Morro Bay, spoke in support of Item A-7, thanking the Mayor and Council for submitting a more balanced list of assignments. Regarding Item A-8, he requested the proposed agenda language be re-worded to apply to all persons present, not just the public.

The public comment period was closed.

Mayor Headding pulled Item A-8. Council Member Addis pulled Item A-7.

**MOTION:** Council Member McPherson moved the Council approve Items A-1 through A-6 on the Consent Agenda. The motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

A-7 APPOINTMENT OF COUNCIL LIAISON ASSIGNMENTS AND COUNCIL SUB-COMMITTEES; (CITY CLERK)  
<https://youtu.be/Uc3EHGyTTIM?t=4660>

Council Member Addis asked for clarification on the role of a Council liaison to an advisory body.

MOTION: Council Member McPherson moved for approval of Item A-7. The motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

A-8 ADOPTION OF RESOLUTION NO. 07-19 REAFFIRMING THE CITY'S PLEDGE TO FOLLOW BEST PRACTICES OF CIVILITY AND CIVIL DISCOURSE AND REVIEW OF REVISED PUBLIC COMMENT GUIDELINES; (CITY CLERK)  
<https://youtu.be/Uc3EHGyTTIM?t=4812>

The Council discussed concerns raised during public comment. Council Member Davis suggested adding a bullet point on the proposed agenda language that states, "The Council in turn agrees to abide by its best practices of civility and civil discourse and according to Resolution No. 07-19."

Mayor Headding re-opened Public Comment.

Marla Jo Sadowski, Morro Bay, suggested the proposed agenda language went too far and would impede First Amendment rights.

Cynthia Hawley, Morro Bay, asked the language be read into the record so it is clear to the audience what action is being taken.

Dan Sedley, Morro Bay, suggested using language from the Civil Discourse Policy on the agenda, rather than what was suggested which set a restrictive tone.

The Council agreed with language suggested by Council Member Davis and to replace "shall" with "should" in third bullet point of the agenda language (2<sup>nd</sup> bullet point on page 36 of the agenda packet).

MOTION: Mayor Headding moved to approve the Public Comment language on the agenda with the following changes, replace "shall" with "should" on the second bullet point on page 36 of the agenda packet and a new bullet point that states, "The Council in turn agrees to abide by its best practices of civility and civil discourse and according to Resolution No. 07-19." The motion was seconded by Council Member McPherson.

Council Member Heller objected to the agenda language as currently drafted, stating it was too long.

The motion carried 4-1 by roll call vote with Council Member Heller opposed.

MOTION: Council Member McPherson moved the Council approve Resolution No. 07-19. The motion was seconded by Council Member Davis and carried 4-1 with Council Member Heller opposed.

MOTION: Council Member McPherson moved the Council direct staff to post Resolution No. 07-19 on the City website and at entrance of building. The motion was seconded by Council Member Davis and carried 4-1 with Council Member Heller opposed.

The council took a brief recess at 7:41 p.m. The meeting reconvened at 7:53 p.m. with all Council Members present.

B. PUBLIC HEARINGS - None

C. BUSINESS ITEMS

C-1 MONTHLY REVIEW OF THE STATUS OF AND ACTIONS REGARDING THE WATER RECLAMATION PROGRAM INCLUDING:

1. UPDATE ON THE WRF DESIGN/BUILD PROCESS,
2. ADOPTION OF RESOLUTION NO. 08-19 AUTHORIZING THE ANNEXATION AND SPHERE OF INFLUENCE CHANGE APPLICATION FOR THE SOUTH BAY BOULEVARD SITE,
3. DIRECTION REGARDING A CONSOLIDATED COASTAL DEVELOPMENT PERMIT, AND
4. UPDATE REGARDING THE CONVEYANCE FACILITIES PROJECT CONVEYANCE FACILITIES AND PROGRAM; (PUBLIC WORKS)

<https://youtu.be/UwDIAZy0ZZ4?t=1>

WRF Program Manager, Eric Casares, provided the status update, information regarding LAFCO recommendations, and pursuit of a consolidated California Coastal Commission (CCC) permit. Mike Fisher, Water Works Engineers, presented information regarding the conveyance facilities and programs.

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

Dan Sedley, Morro Bay resident and member of Citizens for Affordable Living, suggested Item C-1 be tabled and re-noticed with each subject listed individually, and that the City's MOU with Tri-W be included with the staff report so that appropriate public comment can be made.

Cynthia Hawley raised several issues regarding flow capacity, timeline for submission of an application to the CCC, validity of the MOU regarding purchase of the South Bay Blvd. site, feasibility of the recycling component of the project, and whether a single or double pipeline was included in the EIR and cost estimates.

Linda Donnelly, Morro Bay, suggested the plant be located on the Hanson site, questioned timing of the permit process and expressed concern about future development of 400 acres proposed to be in the City's sphere of influence.

Nancy Bast, Morro Bay, expressed concern regarding the MOU with Tri-W and the proposed consolidated permit process.

Marla Jo Sadowski, Morro Bay, requested a public hearing regarding the MOU.

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

The Council asked staff to evaluate statements made regarding status of the MOU with Tri-W Enterprises and bring back any concerns to the Council.

Following discussion, a majority of the Council agreed it was in the best interest of the City and rate payers to adopt Resolution No. 08-19 authorizing the annexation and sphere of influence change application for the South Bay Blvd site and move forward with a consolidated Coastal Development permit process through the CCC.

Council Member Heller had concerns regarding the sphere of influence language in the MOU and pursuit of a consolidated permit process.

MOTION: Council Member McPherson moved the Council adopt Resolution No. 08-19 authorizing the annexation and sphere of influence change application for the South Bay Boulevard site. The motion was seconded by Council Member Davis and carried 4-1 by roll call vote with Council Member Heller opposed.

MOTION: Council Member McPherson moved the Council direct staff to pursue a consolidated Coastal Development permit. The motion was seconded by Council Member Davis and carried 4-1 by roll call vote with Council Member Heller opposed.

There was Council consensus to have information brought back regarding pipeline conveyance alternatives at the next meeting.

The Council took a brief recess at 10:07 p.m. The meeting reconvened at 10:15 p.m. with all Council Members present.

C-2 ADOPTION OF RESOLUTION NO. 09-19 APPROVING THE CITY OF MORRO BAY'S LONG-TERM FINANCIAL PLANNING, STRUCTURALLY BALANCED BUDGET AND OPERATING BUDGET POLICIES; (FINANCE)  
<https://youtu.be/UwDIAZy0ZZ4?t=1>

Finance Director Callaway presented the report and responded to Council inquiries.

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

MOTION: Council Member Davis moved for adoption of Resolution No. 09-19 approving the City of Morro Bay's Long-term Financial Planning, Structurally Balanced Budget and Operating Budget Policies. The motion was seconded by Council Member Heller and carried 5-0 by roll call vote.

C-3 DISCUSS, AND CONSIDER CHANGING, CITY COUNCIL REGULAR MEETING START AND END TIME; CONSIDERATION OF RESOLUTION NO. 10-19 AMENDING THE CITY COUNCIL POLICIES & PROCEDURES TO CHANGE CITY COUNCIL REGULAR MEETING START AND END TIME; (ADMINISTRATION)  
<https://youtu.be/UwDIAZy0ZZ4?t=8689>

City Manager Collins introduced the item for Council discussion.

MOTION: Council Member Addis moved the Council move the start and end time of regular times and amend City Council Policies and Procedures Manual, Chapter One "Meeting Guidelines & Procedures," section 1.1.2.1 and 1.1.2.3, changing the City Council regular meetings start time from 6:00 p.m. to 5:30 p.m., and changing the regular City Council meeting span from 6:00 p.m. to 11:00 p.m., to new span of 5:30 p.m. to 10:30 p.m., and adoption of Resolution No. 10-19. The motion was seconded by Council Member Davis.

The Council considered the importance of participation during General Public Comment and need to inform residents prior to implementing such a change. Following discussion, the Council agreed the earlier meeting time would begin in March. City Attorney Neumeyer suggested the following edits to accomplish that:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay does hereby amend *as of March 1, 2019*, the following sections of the City Council Policies and Procedures Manual to read as follows:

PASSED AND ADOPTED BY THE City Council, City of Morro Bay at a regular meeting held on the 22<sup>nd</sup> day of January 2019 by the following vote, *to be effective with the March 12, 2019, meeting date*.

AMENDED MOTION: Council Member Addis moved to amend the Resolution the change take effect March 12, 2019. The amended motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

C-4 LETTER TO FEDERAL GOVERNMENT REPRESENTATIVES REQUESTING AN END TO THE FEDERAL GOVERNMENT PARTIAL SHUTDOWN; (CITY MANAGER)  
<https://youtu.be/UwDIAZy0ZZ4?t=8689>

City Manager Collins provided a brief report and responded to Council inquiries.

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

The Council clarified this is a non-partisan request to reopen the government and resolve your issues by parliamentary debate and not use government shut down as bargaining chip.

MOTION: Council Member Davis moved the Council authorize the Mayor to send a letter to the White House and Morro Bay Congressional representatives on behalf of the City and community requesting that Congress and the White House restore funding as soon as possible to end the partial Federal Government shutdown. The motion was seconded by Council Member Addis and carried 5-0 by roll call vote.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS  
<https://youtu.be/UwDIAZy0ZZ4?t=8689>

Council Member Heller sought consensus to direct staff to work on a proposal to improve community engagement and provide outreach/engagement options for Council review. There was full support for this item.

E. ADJOURNMENT  
The meeting adjourned at 10:52 p.m.

Recorded by:

Dana Swanson  
City Clerk

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PRESENT:	John Headding Dawn Addis Robert Davis Jeff Heller Marlys McPherson	Mayor Council Member Council Member Council Member Council Member
STAFF:	Jennifer Callaway Chris Neumeyer Dana Swanson Rob Livick Scot Graham Matt Vierra Jody Cox Eric Endersby Sandy Martin Eric Casares	Finance Director/Acting City Manager City Attorney City Clerk Public Works Director Community Development Director Fire Marshal Police Chief Harbor Director Budget/Accounting Manager WRF Program Manager, Carollo Engineering
STAFF ABSENT:	Scott Collins	City Manager

#### ESTABLISH QUORUM AND CALL TO ORDER

Mayor Headding called the meeting to order at 6:00 p.m., with all members present.

#### MOMENT OF SILENCE

#### PLEDGE OF ALLEGIANCE

RECOGNITION – None

CLOSED SESSION REPORT – City Attorney Neumeyer stated no reportable action was taken by the City Council in accordance with the Brown Act.

#### MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

[https://youtu.be/a\\_icyjFrJOW?t=94](https://youtu.be/a_icyjFrJOW?t=94)

#### CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

[https://youtu.be/a\\_icyjFrJOW?t=1205](https://youtu.be/a_icyjFrJOW?t=1205)

PRESENTATIONS – Erica Crawford, Morro Bay Chamber of Commerce, provided an update regarding the Saturday Farmers' Market which was recently discontinued.

[https://youtu.be/a\\_icyjFrJOW?t=1316](https://youtu.be/a_icyjFrJOW?t=1316)

#### PUBLIC COMMENT

[https://youtu.be/a\\_icyjFrJOW?t=1943](https://youtu.be/a_icyjFrJOW?t=1943)

Ginger DeNunzio, Sandprints Photography located at 870 Main Street, provided the business spot. Sandprints is celebrating 10 years in Morro Bay and specializes in family portraits with a majority of work done on location.

Diane Cogdal, Morro Bay, asked the City Council to replace the Surf Street staircase and improve the appearance of the Front Street parking lot.

Rigmor, Morro Bay, was dissatisfied with the removal of the Surf Street staircase and new fencing placed there.

Dawn Beattie, Morro Bay, spoke in support of Council Member Addis for her statements against gender-based harassment and agreed it was important to speak out against such behavior.

Jen Ford, Morro Bay, is an advocate for civil liberties including freedom of speech but draws the line at hate speech. She supported Council Member Addis and asked that City staff take all levels of harassment seriously.

John Weiss, Morro Bay resident and business owner, urged the Council to find a pipeline route that would have a lesser impact on Quintana businesses.

Malcolm, Morro Bay, spoke in support of medical and recreational cannabis use and urged the City to take a position against the oil pipeline.

David Nelson, Morro Bay, provided comments on the proposed water reclamation facility project.

Teddy Lovett, Morro Bay, spoke in support of Council Member Addis and thanked her for speaking out against gender-based harassment.

Linda Merrill, Morro Bay, agreed with those who spoke against gender-based harassment, encouraged the Council to move forward with the WRF project, and requested the Council review facility use fees to make it affordable for a community theater group.

Susan Stewart, Morro Bay resident and business owner, hoped the Chamber will find a new manager for the Saturday Farmers' Market. She understood safety concerns regarding the Surf Street staircase and noted the Morro Bay Historical Society will bring forward a proposed historical preservation ordinance.

Erica Crawford, Morro Bay Chamber of Commerce, announced several upcoming events and workshops.

Marcus Jackson, Morro Bay, thanked the Council for their service to the community and for daylighting comments directed to Council Member Addis.

Mayor Heading closed public comment.

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

A. CONSENT AGENDA  
[https://youtu.be/a\\_jcyjFrJOw?t=4355](https://youtu.be/a_jcyjFrJOw?t=4355)

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 JANUARY 8, 2019 CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE JANUARY 22, 2019 CITY COUNCIL SPECIAL  
CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-3 APPROVAL OF MINUTES FOR THE JANUARY 24, 2019 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-4 RECEIVE AND FILE CITY RESPONSE TO BETTY WINHOLTZ REGARDING ALLEGED BROWN ACT VIOLATION, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY ATTORNEY)

**RECOMMENDATION: Receive and file.**

A-5 RESOLUTION NO. 11-19 APPROVING ADJUSTMENT TO LEASE SITE MAPS FOR LEASE SITES 113W, 122W AND 123W; (LEASE HOLDERS: R. FOWLER AND T. LEAGE); (PUBLIC WORKS)

**RECOMMENDATION: City Council approve the adjustment to Lease Sites 113W, 122W and 123W by adopting Resolution No. 11-19.**

A-6 ADOPTION OF RESOLUTION NO. 13-19 UPDATING THE CITY'S CONFLICT OF INTEREST CODE; (CITY CLERK)

**RECOMMENDATION: City Council update the City's Conflict of Interest Code by adopting the proposed Resolution No. 13-19.**

MOTION: Council Member McPherson moved for approval of all items on the Consent Agenda. The motion was seconded by Council Member Davis.

The public comment period for the Consent Agenda was opened.

Nancy Bast, Morro Bay, spoke regarding Item A-4, expressing concerns water/sewer funds might be used for efforts not exclusively for the water reclamation facility. She opposed the City paying for Carollo's travel expenses to Washington D.C.

The public comment period was closed.

Mayor Headding pulled Item A-4.

A-4 RECEIVE AND FILE CITY RESPONSE TO BETTY WINHOLTZ REGARDING ALLEGED BROWN ACT VIOLATION, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY ATTORNEY)  
[https://youtu.be/a\\_jcviFrJOW?t=4355](https://youtu.be/a_jcviFrJOW?t=4355)

City Attorney Neumeyer summarized points from the City's response to allegations of Brown Act violations submitted by Ms. Winholtz. Finance Director Callaway clarified the funding sources for those traveling to Washington D.C. for C-MANC and WRF project meetings.

Council Member McPherson withdrew her motion and Council Member Davis withdrew his second.

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

MOTION: Council Member McPherson moved for approval of the rest of the Consent agenda. The motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

B. PUBLIC HEARINGS - None

C. BUSINESS ITEMS

C-1 APPROVAL OF WATER RECLAMATION FACILITY PROJECT CONVEYANCE PIPELINE ALIGNMENT AND PUMP STATION STRATEGY; (PUBLIC WORKS)  
[https://youtu.be/a\\_icyjFrJOW?t=4355](https://youtu.be/a_icyjFrJOW?t=4355)

WRF Program Manager Casares presented the report and, along with Public Works Director Livick, responded to Council inquiries.

Council Member Heller stated for the record his opposition to the project as currently planned and asked staff to clarify \$9.4 million contingency currently built into the project.

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

Barry Branin, Morro Bay, opposed the conveyance pipeline alignment along Quintana Road and suggested the project not move forward.

Dan Sedley, Morro Bay, requested the Council not take action on this item until the following questions were studied and resolved: location of existing piping below Quintana Street, potential impacts on Quintana businesses, impacts of a proposed lift station next to Lemos, and public participation during the consolidated permitting process.

Dale Kinder, Morro Bay property owner, encouraged work on Quintana to be done at night and to provide daily updates and information regarding road closures on AM/FM radio.

David Nelson, Morro Bay, read a letter submitted by Betty Winholtz listing several concerns about the proposed project and suggested funds be used to fix existing pipes.

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

MOTION: Council Member Heller moved the Council approve the west alignment piping for the WRF project contingent upon two things: 1) creation of a conceptual level traffic control plan to be part of the conceptual package that's to be delivered in March, and 2) earmark \$4 Million of the \$9.4 Million reserves to provide financial assistance to businesses along the piping route and to rectify sales tax losses to the City. The motion died for lack of a second.

MOTION: Council Member McPherson moved the Council approve staff's recommendation to proceed with the west conveyance pipeline alignment and use of the dual pump station option for the Water Reclamation Facility project. The motion was seconded by Council Member Addis.

Council Member Heller stated the City should be more responsive to needs of business community or acknowledge its own losses of sales tax revenue for a year or more and could not support the motion on the table.

The majority of Council expressed its concern about potential business impacts and the importance of minimizing and mitigating those impacts to the greatest extent possible. The importance of a written traffic plan and effective communication/outreach to businesses and schools (including Los Osos Middle School) was stressed with a single point of contact to address concerns during construction.

The motion carried 4-1 by roll call vote with Council Member Heller opposed.

Council took a brief recess at 8:38 p.m. The meeting reconvened at 8:48 p.m. with all members present.

C-2 PRESENTATION AND DISCUSSION OF THE FISCAL YEAR 2017/18 COMPREHENSIVE ANNUAL FINANCIAL REPORT; (FINANCE)  
[https://youtu.be/a\\_jcyjFrJOW?t=9429](https://youtu.be/a_jcyjFrJOW?t=9429)

Finance Director Callaway introduced Sandy Martin, Budget/Accounting Manager, and Kenneth Pun of The Pun Group, who presented the report.

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

No formal action was taken by the City Council.

C-3 DISCUSS AND PROVIDE DIRECTION ON RATE SETTING (COLLECTION, PENALTY AND INTEREST) FOR MORRO BAY COMMERCIAL CANNABIS TAX IN VOTER-APPROVED CHAPTER 3.70 (CANNABIS TAX) OF TITLE 3 OF THE MORRO BAY MUNICIPAL CODE; (CITY ATTORNEY)  
[https://youtu.be/a\\_jcyjFrJOW?t=12307](https://youtu.be/a_jcyjFrJOW?t=12307)

City Attorney Neumeyer provided the report and responded to Council inquiries.

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

Sean Donahoe, SLO Retail Group LLC, spoke in favor of the staff recommendation.

Nick Andre, Natural Healing Center, spoke in support of the staff recommendation.

The public comment period for Item C-3 was closed.

There was Council support to bring back a resolution establishing cannabis tax rates recommended by the Council sub-committee, as follows:

1. Commercial cannabis operations tax set at 5% of proceeds
2. Penalty rate for late payment of taxes set at 25%
3. Interest rate for late payment of taxes set at 10% and affirm monthly on principle of unpaid tax.

C-4 ADOPT RESOLUTION NO. 12-19 ESTABLISHING THE CITY OF MORRO BAY COMMUNITY GRANTS POLICY; (FINANCE)  
[https://youtu.be/a\\_jcyjFrJOW?t=13704](https://youtu.be/a_jcyjFrJOW?t=13704)

Finance Director Callaway provided the report and responded to Council inquiries.

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

MOTION: Council Member McPherson moved the Council send the proposed Community Grants Policy back to staff to make needed changes and then bring back to Council at subsequent meeting. The motion was seconded by Mayor Heading.

The Council requested the following items be changed or clarified:

- Must have a clear purpose statement.
- Establish criteria that is similar in terms of background information needed, what they do, and community benefit.
- Establish a process for holding the recipient accountable at the end – reporting back how funds were spent and how those activities benefit Morro Bay.
- The application and reporting mechanism should be simplified to fit smaller organizations with an application process that could also be used for TBID grants.
- Determine how the process will be advertised to community groups.

The Council agreed it was not necessary to approve the policy prior to the FY 19/20 budget process and that a placeholder could be established with allocations done at a later date.

The motion carried 5-0 by roll call vote.

MOTION: Council Member McPherson moved establishing the following purpose statement for the Community Grants Program, “It is discretionary money allocated to the City Council for making monetary grants to community non-profit organizations that provide a direct benefit to the city and/or provide social services to City of Morro Bay residents.” The motion was seconded by Council Member Davis.

AMENDED MOTION: Council Member Addis requested the motion be amended to remove the word “social.” Council Member McPherson accepted the friendly amendment. The amended motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

There was Council consensus the TBID Grant Policy should have the same reporting requirements.

C-5 HARBOR DEPARTMENT LEASE MANAGEMENT POLICY UPDATE; (HARBOR)  
[https://youtu.be/a\\_icyjFrJOW?t=13704](https://youtu.be/a_icyjFrJOW?t=13704)

Harbor Director Endersby provided the report and responded to Council inquiries.

The public comment period for Item C-5 was opened; seeing none, the public comment period was closed.

Council feedback included the following comments:

- Item 6.C. Fair Market Rent is too prescriptive and should not be delineated by commercial, non-profits and government.
- Section 6.O. Financial Partnership Criteria and Financing - provide detail that encompasses some pro forma analysis.
- Consider establishing standards for lease extension (term) compared to work being done, taking public benefit amenities into consideration.
- Explore possibility of having a professional lease manager, rather than Harbor Department manage leases.

No formal action was taken by the City Council.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS  
[https://youtu.be/a\\_icyjFrJOW?t=13704](https://youtu.be/a_icyjFrJOW?t=13704)

Council Member Davis requested discussion of Barbara Spagnola’s recommendations for advisory board procedures for possible incorporation into the handbook, including establishing

clear expectations, appointment for specific terms, leaving positions vacant if applicants are not qualified, and considering appointment of alternates to limit need for recruitments when a member resigns. There was full Council support for this item.

Council Member Addis asked the Council to agendize a resolution opposing the Plains All American Pipeline project that requires trucking oil across Santa Barbara, San Luis Obispo and Kern County. There was full support to bring this item to the next meeting.

Mayor Headding requested review and tightening of the City's smoking ordinances in light of the recent report by the American Lung Association. There was full Council support for this item.

E. ADJOURNMENT

The meeting adjourned at 10:45 p.m.

Recorded by:

Dana Swanson  
City Clerk

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AGENDA NO: A-3

MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** February 27, 2019

**FROM:** Scot Graham, Community Development Director

**SUBJECT:** Adoption of Resolution No. 16-19 Approving a 1-Year Lease Agreement with The Morro Bay Skateboard Museum, Inc. for property located at 781 Market Street

## RECOMMENDATION

Council adopt Resolution No. 16-19, approving a 1-year Lease Agreement for the City owned property located at 781 Market Street (APN: 066-321-027).

## ALTERNATIVES

The City Council could choose not to approve the lease agreement and direct staff to either alter the agreement in a manner agreed upon by a majority of Council or the Council may choose to not lease the space to The Morro Bay Skateboard Museum, Inc.

## FISCAL IMPACT

With approval of the contract the City would receive \$1,000.00 per month rent for ten months of the twelve-month term of the lease, for a total of \$10,000.00.

## BACKGROUND

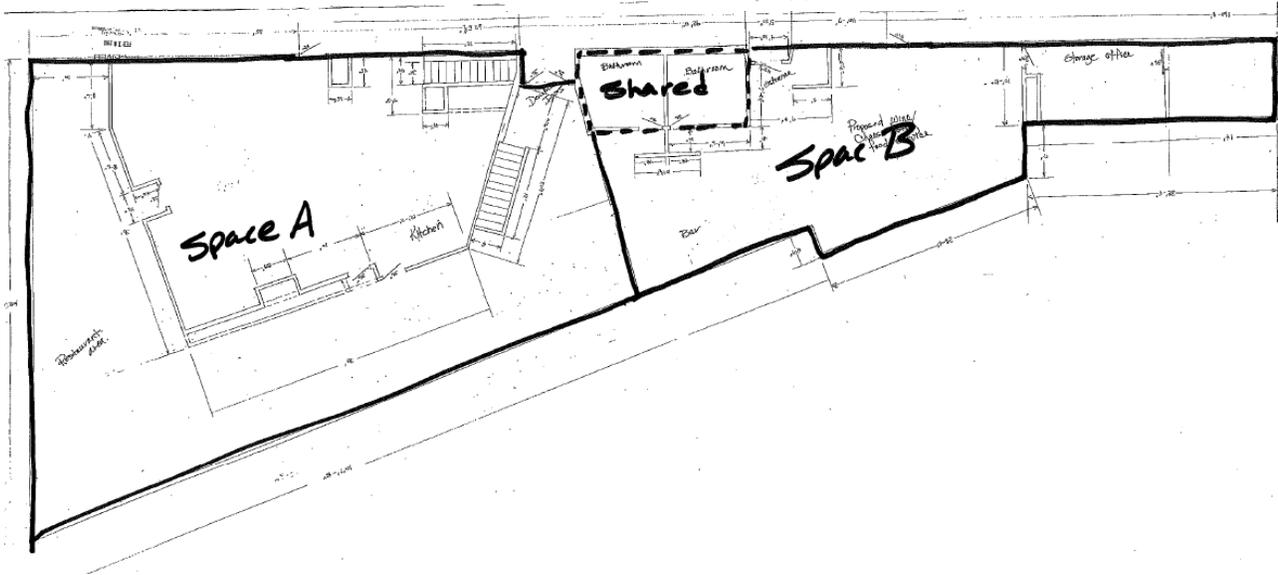
The 781 Market Street property is owned by the City and formerly housed DiStasio's Restaurant and wine bar. The DiStasio's lease terminated on February 15, 2018 leaving the building vacant. On June 26, 2018 the Council approved a lease agreement with Ciano Real Estate to lease a portion of the upstairs area of the existing building (Space A) for a period of one year. As Council is aware, the City is actively marketing the subject property for redevelopment along with the City owned parking lot below the 781 Market building and the City owned temporary parking lot at the corner of Market and Pacific.

The process to identify a qualified party to purchase/lease and redevelop the property is underway and is likely to take 2 – 3 years for purchase and permitting. Given the 2 – 3 year timeline, it makes sense for the City to pursue lease of the building on a limited term basis. Leasing the property generates income for the City, while also making sure the property is maintained and occupied avoiding maintenance and nuisance issues that are often experienced with vacant properties.

The building has two floors, but given the lower floor is inaccessible from an Americans with Disabilities Act (ADA) standpoint (no elevator or ramp), staff does not propose to lease the lower floor. The upper floor contains Ciano Real Estate (Space A) and the former wine bar area (Space B) with shared bathroom facilities. The upper floor totals approximately 5,220 square feet with approximately 1,413 square feet allocated to the former wine bar area and 3,807 square feet

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

allocated to Ciano Real Estate, including bathroom and unused kitchen area. See Figure below depicting upper floor building layout.



**DISCUSSION**

Staff has been approached by Jack Smith, of The Morro Bay Skateboard Museum, to lease the former wine bar area (Space B) for use as a Skateboard Museum. The current lease for the Skateboard Museum terminates on March 1, 2019 and the Museum is unable to continue at the 699 Embarcadero location due to the high cost of rent, currently \$2,081.00 per month. The Museum is looking for a space that is more economically viable/sustainable moving forward.

Mr. Smith has provided a cost estimate for tenant improvements for Space B that total approximately \$3,300.00. Tenant improvements include addition of an interior door to the bathroom area, demolition of existing cabinetry, repair/replacement of flooring, framing of interior partition walls, and some electrical and plumbing work. Mr. Smith anticipates tenant improvements taking approximately 2 months and has requested that he not be required to pay rent for the first two months. The lease agreement provided as attachment 2 to the staff report reflects a requirement for lease payments to commence starting in the third month of tenancy.

**CONCLUSION**

The Morro Bay Skateboard Museum desires to enter into a 1-year lease agreement with the City of Morro Bay for lease of Space B in the existing City owned 781 Market Building. Having tenants occupy the building while the City pursues sale/lease and redevelopment of the property will serve to generate income for the City and will ensure the property is maintained and not left to deteriorate while the City pursues redevelopment opportunities. Staff therefore recommends Council adopt Resolution No. 16-19, approving a new 1-year Lease Agreement with the Morro Bay Skateboard Museum for lease of Space B within the 781 Market Street building.

**ATTACHMENTS**

- 1. Resolution No. 16-19
- 2. Morro Bay Skateboard Museum Lease Agreement

**RESOLUTION NO. 16-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING A 1-YEAR LEASE AGREEMENT FOR  
LEASE SPACE B AT 781 MARKET STREET BETWEEN THE CITY OF MORRO BAY  
AND  
THE MORRO BAY SKATEBOARD MUSEUM, INC.**

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

**WHEREAS**, the City of Morro Bay is the lessor of the property at 781 Market Street (APN: 066-321-027), in the City of Morro; and

**WHEREAS**, The Morro Bay Skateboard Museum, Inc. is proposing to operate a Skateboard Museum in Space B (totaling approximately 1,413 square feet) of the 781 Market Street Building; and

**WHEREAS**, the City and lessee have agreed to a new 1-year lease agreement, wherein the City would receive \$1,000.00 per month rent for ten months of the twelve-month term of the lease (for a total of \$10,000.00), for a portion of the building located at 781 Market Street identified as Space B.

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

1. The attached new Lease Agreement for Space B in the 781 Market Street Building Lease is hereby approved.
2. The Mayor is hereby authorized to execute said Lease Agreement.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12<sup>th</sup> day of March 2019 on the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
John Headding, Mayor

ATTEST:

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

**COMMERCIAL LEASE AGREEMENT**

**By and Between**

**CITY OF MORRO BAY,  
a municipal corporation**

**“Landlord”**

**and**

**The Morro Bay Skateboard Museum, Inc.,  
a California corporation**

**“Tenant”**

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**Exhibit A**            Description and Depiction of Premises

## COMMERCIAL LEASE AGREEMENT

THIS COMMERCIAL LEASE AGREEMENT (“**Lease**”) is made effective this 15th day of March, 2019, by and between the CITY OF MORRO BAY, a municipal corporation (“**Landlord**”), and The Morro Bay Skateboard Museum, Inc., a California corporation (“**Tenant**”). Landlord and Tenant are sometimes individually referred to as a “**Party**” and jointly as the “**Parties.**”

### RECITALS:

**A.** Landlord owns, certain real property located in the City of Morro Bay, County of San Luis Obispo, as follows: (i) that certain real property, commonly identified as 781 Market Street, Morro Bay (APN 066-321-027), improved as a commercial building containing two separate lease space areas and shared bathroom facilities identified as “Space A” and “Space B” on the Attached Exhibit A, with adjacent landscape areas.

The portion of the restaurant building identified as Space B, along with shared use of the bathrooms, as described and depicted on the attached Exhibit A, is the subject of this Commercial Lease Agreement, and is also referred to as the “**Premises.**”

**B.** The Premises are located in Landlord’s downtown (“**Downtown Area**”).

**C.** Tenant is a corporation, currently operating a skateboard museum.

**D.** The Parties desire to enter into a written lease agreement and to confirm the rights and obligations of both Parties therein. Pursuant to the terms of this Lease, Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the Premises, for Tenant’s sole exclusive use.

NOW, THEREFORE, in consideration of the above Recitals and the mutual promises of the Parties set forth in this Lease, Landlord and Tenant hereby agree as follows:

### 1. LEASE OF PREMISES; CONDITION OF PREMISES.

**1.1.** **Lease.** Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the Premises (as defined in the Recitals incorporated herein) solely for the uses specified in Section 4.

**1.2.** **Condition of Premises.** Tenant acknowledges it has and shall accept the Premises from Landlord in its “AS IS” condition without representation or warranty. Tenant has inspected the premises and is aware of its condition. Pursuant to California Civil Code Section 1938, Tenant is advised the Premises have not undergone an inspection by a Certified Access Specialist; and, therefore, Landlord is not aware if the Premises comply with the applicable construction-related accessibility standards pursuant to Civil Code Section 55.53.

### 2. EFFECTIVE DATE; TERM.

- 2.1. **Effective Date.** This Lease shall be deemed effective as of March 15, 2019 (“**Effective Date**”). All other Tenant’s rights and obligations under this Lease shall commence as of the Effective Date.
- 2.2. **Term.** The term of this Lease shall commence on the Effective Date for a fixed term of one year, and terminate without notice on March 14, 2020 (“**Term**”), unless otherwise amended by the Parties pursuant to Sections 2.4 and 30.15.
- 2.3. **Right to Terminate.** Tenant shall have the right to terminate this Lease at any time within the Term upon providing Landlord at least sixty days’ written notice to Landlord.
- 2.4. **Exclusive Right to Negotiate Extension.** If Tenant has not been in default of any of its obligations under this Lease during the previous six months of the original Term (as defined in Section 2.2), then Tenant shall have the right (but not the obligation) to enter into a ninety-day period of exclusive negotiation with Landlord to extend this Lease upon mutually acceptable terms (including, but not limited to, rent payments) for an additional period up to one year (“**ENA Right**”). Tenant must exercise the ENA Right by sending a written notice to Landlord specifying its exercise of the ENA Right, which notice must be delivered to Landlord not less than ninety days prior to the expiration of the original Term (“**ENA Notice**”). Within fifteen business days after receipt of the ENA Notice, Tenant and Landlord will meet to begin negotiations for an amendment to this Lease to extend the Term. If prior to the end of the Term the Parties agree to an extension and other modifications, then such terms shall be effective only if this Lease is amended in accordance with Section 30.15. If the Parties do not agree to that amendment, then this Lease shall terminate without further notice at the end of the Term.

### 3. RENT & PERFORMANCE STANDARD.

- 3.1. **Monthly Rent.** Tenant agrees to pay One Thousand Dollars (\$1,000) on a monthly basis, in advance, due no later than the 10<sup>th</sup> day of month for which rent is being paid (“**Rent**”). The first payment shall be due May 10, 2019.
- 3.2. **Performance Standards.** As material consideration for this Lease, Tenant covenants to comply with the following requirement (the “**Performance Standard**”): diligently maintain and repair the Premises, in compliance with Section 7.1 as well as satisfactorily complete the items listed in Subsections 3.2.1 and 3.2.2.
- 3.2.1 On or before \_\_\_\_, 2019:
- Add interior door to bathrooms at a minimum cost of about \$500,
  - Demo existing cabinets at a minimum cost of about \$400,
  - Clean up/restoration of floors, walls and windows at a minimum cost of \$400,
  - Frame interior partition walls at a minimum cost of \$1,500,
  - Complete electrical & Lighting improvements as a minimum cost of \$300 and
  - Complete plumbing improvements at a minimum cost of \$200.

3.2.2 On or before August 31, 2019, provide the City Manager a financial report verifying whether Tenant reached its revenue projections, as provided to the City Council in closed session during negotiations for this Lease.

- 3.3. **Payment of Rent.** All Rent and all other monetary obligations to be paid by Tenant to Landlord shall be in lawful money of the United States of America at the address specified in Section 30.13, or such other address as Landlord shall notify Tenant in writing.
- 3.4. **Late Payment.** Any payment of any sum to be paid by Tenant, not paid within ten days after its due date, shall be subject to a ten percent late charge.
- 3.5. **Security Deposit.** Tenant is not required to provide, and has not provided, a security deposit to Landlord.

#### 4. USES.

##### 4.1. **Authorized Uses; Minimum Program Requirements.**

4.1.1. **Authorized Uses.** Tenant shall use the Premises solely as a skateboard museum. As material consideration for this Lease, Tenant agrees to use the Premises and conduct all its business operations on the Premises under the designation of a skateboard museum, currently named "Morro Bay Skateboard Museum." No other name shall be used with respect to the Premises without the prior written consent of Landlord, which may be granted or withheld in its sole discretion.

##### 4.2. **Prohibited Uses.** Tenant shall not use, or permit the Premises, or any part thereof, to be used for any purpose or purposes other than those express uses specified in Section 4.1.1.

Tenant shall not sell or permit to be displayed, performed, sold, kept, or used in or about the Premises any conduct which may be prohibited by standard forms of fire insurance policies.

Tenant shall not violate any and all requirements, pertaining to the use of the Premises, of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance, covering the buildings within the Premises and appurtenances.

Tenant shall not permit smoking or vaping on any portion of the Premises.

Tenant shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Premises or any adjacent Premises. Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the Premises, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of

creditors, or pursuant to any bankruptcy or other solvency proceeding nor display any “going out of business” or similar sign.

Tenant shall not engage in any activity in, on or about the Premises that violates any Environmental Law, and shall promptly, at Tenant’s sole cost and expense, take all investigatory and/or remedial action required or ordered by any governmental agency or Environmental Law for clean-up and removal of any contamination involving any Hazardous Material created or caused directly or indirectly, by Tenant. The term “Environmental Law” shall mean any federal, state or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environmental conditions on, under or about the Premises, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), 42 U.S.C. Sections 9601, et seq.; (ii) the Resource Conservation and Recovery Act of 1976 (“RCRA”), 42 U.S.C. Sections 6901, et seq.; (iii) California Health and Safety Code Sections 25100, et seq.; (iv) the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5, et seq.; (v) California Health and Safety Code Section 25359.7; (vi) California Health and Safety Code Section 25915; (vii) the Federal Water Pollution Control Act, 33 U.S.C. Sections 1317, et seq.; (viii) California Water Code Section 13000, et seq.; and (ix) California Civil Code Section 3479, et seq., as such laws are amended and the regulations and administrative codes applicable thereto. The term “Hazardous Material” includes, without limitation, any material or substance which is (i) defined or listed as a “hazardous waste”, “extremely hazardous waste”, “restrictive hazardous waste”, “or “hazardous substance” or considered a waste, condition of pollution or nuisance under the Environmental Laws; (ii) petroleum or a petroleum product or fraction thereof; (iii) asbestos; and/or (iv) substances known by the State of California to cause cancer and/or reproductive toxicity. It is the intent of the Parties hereto to construe the terms “Hazardous Materials” and “Environmental Laws” in their broadest sense. Tenant shall provide all notices required pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5, et seq. Tenant shall provide prompt written notice to Landlord of the existence of Hazardous Materials on the Premises and all notices of violation of the Environmental Laws received by Tenant. Notwithstanding the foregoing, Tenant is not responsible for the remediation or removal of any Hazardous Materials which Tenant did not directly or indirectly cause to be placed at the Premises.

**4.3. Abandonment.** Tenant shall not vacate or abandon the Premises at any time during the Term of this Lease. Upon termination of this Lease for any reason, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, shall become the property of Landlord.

**5. REAL ESTATE TAXES.** Tenant shall pay any and all real property taxes applicable to Tenant’s possessory interest in the Premises. All such payments shall be made at least ten days prior to the due date of the applicable installment. Tenant shall promptly (at least five days prior to the due date) furnish Landlord with satisfactory evidence such taxes have been paid. If any such taxes to be paid by Tenant shall cover any period of time after the expiration or earlier termination of the Term hereof, then Tenant’s share of such taxes shall

be equitably prorated to cover only the period of time within the tax fiscal year that this Lease is in effect; and Tenant may apply to the County of San Luis Obispo (the “County”) for reimbursement of any overpayments after such proration. Notwithstanding anything above to the contrary, to the extent any assessment is levied against the Premises payable in installments, Tenant shall pay all installments coming due and payable during the Term of this Lease.

Tenant acknowledges, although Landlord is a municipal entity exempt from real property taxes, Tenant’s possessory interest under this Lease may be subject to real property taxation.

Upon request, Landlord agrees to work with Tenant to assist in providing information to the County Tax Assessor to reduce the valuation of Tenant’s possessory interest in the Premises. Landlord provides no assurance to Tenant that it will be successful in such efforts and that Tenant may be required to pay real property taxes.

**6. PERSONAL PROPERTY TAXES.** During the Term, Tenant shall pay prior to delinquency all taxes assessed against the levied upon fixtures, furnishings, equipment and all other personal property owned by Tenant (excluding Landlord’s personal property) located in the Premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from Landlord’s personal property. In the event any or all of Tenant’s fixtures, furnishings, equipment and other personal property shall be assessed and taxed with Premises, Tenant shall pay its share of such taxes within ten days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant’s property.

**7. MAINTENANCE AND REPAIRS.**

**7.1. Maintenance and Repair by Tenant.** Except the specific maintenance obligations of Landlord as set forth in Section 7.2, Tenant shall at all times during the Term, and at Tenant’s sole cost and expense, keep, maintain and repair the Premises in good and sanitary order, condition, and repair. Such maintenance obligations shall include, but not be limited to, any equipment installed by Tenant, furnishings (such as seating, carpeting and drapes, mirrors, and interior repainting) and landscaping.

Tenant shall also hire a cleaning service/custodian, who shall keep the Premises in good and sanitary order on a daily basis.

Tenant shall maintain a written record to evidence the regular performance of maintenance and upkeep of the facility consistent with the maintenance standards.

Upon termination of this Lease, the Premises shall be surrendered in a good, clean and sanitary condition except for reasonable use and wear. Tenant agrees to surrender the Premises in its original condition, together with all additional improvements or alternations, which have been approved by Landlord and installed by Tenant pursuant to Section 8.1. If Landlord wants to reserve the right to require Tenant to remove any such additional improvements upon the expiration or earlier termination of this Lease, then Landlord must reserve such right in its notice of approval. If Tenant is required to remove any improvements from the Premises upon termination of this Lease, then

Tenant shall do so at Tenant's sole cost and expense, and Tenant will repair any damage to the Premises caused by such removal. Tenant shall promptly notify Landlord in writing of any condition in the Premises that require repairs by Landlord ("**Repair Notice**"), which shall be made by Landlord as set forth in Section 7.2.

Tenant acknowledges Tenant's maintenance obligations under this Section are material considerations to Landlord for this Lease and, therefore, this Section 7.1 shall be construed liberally for the protection and preservation of the Premises.

**7.2. Limited Maintenance and Repair by Landlord.** Landlord shall be responsible to maintain in good repair and in compliance with all applicable laws, ordinances and regulations, at Landlord's sole cost and expense, **only** (i) the physical structure of the Premises, such as the structural elements, roof, plumbing, water heating system, electrical systems, HVAC equipment and exterior painting, and (ii) subject to the financial limitations set forth below.

Notwithstanding the foregoing, Landlord shall not be required to make repairs necessitated by reason of (i) the negligence or willful misconduct of Tenant, or any of Tenant's staff, volunteers, students, contractors, invitees, subtenants, patrons or customers, (ii) the failure of Tenant to perform or observe and promptly report to Landlord any conditions the repair of which are Landlord's responsibility or (iii) the failure of Tenant to perform or observe the conditions or agreements in this Lease, or caused by unauthorized alterations, additions or improvements made by Tenant or anyone claiming under Tenant (collectively the "**Tenant Caused Damages**"). Tenant shall be solely responsible, at its sole cost and expense, to repair any Tenant Caused Damages.

Upon receipt of a Repair Notice, Landlord shall have a reasonable period of time (not to exceed five business days) to commence said repairs. Upon commencement of repairs, Landlord shall use reasonable efforts to diligently complete same. Tenant and Landlord shall jointly conduct an annual inspection of the Premises every March to aid Landlord in determining if any repairs by Landlord may be necessary.

Any renovation work performed by Landlord to the Premises shall not unreasonably interfere with Tenant's operations.

Notwithstanding the foregoing, Landlord's repair obligations are **specifically limited** in that Landlord shall not be required to make repairs the cost of which exceeds the Rent actually received by Landlord from Tenant as set forth below. During the Term, Landlord shall maintain a cumulative on-going record of all Rent received by Landlord ("**Landlord Repair Fund**"). Any repairs and maintenance costs incurred by Landlord under this Section 7.2 shall reduce the Landlord Repair Fund. If at any time when a repair or maintenance item, which is Landlord's responsibility under this Section 7.2, then Landlord shall only be obligated to make such repair to the extent the current balance of the Landlord Repair Fund is sufficient to pay the cost of such repair. However, if the repair item is critical for Tenant's operation of the Premises, then Landlord shall promptly make such repair, but the cost of such shall reduce the

Landlord Repair Fund. If Landlord elects, in its sole discretion, to make repairs notwithstanding the foregoing limitations, then such election shall not be deemed a waiver of this limitation with respect to future repairs and the cost of such repairs shall reduce the Landlord Repair Fund.

## 8. ALTERATIONS

**8.1 To Premises.** Tenant shall not make any alterations to the Premises, or any part thereof, without the prior written consent of Landlord. If Tenant wishes to make additional improvements to the Premises, then Tenant shall notify Landlord in writing specifying in reasonable detail the proposed alterations and the cost thereof. Within fifteen days after receiving such notice from Tenant, Landlord shall send written notice to Tenant indicating whether Landlord approves or disapproves of the contemplated improvements. The City Manager may act on behalf of Landlord for approvals or disapprovals under this Section. Landlord's approval shall not be unreasonably withheld and any disapproval shall be in writing and shall explain the reasons for the denial. However, as a condition to granting its approval to any of the improvements, Landlord may require Tenant to provide Landlord with reasonably satisfactory evidence of Tenant's financial ability to pay for the costs of the improvements and may require a completion bond be provided to Landlord or other security reasonably acceptable to Landlord. Any such alterations shall comply with all applicable laws and regulations. All improvements (excluding minor improvements as determined by Landlord) shall be under the supervision of a licensed architect or structural engineer (at Tenant's cost) and made in accordance with plans and specifications approved in writing by Landlord, in its governmental and landlord capacities, prior to the commencement of such work. All work shall be done in a good and workmanlike manner, diligently prosecuted to completion and completed in compliance with Section 12. All such improvements shall immediately be deemed a part of the Premises and may not be removed by Tenant. Prior to commencing any work of improvement hereunder, Tenant shall notify Landlord so that Landlord can post and record an appropriate Notice of Non-Responsibility.

**9. COMPLIANCE WITH LAWS.** Except as to the specific obligations of Landlord under Section 7.2, Tenant shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force or which may hereafter be in force pertaining to the use of the Premises, and shall faithfully observe in said use all municipal ordinances, including, but not limited to, the General Plan and zoning ordinances, state and federal statutes, or other governmental regulations now in force or which shall hereinafter be in force. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such order or statute in said use, shall be conclusive of that fact as between Landlord and Tenant.

## 10. INSURANCE.

**10.1. Landlord to Provide Property Insurance.** Landlord shall maintain, at Landlord's sole cost and expense, fire, and excess coverage insurance throughout the term of this

Lease, on all buildings and improvements located on the Premises (and fixtures thereto), in an amount equal to one hundred percent of the replacement value of the Premises, together with such other insurance, coverages and endorsements as Landlord may determine in its sole discretion. Tenant hereby waives any right of recovery from Landlord, its officers and employees, and Landlord hereby waives any right of loss or damage (including consequential loss) resulting from any of the perils insured against as a result of said insurance.

## **10.2. Tenant's Insurance Obligations.**

**10.2.1. Liability Insurance.** During the entire term of this Lease, Tenant shall, at Tenant's sole cost and expense, for the mutual benefit of Landlord and Tenant, maintain comprehensive general liability insurance insuring against claims for bodily injury, death or property damage occurring in, upon or about the Premises, written on a per occurrence basis in an amount not less than either (i) a combined single limit of Five Million Dollars (\$5,000,000) for bodily injury, death, and property damage or (ii) bodily injury limits of Five Hundred Thousand Dollars (\$500,000) per person, One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) products and completed operations and property damage limits of Two Hundred Fifty Thousand Dollars (\$250,000) per occurrence and One Million Dollars (\$1,000,000) in the aggregate.

**10.2.2. Worker's Compensation Insurance.** Tenant shall, at Tenant's sole cost and expense, maintain a policy of worker's compensation insurance in an amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for both Tenant and Landlord against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of conducting Tenant's business in the Premises.

**10.2.3. Business Automobile Coverage Insurance.** Tenant shall, at Tenant's sole cost and expense, for the mutual benefit of Landlord and Tenant, maintain Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the exact equivalent, with combined single limits of liability not less than One Million Dollars (\$1,000,000) per accident. If Tenant owns no vehicles, then this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Tenant or Tenant's employees will use personal autos in any way for the operation of any business on the Premises, then Tenant shall provide evidence of personal auto liability coverage for each such person.

**10.2.4. General Provisions.** All of the policies of insurance required to be procured by Tenant pursuant to this Section 10.2 shall be primary insurance and pursuant to Subsections 10.2.1 and .3 shall name Landlord,

its employees and agents as additional insureds. All policies shall waive all rights of subrogation and provide that said insurance may not be amended or canceled without providing thirty-days' prior written notice by registered mail to Landlord, unless the cancellation is for non-payment of a premium and then such written notice shall be no less than ten days. Within ten business days after execution of this Lease by the last Party to sign, and at least thirty days prior to the expiration of any insurance policy, Tenant shall provide Landlord with certificates of insurance and full copies of the insurance policies evidencing the mandatory insurance coverages written by insurance companies acceptable to Landlord, licensed to do business in California and rated A:VII or better by Best's Insurance Guide. Landlord may require an increase in the coverage and/or the types of coverage from time to time upon written notice to Tenant. Each of the Parties, on behalf of their respective insurance companies insuring such property of either Landlord or Tenant against such loss, waive any right of subrogation that it may have against the other.

**11. INDEMNIFICATION.** Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its managers, officers, directors, members, employees, agents, contractors, partners and lenders, from and against any and all claims, and/or damages, costs, liens, judgments, penalties, permits, reasonable attorneys' and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Tenant, the conduct of Tenant's business, any act, omission or neglect of Tenant, its officers, directors, members, employees, agents or contractors, and out of any breach by Tenant in the performance in a timely manner of any obligation on Tenant's part to be performed under this Lease, except for matters which are the result of Landlord's gross negligence, intentional wrongful acts, or in default of this Lease. The foregoing shall include, but not be limited to, all costs of the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Landlord) litigated and/or reduced to judgment. In case any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be so indemnified. In addition, Landlord may require Tenant to pay Landlord's reasonable attorneys' fees and costs in defending against or participating in such claim, action or proceeding if Landlord shall decide, in its exercise of reasonable judgment, it is unsatisfied with the representation of its interest by Tenant or its counsel.

Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, earthquake, flood, terrorism, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other source or places except if such injury or damage is the result of the gross negligence or willful misconduct of Landlord or Landlord's employees, contractors or agents.

**12. NO LIENS.** Tenant shall keep the Premises, free from any liens arising out of any work performed, material furnished, or obligation incurred by Tenant or alleged to have been incurred by Tenant. If Tenant shall fail to pay any charge for which a mechanic's lien claim and suit to foreclose the lien have been filed, and shall not have obtained the release of said lien from the property subject to such lien, then Landlord may (but shall not be so required to) pay said claim and any costs, and the amount so paid, together with reasonable attorneys' fees incurred in connection therewith, shall be immediately due and owing from Tenant to Landlord, together with interest at the rate prescribed in Section 30.6, on the amount of the mechanic's lien claim.

**13. SIGNS.** Tenant shall not place or permit to be placed any signs upon the exterior or in the windows of the Premises without Landlord's prior written consent. Any sign installed without such approval shall be immediately removed by Tenant and, if said sign is not removed by Tenant within three days of written notice from Landlord to Tenant, then Landlord may remove and destroy said sign without Tenant's approval and without any liability to Tenant. Tenant shall not modify or alter any of the signs without the prior written approval of the City Manager for Landlord, which approval shall not be unreasonably withheld or delayed. Landlord shall reply to any proposed alteration within fourteen days from submission. Any revision shall comply with the Morro Bay Municipal Code requirements related to signage prior to any revisions actually being made to the signs. Tenant shall maintain the signs in good condition and repair at all times during the entire term at its sole cost and expense.

**14. UTILITIES.**

**14.1. Tenant's Responsibilities.** Tenant shall pay, before delinquency, all charges for water, gas, heat, electricity, power, sewer, telephone service, solid waste collection and all other services and utilities used in, upon, or about the Premises by Tenant or any of its subtenants, licensees, or concessionaires during the entire term of this Lease. Tenant shall pay such fees, assessments or charges as may be levied for the operation, maintenance and service of such facilities and shall comply with reasonable rules and regulations established from time to time for use thereof. Tenant shall insure that trash and debris produced by the activities on Premises do not accumulate on the Premises.

**15. ENTRY AND INSPECTION.** Tenant shall permit Landlord and its employees and agents to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of making repairs, alterations or additions or performing the improvements to any portion of said building(s), including the erection and maintenance of such scaffolding, canopy, and fences as may be required, or for the purpose of posting notices of non-responsibility for alterations, additions or repairs, or for the purpose of placing upon the Premises any usual or ordinary signs for public safety as determined by Landlord. Landlord shall be permitted to do any of the above without any rebate of Rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned. Landlord shall make reasonable efforts to coordinate times for any repairs deemed necessary with Tenant to reduce to the extent practicable any interference with Tenant's use of the Premises. Tenant shall permit Landlord, at any time within ninety days

prior to the expiration of the Term, to place upon the Premises any usual or ordinary “For Lease” or “For Sale” signs, and during such ninety-day period, Landlord or its agents may, during normal business hours, enter upon said Premises and exhibit the same to prospective tenants or purchasers.

## **16. DAMAGE AND DESTRUCTION.**

**16.1. Notice to Landlord.** Tenant shall give prompt notice to Landlord in case of any fire or other damage to the Premises.

**16.2. Partial Casualty to Premises.** If the Premises shall be damaged by any casualty including, but not limited to, civil unrest, vandalism, a fire, flood or earthquake, such that (i) the cost of replacement or repair of the Premises is less than or equal to fifty percent of the total replacement cost thereof; or (ii) the cost of replacement or repair of damage to the Premises, and any structures comprising the Premises, when aggregated together is less than or equal to fifty percent of the total replacement cost thereof, then Landlord shall promptly repair and restore the same to substantially the condition thereof immediately prior to said damage or destruction. If insurance proceeds are forthcoming, then Landlord shall not be obligated to commence the restoration and/or repair until Landlord has received said insurance proceeds. Landlord shall take all reasonable steps necessary so as to obtain such insurance proceeds promptly so as to prevent delay in restoring and/or repairing the Premises to its prior condition.

**16.3. Substantial Damage to Premises.** If the Premises shall be damaged or destroyed by any casualty (or the other matters described above), such that (i) the cost of replacement or repair of the Premises exceeds one-years’ rent; or (ii) the cost of replacement or repair of damage to the Premises, and any of the other structures comprising the Premises, when aggregated together exceeds one-years’ rent total, then Landlord may elect to either replace or repair the damage as aforesaid, cancel this Lease by written notice of cancellation given to Tenant within ninety days after the date of the casualty, or allow Tenant to cause repairs to be made to City standards. This Lease shall cease and terminate twenty days following Tenant’s receipt of Landlord’s cancellation notice; and Tenant shall vacate and surrender the Premises to Landlord in accordance with the terms of this Lease.

**16.4. Reconstruction.** In the event of any reconstruction of the Premises under this Section 16, Landlord shall be obligated to reconstruct the Premises only to the extent of the condition of the Premises prior to the damage.

**16.5. Rent Abatement.** In the event any casualty to the Premises is such that operations are impossible or impractical during the reconstruction as determined by Tenant, Tenant shall be entitled to abatement of the Rent for actual number of business days closed based on a pro-rata ratio of the total days in the month.

**16.6. Termination.** Upon any termination of this Lease under any of the provisions of this Section 16, the Parties shall be released thereby without further obligations to the

other Party coincident with the surrender of possession of the Premises to Landlord, except for obligations which have theretofore accrued and be then unpaid, and except for Tenant's obligations under Section 11.

**16.7. Determination of Percentage of Damage or Destruction.** If either Landlord or Tenant contends the percentage of the damage or destruction referred to above exceeds one-year's rent total and the other Party disagrees, then the determination of the percentage shall be made in writing by a senior officer of the insurance company that is to make insurance proceeds available for replacement or repair. If said insurance company elects not to render such a determination in a timely manner, or no determination is rendered for any other reason, then, in such event, upon fifteen-days' prior written notice to Tenant, then Landlord's determination shall be deemed the agreed upon determination of the damage or destruction.

## **17. ASSIGNMENT AND SUBLETTING.**

**17.1. Assignment and Subletting.** Tenant shall not sublet the Premises or assign this Lease without the prior written consent of Landlord. Landlord shall not unreasonably withhold its consent to an assignment or sublease to a proposed assignee or subtenant. In no event shall Landlord be required to approve of any assignment or sublease, which would result in a violation of any other agreements to which Landlord is a party and/or for which all of the following criteria are not met:

- a. The proposed assignee or subtenant has submitted to Landlord financial statements showing the proposed assignee's or subtenant's financial condition, including net worth and liquidity, is equal to or greater than Tenant's financial condition;
- b. The proposed assignee or subtenant is morally and financially responsible; and
- c. Tenant is not in default in the payment of Rent or the performance of any obligations under this Lease.

Any such assignment shall be subject to all of the terms and conditions of this Lease, including, but not limited to, the use restrictions, and the proposed assignee or subtenant shall assume the obligations of Tenant under this Lease in writing in form satisfactory to Landlord. The proposed assignee or subtenant shall simultaneously provide to Landlord an estoppel certificate in the form described in Section 21. Consent by Landlord to one assignment or subletting shall not be deemed to be consent to any subsequent assignment or subletting. Any assignment or subletting without the prior written consent of Landlord shall be void, shall constitute a material breach of this Lease, and shall, at the option of Landlord, terminate this Lease. Neither this Lease nor any interest therein shall be assignable as to the interest of Tenant by operation of law.

Landlord shall be under no obligation to consider a request for its consent to an assignment or sublease until Tenant shall have submitted in writing to Landlord a

request for Landlord's consent to such assignment or sublease, a history of the proposed assignee's or subtenant's business experience and financial viability and such other information as required by Landlord to verify that the criteria set forth herein are met.

## **18. DEFAULT AND REMEDIES; TERMINATION.**

**18.1. Default by Tenant.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

- (i) Failure to pay any Rent or other monetary payment required hereunder to Landlord within five days after receiving notice from Landlord of Tenant's failure to pay any such obligation when due under this Lease.
- (ii) Failure to perform any provision of this Lease (other than the payment of money), if the failure to perform is not cured within thirty days after receiving written notice of the default from Landlord. If the default cannot be reasonably cured within thirty days, then Tenant shall not be in default of this Lease if Tenant commences to cure the default within the thirty-day period and diligently and in good faith continues to cure the default, but within no more than one hundred eighty days from commencement of the cure.
- (iii) Failure of Tenant to meet or comply with the Performance Standard.
- (iv) Vacation or abandonment of the Premises by Tenant.
- (v) Making a general assignment for the benefit of creditors.
- (vi) Filing of a voluntary petition in bankruptcy or the adjudication of Tenant as a bankrupt.
- (vii) Appointment of a receiver to take possession of all or substantially all the assets of Tenant located at the Premises or of Tenant's leasehold interest in the Premises.
- (viii) Filing by any creditor of Tenant of an involuntary petition in bankruptcy which is not dismissed within sixty days after filing.
- (ix) Attachment, execution or other judicial seizure of all or substantially all of the assets of Tenant or Tenant's leasehold where such an attachment, execution or seizure is not discharged within sixty days.

In the event of any such default or breach by Tenant, Landlord may at any time thereafter, without further notice or demand, rectify or cure such default, and any sums expended by Landlord for such purposes shall be paid by Tenant to Landlord upon demand and as additional Rent hereunder. In the event of any such default or breach by Tenant, Landlord shall have the right to continue the lease in full force and

effect and enforce all of its rights and remedies under this Lease, including the right to recover the Rent as it becomes due under this Lease or Landlord shall have the right at any time thereafter to elect to terminate the Lease and Tenant's right to possession thereunder. Upon such termination, Landlord shall have the right to recover from Tenant:

(a) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided; and

(c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such Rent loss that Tenant proves could be reasonably avoided.

The "worth at the time of award" of the amounts referred to in subparagraphs (a), b), and (c) above shall be computed by allowing interest (or by discounting in the case of subparagraph (c)) at three percent over the prime rate, but in no event greater than the maximum rate permitted by law.

"Rent" shall include all sums payable pursuant to this Lease on a regular basis; including reimbursement of real estate taxes and any similar amounts. The payment shall be computed on the basis of the average monthly amount thereof accruing during any preceding twelve-month period selected by Landlord, except that if it becomes necessary to compute such Rent before such a twelve-month period has occurred, then such Rent shall be computed on the basis of the average monthly amount hereof accruing during such shorter period.

Such efforts as Landlord may make to mitigate the damages caused by Tenant's breach of this Lease shall not constitute a waiver of Landlord's right to recover damages against Tenant hereunder.

Notwithstanding any of the foregoing, the breach of this Lease by Tenant, or an abandonment of the Premises by Tenant, shall not constitute a termination of this Lease, or of Tenant's right of possession hereunder, unless and until Landlord elects to do so, and until such time Landlord shall have the right to enforce all of its rights and remedies under this Lease, including the right to recover rent, and all other payments to be made by Tenant hereunder, as they become due. Failure of Landlord to terminate this Lease shall not prevent Landlord from later terminating this Lease or constitute a waiver of Landlord's right to do so.

**18.2. No Waiver.** Acceptance of any payment under this Lease shall not be deemed a waiver of any default or a waiver of any of Landlord's remedies.

**18.3. Landlord's Default.** Except as may be elsewhere expressly provided in this Lease, Landlord shall not be in default, unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty days after written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty days are required for performance then Landlord shall not be deemed in default if Landlord commences performance within the thirty (30) day period and thereafter diligently prosecutes the same to completion.

**18.4. Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, except Tenant i) cannot seek money damages or pursue an action in law; and ii) is instead limited to bringing a proceeding in the nature of specific performance, injunctive relief or mandamus, or any other action in equity to enforce any applicable provision of this Lease.

**18.5. Termination.**

**18.5.1.** The Parties acknowledge this Lease shall be terminated immediately at the occurrence of any of the following events:

- a. By expiration of the Lease;
- b. By mutual agreement of both Parties; or
- c. In the case of casualty as provided for in Section 16.6.

**18.5.2.** The Parties acknowledge this Lease may be terminated by Landlord upon five-days' written notice if Tenant fails to meet the Performance Standard.

**18.5.3.** Except as set forth in Section 2.3, termination of this Lease shall not extinguish Tenant's obligations to pay Rent or its other obligations including indemnification of Landlord.

**19. SURRENDER OF PREMISES.** The voluntary or other surrender of the Premises by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or licenses, or may, at the option of Landlord, operate as an assignment to it of any or all of such subleases or licenses.

**20. FORCE MAJEURE.** If either Party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations or other cause without fault and beyond the control of the Party obligated (financial inability excepted), then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, however, nothing in this Section 20 shall excuse Tenant from the prompt payment of any Rent.

**21. ESTOPPEL CERTIFICATE.** Tenant shall, at any time and from time to time upon not less than twenty-days' prior notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying this Lease is unmodified and is in full force and effect, and the dates to which the Rent has been paid, and stating whether or not to the best knowledge Landlord is in default under this Lease, and, if in default, specifying in reasonable detail each such default, and such other matters as Landlord may reasonably request, it being intended that any such statement delivered by Tenant may be relied upon by Landlord or any prospective purchaser of the fee or any prospective mortgagee or encumbrancer thereof.

If Landlord desires to refinance or transfer the Premises, then Tenant agrees to deliver to Landlord or any lender or transferee designated by Landlord such financial information concerning Tenant as may be reasonably required by such lender or transferee and is reasonably available to Tenant. All such financial information shall be received by Landlord in confidence.

**22. SUBORDINATION.** The rights of Tenant shall be and are subject and subordinate at all times to the lien of any mortgage now or hereafter in force against the Premises, and Tenant shall promptly execute and deliver such further instruments subordinating this Lease to the lien of any such mortgage as shall be requested by Landlord.

**23. CONDEMNATION.** In the event a condemnation or transfer in lieu thereof results in a taking of any substantial and/or material portion of the Premises, Landlord or Tenant may, upon written notice given to the other Party within thirty days after such taking or transfer in lieu thereof, terminate this Lease. In connection therewith, Landlord and Tenant acknowledge that:

- a. Landlord (acting as the City of Morro Bay) possesses the power to take the Premises through eminent domain proceedings; and
- b. The business to be conducted by Tenant upon the Premises is not a viable business without financial assistance from Landlord, therefore if Tenant must vacate the Premises, it will be extremely impractical, if not impossible, for Tenant to operate its business elsewhere.

Therefore, upon such termination Tenant shall have the right to claim and recover from Landlord and/or the condemning authority only the amount equal to the value of any improvements installed by Tenant. Tenant shall **not** receive any value related to the leasehold value of the property which shall be paid solely to Landlord.

**24. USE OF LANDLORD'S NAME.** Tenant shall not use Landlord's name for advertising or promotion without Landlord's prior written consent, which may be granted or withheld in its sole discretion.

**25. TRADE FIXTURES.** Tenant has the right to use the Landlord's personal property located on the Premises, but Tenant shall, at its own cost and expense, install and equip the Premises with all furniture, fixtures, trade fixtures, equipment and personal property reasonably required for the operation of Tenant's business. Any and all fixtures and appurtenances

installed by Tenant shall conform with the requirements of all applicable laws and regulations. All furniture, equipment, and trade fixtures installed by Tenant shall remain the property of Tenant during the Term of this Lease, but Tenant shall not remove any trade fixtures during the Term hereof without Landlord's prior written consent, which may be provided by the City Manager on behalf of the Landlord, and which consent may be withheld or granted in Landlord's sole discretion. On termination of this Lease, Tenant may, provided Tenant is not in default of this Lease, remove at its own expense all trade fixtures, equipment and its personal property. At termination of this Lease, if Tenant has left any merchandise, furniture, equipment, signs, trade fixtures or other personal property in the Premises, then Landlord may give Tenant written notice to remove such property. In the event such property is not removed within fifteen days after the date of said notice, Landlord may dispose of said property in any manner whatsoever and Tenant hereby waives any claim or right to said property or any proceeds derived from the sale thereof. Any damage to the Premises resulting from the installation or removal of any of said trade fixtures or equipment shall be repaired by Tenant at Tenant's sole cost and expense.

**26. QUIET ENJOYMENT.** As long as Tenant is not in default under this Lease, Tenant shall have quiet enjoyment of the Premises during the Term.

**27. HOLDOVER.** Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. Any holding over after the expiration of the term of this Lease, with the consent of Landlord, express or implied, shall be construed to be a tenancy from month to month, cancelable upon thirty-days' written notice, and at a monthly rent equal to two hundred percent of the rent set forth in Section 3.1 and upon terms and conditions as existed during the last month of the Term.

**28. NOTICE AND WAIVER REGARDING RELOCATION, GOODWILL, PROPERTY INTEREST AND CONDEMNATION**

**28.1.** Tenant knowingly and voluntarily acknowledges and agrees upon its vacation of the Premises at the end of the Lease term, upon the sooner termination thereof for any reason, or vacation, of the Premises under any circumstances, in no event shall Tenant be entitled or shall Landlord, including its employees, agents and assignees, be required to provide any relocation benefits, compensation for loss of goodwill, or assistance under any applicable federal, state, or local laws or regulations including without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 et seq. Further, Tenant being fully informed of any and all of its rights and obligations and all laws and regulations (including without limitation, the Uniform Relocation Assistance Laws, California Government Code Section 7260 et seq.) in connection therewith fully waives, releases and rejects any and all relocation assistance and benefits relating to or in any respect connected with Tenant vacating the Premises.

**28.2.** Tenant knowingly and voluntarily acknowledges and agrees upon its vacation of the Premises at the end of the Term, upon the sooner termination thereof for any reason, or vacation, of the Premises under any other circumstances, in no event shall Tenant be entitled or shall Landlord be required to provide any compensation or

consideration to Tenant for the leasehold interest of Tenant, improvements pertaining to realty, personal property, fixtures and equipment, pre-condemnation damages, severance damages or interest and litigation expenses, whether based on condemnation, inverse condemnation or any other reason. Upon vacation of the Premises or termination of the Lease, Tenant knowingly waives and surrenders any claims or rights to the leasehold interest, improvements pertaining to realty, personal property, fixtures and equipment, pre-condemnation damages, severance damages or interest and litigation expenses.

## 29. MISCELLANEOUS.

- 29.1. Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease shall be initiated in the Superior Court of the State of California for the County.
- 29.2. Partial Invalidity.** If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, then the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereof.
- 29.3. Successors in Interest.** The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the Parties hereto, and each and all, including the Party making the assignment, shall be jointly and severally liable hereunder.
- 29.4. No Oral Agreements.** This Lease covers in full each and every agreement of every kind or nature whatsoever between the Parties hereto concerning this Lease, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein, and there are no oral agreements. Tenant acknowledges no representations or warranties of any kind or nature not specifically set forth herein have been made by Landlord or its employees, agents or representatives.
- 29.5. Interest.** Any sum due to Landlord under this Lease shall bear simple interest from and after its due date at a rate equal to ten percent per month until paid to Landlord, but not in excess of the maximum rate permitted by law.
- 29.6. Authority.** Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant and that this Lease is binding upon Tenant in accordance with its terms.
- 29.7. Time.** Time is of the essence of this Lease.
- 29.8. Consistency.** Each provision herein shall be interpreted so as to be consistent with every other provision.
- 29.9. Relationship of Parties.** The relationship of the Parties is that of Landlord and Tenant, and it is expressly understood and agreed Landlord does not in any way or

for any purpose become a partner of Tenant in the conduct of Tenant's business or otherwise, or a joint venture with Tenant.

**29.10. Non-Discrimination.** Tenant herein covenants by and for Tenant, Tenant's successors, heirs, executors, administrators and assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, sexual preference or identity or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises, nor shall the Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, Tenants, subtenants, subtenants or vendees of the Premises.

**29.11. Non-Collusion.** No official, officer, or employee of Landlord has any financial interest, direct or indirect, in this Lease, nor shall any official, officer, or employee of Landlord participate in any decision relating to this Agreement which may affect his/her financial interest or the financial interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any State or municipal statute or regulation. The determination of "financial interest" shall be consistent with State law and shall not include interest found to be "remote" or non interest pursuant to California Government Code Sections 1091 and 1091.5. Tenant represents and warrants that (i) it has not paid or given, and will not pay or give, to any third party including, but not limited to, Tenant or any of its officials, officers, or employees, any money, consideration, or other thing of value as a result or consequence of obtaining this Lease; and (ii) it has not engaged in any act(s), omission(s), or other conduct or collusion that would result in the payment of any money, consideration, or other thing of value to any third party including, but not limited to, any official, officer, or employee of Landlord, as a result or consequence of obtaining this Lease. Tenant is aware of and understands that any such act(s), omission(s) or other conduct resulting in the payment of money, consideration, or other thing of value will render this Lease void and of no force or effect.

**29.12. Notices.** Wherever in this Lease it shall be required or permitted that notice and demand be given or served by either Party to this Lease to or on the other, such notice or demand shall be given or served in writing and shall not be deemed to have been duly given or served unless in writing, and personally served or forwarded by certified mail, postage prepaid, addressed as specified below. Either Party may change the address set forth below by written notice by certified mail to the other. Any notice or demand given by certified mail shall be effective one (1) day subsequent to mailing.

Landlord: City of Morro Bay  
Attn: City Manager  
595 Harbor Street  
Morro Bay, CA 94585

With a copy to: Aleshire & Wynder, LLP  
Attn: Chris F. Neumeyer, City Attorney  
18881 Von Karman Ave., Suite 1700, Irvine CA  
92612

Tenant: Morro Bay Skateboard Museum, Inc.  
Attn: Jack Smith  
150 Trinidad  
Morro Bay, California 93442

- 29.13. **Not an Offer.** The submission of this Lease and any ancillary documents to Tenant shall not constitute an offer to lease, and Landlord shall have no obligation of any kind, express or implied, to lease the Premises to Tenant until Landlord has approved, executed and returned to Tenant a fully signed copy of this Lease.
- 29.14. **Amendments.** This Lease may be modified or amended only in writing executed by both Parties and approved by Landlord in accordance with applicable law.
- 29.15. **Exhibits.** Exhibit A is attached hereto and incorporated herein by reference.
- 29.16. **Acknowledgement of Content.** Each Party acknowledges they have read and fully understand the contents of this Lease and have had an opportunity to consult with an attorney regarding the same. This Lease represents the entire and integrated agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral.

IN WITNESS WHEREOF, the Parties have duly executed this Lease on the day and year first above written in Morro Bay, California.

**LANDLORD:**

**CITY OF MORRO BAY,**  
a municipal corporation

By: \_\_\_\_\_  
Scott Collins, City Manager

\_\_\_\_\_, 2019

**TENANT:**

**THE MORRO BAY SKATEBOARD  
MUSEUM, INC.,** a California corporation

By: \_\_\_\_\_  
Jack Smith, President of the Board of  
Directors

\_\_\_\_\_, 2019

ATTEST:

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

APPROVED AS TO FORM:  
ALESHIRE & WYNDER, LLP

By: \_\_\_\_\_  
Chris F. Neumeyer, City Attorney

By: \_\_\_\_\_  
Eric Terhorst, Secretary to the Board  
of Directors

Its \_\_\_\_\_

\_\_\_\_\_, 2019

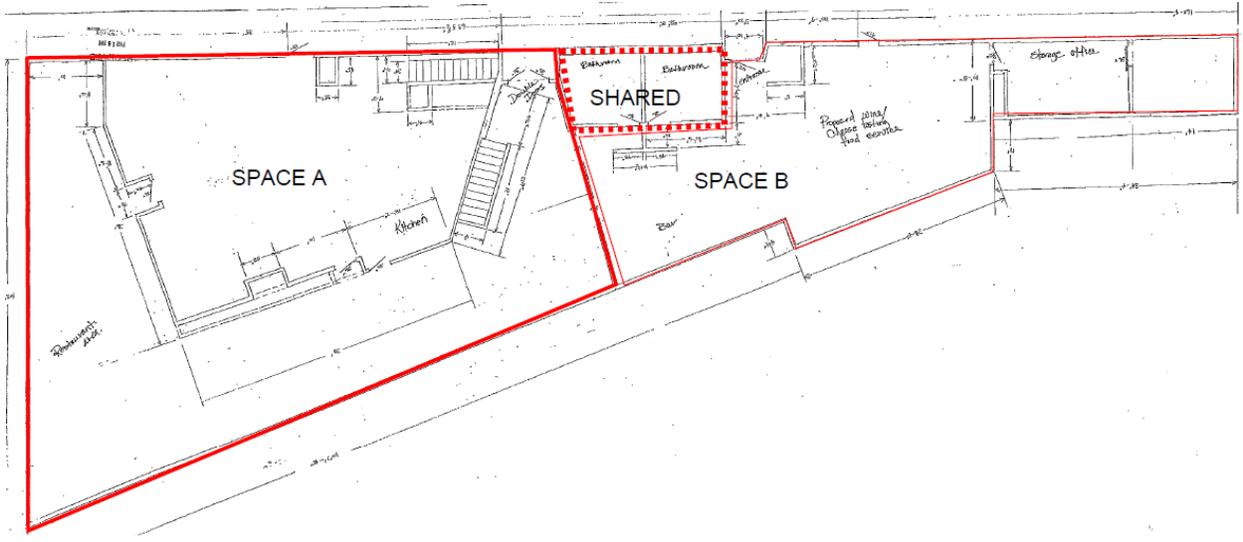
(Attach Notary Acknowledgements for  
Tenant)

# EXHIBIT A

## DESCRIPTION AND DEPICTION OF PREMISES

The Premises consist of Space B and shared use of the bathrooms as depicted on the figure below.

(APN: 066-321-027)





AGENDA NO: A-4

MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** March 5, 2019

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

**SUBJECT:** Approve New Consultant Agreement and Amendment Needed to Support the Water Reclamation Facility Project

## RECOMMENDATION

Staff recommends the City Council approve the following and authorize the City Manager to execute the requisite contract documents:

1. New agreement with Environmental Science Associates, Inc. (ESA) for completion of an addendum to the WRF Final Environmental Impact Report (FEIR) in the amount of \$30,666; and
2. Amendment to an existing agreement with Kestrel Consulting, Inc. (Kestrel) for preparation of two new grant applications in support of the WRF program in the amount of \$74,420.

## ALTERNATIVES

No alternatives are recommended.

## FISCAL IMPACT

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

## BACKGROUND

### *New ESA Agreement*

At the City Council meeting on February 13, 2019, Council approved staff's recommendation to proceed with the West conveyance pipeline alignment and the use of the dual pump station option for the Water Reclamation Facility (WRF) Project. Those recommendations represent several changes to the Conveyance Facilities Project since City Council's certification of the Final Environmental Impact Report (FEIR) including:

- Re-route of the pipeline alignment around Lila Keiser Park;
- Addition of a second pump station near the corner of Main Street and Highway 1;
- Modification of the pipeline near South Bay Boulevard (avoidance of a trenchless crossing of Highway 1); and
- Re-route of the potable reuse pipeline in Atascadero Road to accommodate the east injection location.

Changes to a project of this nature are not uncommon and are usually encountered on a project of the size and complexity of the WRF Project.

Prepared By: EC/RL

Dept Review: RL

City Manager Review: SC

City Attorney Review: JWP

City staff and the Program Manager have been working with ESA to develop a scope that covers the above-described changes to the WRF Project. The changes will be captured in an addendum to the FEIR (Addendum). The new agreement for ESA will include the development of the Addendum. ESA does not anticipate the proposed specifics for the WRF Project will result in any new impacts or require additional mitigations other than as analyzed and established by the FEIR. It is not anticipated the proposed changes will cause impacts to the WRF Project budget or schedule. The total cost for the new agreement would be \$30,666. The total cost for the agreement for the preparation, completion and certification of the FEIR was \$350,000. If additional environmental review services are again needed from ESA, then Amendment No. 3 also authorizes the Public Works Director or City Manager to amend the agreement for up to \$95,616.50 in additional costs.

Since the previous ESA agreement executed on December 1, 2015, expired on December 31, 2018, the City is executing a new agreement with ESA rather than an amendment to the previous agreement. Also, although several years ago the Public Works Director was authorized to execute WRF Project related contracts for up to \$175,000, staff felt because this new agreement is work related to the FEIR agreement it was more appropriate to bring this matter to the Council for approval.

#### *Amendment No. 3 to Previous Kestrel Agreement*

The City executed an agreement with Kestrel effective July 21, 2015, for funding support for the WRF Project and amended it twice to include additional services related to work to garner outside funding for the project. Since that time, Kestrel has been instrumental in the preparation of the applications for both the Environmental Protection Agency's (EPA's) Water Infrastructure Finance and Innovation Act (WIFIA) loan program and the Clean Water State Revolving Fund (CWSRF) low-interest construction loan program. In 2018, the City was selected as one of 12 agencies to submit an application. The City anticipates there will be a signed loan agreement with WIFIA for \$67.8 Million later this year. The City also received a maximum score of 14 points out of 14 points for the CWSRF application submitted at the end of 2018 and will know in early April 2019 whether the WRF Project is on the CWSRF fundable list.

One of the City Council's goals for the WRF Project is "All aspects of the WRF Project shall be completed ensuring economic value with a special emphasis on minimizing rate payer and City expense." As such, City staff continuously looks for funding opportunities to minimize the financial impact of the project to the community. To assist in that effort, staff is recommending an amendment to Kestrel's existing agreement to provide ongoing funding support. Specifically, this amendment will provide for the preparation of two new grant applications for the WRF Project. One of the grants being targeted is the United States Bureau of Reclamation's (USBR's) Title XVI grant. City staff and Kestrel has already completed some required preliminary work (draft crosswalk document) for the Title XVI grant and has been in contact with USBR staff about the upcoming opportunity (via the City of Morro Bay's Washington, D.C. trip). The crosswalk document is a variation of the Draft Master Reclamation Plan that conforms to the specific requirements USBR has for a feasibility study.

While another grant opportunity has not been identified, the amendment will allow the City to pursue an additional grant opportunity when a suitable opportunity has been identified and vetted by City staff. The total cost for the amendment is \$74,420 if another grant opportunity is identified. The total cost for the Kestrel agreement with all three amendments would be \$219,872 (which includes all previous work conducted by Kestrel and new proposed work)..

#### **CONCLUSION**

Staff recommends the City Council approve the new agreement and amendment for ESA and Kestrel, respectively.

**ATTACHMENTS**

Attachment A: ESA New Agreement

Attachment B: Kestrel Amendment No. 3

CITY OF MORRO BAY

AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made, by and between, the City of Morro Bay, a municipal corporation (“City”) and Environmental Science Associates, a California corporation (“Consultant”).

WHEREAS, City and Consultant previously entered into an agreement dated December 1, 2015, for consulting services related to the Water Reclamation facility ("the Project") CEQA/NEPA Compliance Services, which the Council authorized for approval by the City Public Works Director for a not exceed amount of \$350,000.

WHEREAS, Amendment No. 1 was executed for this previous agreement to extend the contract term end date to December 31, 2018.

In consideration of the mutual covenants and conditions set forth herein the parties agree as follows:

1. TERM

This Agreement shall be deemed to have commenced on March 1, 2019, and shall remain and continue in effect until tasks described herein are completed, but in no event later than December 31, 2019, unless sooner terminated pursuant to the provisions of this Agreement.

2. SERVICES

Consultant shall perform Tasks 2a, 2b, 2c, and 3, as described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance, which is set forth on page 4 of Exhibit A.

3. PERFORMANCE

Consultant shall at all times faithfully, competently and to the best of their ability, experience, and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

4. CITY MANAGEMENT

City’s Public Works Director shall represent City in all matters pertaining to the administration of this Agreement, review and approval of all products submitted by Consultant, but not including the authority to enlarge the Tasks to Be Performed or change the compensation due to Consultant. City’s Public Works Director shall be authorized to act on City’s behalf and

to execute all necessary documents which enlarge the Tasks to Be Performed or change Consultant's compensation, subject to Section 5 hereof.

## 5. PAYMENT

(a) City agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit A, attached hereto and incorporated herein by this reference as though set forth in full, and based upon actual time spent on the above tasks. That amount shall not exceed Thirty Thousand Sixty-six Dollars and No Cents (\$30,066.00) for the total term of this Agreement, unless additional payment is approved as provided in this Agreement.

(b) Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement, which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the Public Works Director or City Manager; provided, that the cost for such additional services shall not exceed an aggregate amount of Ninety-five Thousand Sixteen Dollar and Fifty Cents (\$95,016.50), which is 25% of the total amount to be paid pursuant to this Agreement and the previous agreement (\$380,066.00). Subject to the above limitation, Consultant shall be compensated for any additional services in the amounts and in the manner as agreed to by the Public Works Director or City Manager and Consultant at the time City's written authorization is given to Consultant for the performance of said services.

(c) Consultant will submit invoices monthly for actual services performed. Invoices shall be submitted on or about the first business day of each month, or as soon thereafter as practical, for services provided in the previous month. Payment shall be made within thirty (30) days after receipt of each invoice as to all non-disputed fees. If City disputes any of Consultant's fees, then it shall give written notice to Consultant within fifteen (15) days after receipt of an invoice of any disputed fees set forth on the invoice.

## 6. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

(a) City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon Consultant at least ten-days' (10-days') prior written notice. Upon receipt of said notice, Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If City suspends or terminates a portion of this Agreement, then such suspension or termination shall not make void or invalidate the remainder of this Agreement.

(b) In the event this Agreement is terminated pursuant to this Section, City shall pay to Consultant the actual value of the work performed up to the time of termination. Upon termination of this Agreement pursuant to this Section, Consultant will submit an invoice to City pursuant to Section 5.

## 7. DEFAULT OF CONSULTANT

(a) Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event Consultant is in default for cause under the terms of this Agreement, City shall have no obligation or duty to continue compensating Consultant for any work performed after the date Consultant is notified of default and can terminate this Agreement immediately by written notice to Consultant. If such failure by Consultant to make progress in the performance for work hereunder arises out of causes beyond Consultant's control, and without fault or negligence of Consultant, then it shall not be considered a default.

(b) If the City Manager of his/her delegate determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, then he/she shall cause to be served upon Consultant a written notice of the default. Consultant shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that Consultant fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

## 8. OWNERSHIP OF DOCUMENTS

(a) Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by City that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of City or its designees at reasonable times to such books and records; shall give City the right to examine and audit said books and records; shall permit City to make transcripts therefrom as necessary; and shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

(b) Upon completion of, and full payment by City for services performed pursuant to, this Agreement, all final work product such as documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of City and may be used, reused, or otherwise disposed of by City without the permission of Consultant. With respect to computer files, Consultant shall make available to City, as a service in addition to those set forth herein, at Consultant's office and upon reasonable written request by City, the necessary computer software and hardware for purposes of accessing, compiling, transferring, and printing computer files.

9. INDEMNIFICATION

(a) Indemnification for Professional Liability. When the law establishes a professional standard of care for Consultant's Services, to the fullest extent permitted by law, Consultant shall indemnify, protect, defend and hold harmless City and any and all of its officials, employees and agents ("Indemnified Parties") from and against any and all losses, liabilities, damages, costs and expenses, including reasonable attorney's fees and costs to the extent same are caused by any negligent act, error or omission of Consultant, its officers, agents, employees or subconsultants (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of professional services under this agreement. City agrees to hold harmless and indemnify Consultant from and against all claims, liabilities, losses, damages, and costs, including but not limited to reasonable attorney's fees, arising out of or in any way connected with the modification, misinterpretation, misuse or reuse by others of the computer files or any other document provided by Consultant under this Agreement.

(b) Indemnification for Other Than Professional Liability. Other than in the performance of professional services and to the full extent permitted by law, Consultant shall indemnify, defend and hold harmless City, and any and all of its employees, officials and agents from and against any liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, including reasonable attorneys' fees and costs, court costs, interest, defense costs, and expert witness fees), where the same arise out of, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this Agreement by Consultant or by any individual or entity for which Consultant is legally liable, including but not limited to officers, agents, employees or subconsultants of Consultant.

(c) General Indemnification Provisions. Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this section from each and every subconsultant or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this agreement. In the event Consultant fails to obtain such indemnity obligations from others as required here, Consultant agrees to be fully responsible according to the terms of this section. Failure of City to monitor compliance with these requirements imposes no additional obligations on City and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend City as set forth here is binding on the successors, assigns or heirs of Consultant and shall survive the termination of this agreement or this section.

10. INSURANCE

Consultant shall maintain prior to the beginning of and for the duration of this Agreement insurance coverage as specified in Exhibit B attached to and part of this agreement.

11. INDEPENDENT CONSULTANT

(a) Consultant is and shall at all times remain as to City a wholly independent Consultant. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of

its officers, employees, or agents shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of City. Consultant shall not incur or have the power to incur any debt, obligation, or liability whatever against City, or bind City in any manner.

(b) No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in this Agreement, City shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for City. City shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

12. LEGAL RESPONSIBILITIES

Consultant shall keep itself informed of State and Federal laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. Consultant shall at all times observe and comply with applicable legal requirements in effect at the time the drawings and specifications are prepared. City, and its officers and employees, shall not be liable at law or in equity occasioned by failure of Consultant to comply with this Section.

13. UNDUE INFLUENCE

Consultant declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of City in connection with the award, terms or implementation of this Agreement, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of City will receive compensation, directly or indirectly, from Consultant, or from any officer, employee or agent of Consultant, in connection with the award of this Agreement or any work to be conducted as a result of this Agreement. Violation of this Section shall be a material breach of this Agreement entitling City to any and all remedies at law or inequity.

14. NO BENEFIT TO ARISE TO LOCAL EMPLOYEES

No member, officer, or employee of City, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the Project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with the Project performed under this Agreement.

15. RELEASE OF INFORMATION/CONFLICTS OF INTEREST

(a) All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization. Consultant, its officers, employees, agents, or subconsultants, shall not without written authorization from the City Manager or unless requested by the City Attorney,

voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any project or property located within City. Response to a subpoena or court order shall not be considered “voluntary” provided Consultant gives City notice of such court order or subpoena.

(b) Consultant shall promptly notify City if Consultant, or any of its officers, employees, agents, or subconsultants are served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request, court order, or subpoena from any person or party regarding this Agreement and the work performed thereunder or with respect to any project or property located within City. City retains the right, but has no obligation, to represent Consultant or be present at any deposition, hearing, or similar proceeding. Consultant agrees to cooperate with City by providing the opportunity to review any response to discovery requests provided by Consultant. However, City’s right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

16. NOTICES

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

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

To Consultant: Environmental Science Associates  
626 Wilshire Blvd Ste 1100  
Los Angeles, CA 90017  
Attention: Tom Barnes  
Principal

17. ASSIGNMENT

Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of City.

18. LICENSES

At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses and tax certificates required of it by law for the performance of the services described in this Agreement.

19. GOVERNING LAW

City and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with jurisdiction over City.

20. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

21. AUTHORITY TO EXECUTE THIS AGREEMENT

The person or persons executing this Agreement on behalf of Consultant warrants and represents he/she has the authority to execute this Agreement on behalf of Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

CITY OF MORRO BAY

CONSULTANT (2 signatures required)

By: \_\_\_\_\_  
Rob Livick, PE/PLS  
Public Works Director

By:  \_\_\_\_\_  
Tom Barnes,  
Its Vice President

Attest:

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

By: \_\_\_\_\_  
\_\_\_\_\_,  
Its \_\_\_\_\_

Approved As To Form:

\_\_\_\_\_  
Chris Neumeyer, City Attorney



626 Wilshire Boulevard  
Suite 1100  
Los Angeles, CA 90017  
213.599.4300 phone  
213.599.4301 fax

[www.esassoc.com](http://www.esassoc.com)

February 13, 2019

## Exhibit A

Mr. Eric Casares  
Associate Vice President  
Carollo Engineers, Inc.  
710 W. Pinedale Avenue  
Fresno, CA 93711

**Subject:** Scope of Work to Prepare an Addendum to the Morro Bay Water Reclamation Facility Final Environmental Impact Report

Dear Mr. Casares:

As requested by the City, ESA has prepared the attached proposal to prepare an Addendum to the Final Environmental Impact Report (EIR) for the Morro Bay Water Reclamation Facility project, which was certified by the City of Morro Bay in August 2018. A scope of work and fee estimate are provided in below. ESA is prepared to begin work on these tasks upon receipt of a Notice to Proceed.

Please contact Jennifer Jacobus or Kevin Smith at the number shown above if you have any comments or questions related to our assumptions or level of effort. We look forward to continuing to support the City on this important water resource management project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Barnes', is written over a horizontal line.

Tom Barnes  
Vice President  
Director of Southern California Water Practice Group

# MORRO BAY WATER RECLAMATION FACILITY

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## Addendum to Final Environmental Impact Report

### Scope of Services

### Project Understanding

The City of Morro Bay is proposing to construct a water reclamation facility (WRF) that would provide wastewater treatment services for the City and potentially for additional nearby customers. The current existing facility, the Morro Bay- Cayucos Wastewater Treatment Plant, would be replaced by the proposed project and eventually decommissioned and demolished. The proposed project is intended to provide opportunities for the City to produce and beneficially reuse advanced treated recycled water and to meet or exceed all wastewater treatment requirements of the State Water Resources Control Board. In addition to the WRF, additional facilities would include related administration, operations and maintenance buildings; additions to the collection system, including one or more lift stations and pipelines to convey raw/treated water/ wastewater flows to/from the new WRF; and a new distribution system to convey advanced treated recycled water from the WRF to new groundwater injection wells in the Morro Valley Groundwater Basin. In August 14, 2018 the City of Morro Bay certified the Final EIR for the project described above. Since the certification of the Final EIR, the City has proposed the following minor modification to the project.

#### Project Modifications:

- Re-routing the northern end of the pipeline to pump station A (PS-A) to avoid Lila Kaiser Park. Instead the pipeline will stay in Caltrans right-of-way along Highway 1 and then travel down Atascadero Road. This will avoid Native American burial sites.
- Re-routing the northern end of the pipeline to the East IPR wellfield. The pipeline will now be along Highway 41 instead of Errol. The pipeline will be installed on Highway 41/Atascadero under Highway 1; this crossing was not included previously in the certified Final EIR.
- Adding pump station B (PS-B) along the pipeline route. The pump station will be at the corner of Main Street and Highway 1, on a site already owned by the City. It is currently a paved lot next to a pet food store. This project modification will allow for PS-A, which was included in the certified Final EIR, to be reduced in size/footprint, which is a benefit because it reduces the size of the facilities in the coastal flood hazard zone.
- Re-routing the southern end of the pipeline as it leaves the proposed WRF. Instead the pipeline will stay on South Bay Boulevard and go under Highway 1, turning at the corner of Quintana Road. This avoids having to tunnel under Highway 1 and avoids crossing one jurisdictional feature.

Based on the proposed modifications to pipeline alignments within existing roadways, and including PS-B along the previously-identified pipeline alignment, ESA is proposing to prepare an Addendum to the certified Final EIR.

## Scope of Work

### Task 1 Project Management / Meetings

ESA's project manager will oversee day-to-day execution of the scope of work and team management, and will be responsible for scope, schedule, and budget management and performance along with monthly progress reporting and invoicing. ESA's project director will provide senior oversight for contract performance as well as quality assurance. ESA's project manager will maintain regular contact with the City staff and designated consultants and legal counsel as appropriate. This scope of work assumes project management requires approximately four hours per month for a duration of four months.

#### Assumptions:

- Participation in 4 one-hour teleconference calls with the Project Team

### Task 2 Prepare Addendum

#### Task 2a. Project Description

ESA will prepare a project description with details describing the changes from the certified Final EIR and the proposed modifications to the project. ESA assumes the City will provide documentation such as alignment studies, design reports, and exhibits to support the description of the proposed project modifications. ESA will submit a draft project description for the City to review. Upon receipt of comments, ESA will revise and submit a final project description to be used for the analysis in the Addendum.

#### Deliverables:

- Draft and final project description submitted to the City in electronic format.

#### Task 2b. Draft Addendum

For purposes of this proposal, we assume that the Addendum will include all of the issues areas addressed in the certified Final EIR. The Addendum will comply with Section 15164 of the California Environmental Quality Act (CEQA) Guidelines. The Addendum will analyze the impacts of the proposed modifications and compare impacts to the conclusions in the certified Final EIR. It is anticipated that there will not be any new significant environmental impacts, or an increase in the severity of previously-identified significant impacts, associated with the proposed project modifications beyond what was analyzed within the certified Final EIR. The Addendum will explain the decision not to prepare a subsequent EIR, as required by CEQA Guidelines Section 15164(e).

#### Deliverable:

- Draft Addendum submitted to the City in electronic format.

#### Assumptions:

- Kevin Merck & Associates will provide a revised Biological Technical Report that includes the areas impacted due to project modifications.
- Far Western will provide a revised Cultural Resource Technical Report that includes the areas impacted due to project modifications.

- ESA will revise the calculations of air emissions as necessary using CalEEMod to update project impacts associated with the proposed modifications.
- The previous traffic study will not require revisions to support the Addendum.
- No site visits by ESA are included in this scope of work.

### **Task 2c. Final Addendum**

ESA will incorporate the City's comments on the Draft Addendum and prepare a Final Addendum to be considered by the City Council for approval. The Addendum does not need to be circulated to the public per Section 15164(c) of the CEQA Guidelines. The City does not need to prepare a Notice of Availability, Notice of Completion, or a Notice of Determination for an Addendum.

#### **Deliverable:**

- One electronic copy of the Final Addendum.

#### **Assumptions:**

- ESA will print up to 20 hard copies of the Final Addendum for the City to use or distribute.

### **Task 3 Agency Coordination**

The City is applying for permits and funding from various Federal and State agencies, such as the U.S. Environmental Protection Agency. Permitting and funding agencies may require CEQA documents to be included in applications, or portions of the analysis included in CEQA documents to be included in applications. At the request of the City, ESA will participate in teleconferences with agencies and will review and extract appropriate analyses from the Final EIR or Addendum, to complete requirements for permit or funding applications.

#### **Assumptions:**

- Participation in 4 one-hour teleconference calls with the Project Team and Federal/State agencies

### **Cost Estimate and Schedule**

As shown in the following spreadsheets, the total not-to-exceed time and materials cost for the scope of services described herein is **\$30,666**, as shown in **Table 1** below. Upon receiving a notice to proceed, ESA will submit a draft project description within three weeks, assuming relevant design materials are provided by the City (Task 2a). Once the final project description is approved by the City, ESA will begin preparation of the Draft Addendum (Task 2b). ESA will submit a Draft Addendum within four weeks, assuming the Biological Technical Report and Cultural Resources Technical Report are provided by the City.

**Table 1: Fee Proposal  
ESA Labor Detail and Expense Summary**

<i>Labor Category</i>		Director I	Managing Associate III	Managing Associate I	Associate III	Associate I	Subtotal	Project Technician III	Project Technician II	Subtotal	Total Hours	Labor Price
Task #	Task Name/Description	\$ 210	\$ 205	\$ 175	\$ 135	\$ 105		\$ 120	\$ 100			
1	Project Management	4	12	8			\$ 4,700			\$ -	24.00	\$ 4,700
	Prepare Addendum											
2a	Project Description	1	6	2		8	\$ 2,630	4		\$ 480	21.00	\$ 3,110
2b	Draft Addendum	1	12	8	16	48	\$ 11,270	4	4	\$ 880	93.00	\$ 12,150
2c	Final Addendum	1	8	6		32	\$ 6,260	4	4	\$ 880	55.00	\$ 7,140
3	Agency Coordination	4	4	4			\$ 2,360			\$ -	12.00	\$ 2,360
<b>Total Hours</b>		11	42	28	16	88	185	12	8	20	205	
<b>Total Labor Costs</b>		\$ 2,310	\$ 8,610	\$ 4,900	\$ 2,160	\$ 9,240	\$ 27,220	\$ 1,440	\$ 800	\$ 2,240		\$ 29,460
Percent of Effort - Labor Hours Only		5.4%	20.5%	13.7%	7.8%	42.9%	90.2%	5.9%	3.9%	9.8%	100.0%	
Percent of Effort - Total Project Cost		7.5%	28.1%	16.0%	7.0%	30.1%		4.7%	2.6%			96.1%

<b>ESA Labor Cost</b>	\$	<b>29,460</b>
<b>Labor Cost Communication Fee</b>	\$	<b>884</b>
<b>ESA Non-Labor Expenses</b>		
Reimbursable Expenses (Printing; Postage)	\$	322
ESA Equipment Usage	\$	-
<b>Subtotal ESA Non-Labor Expenses</b>	\$	<b>322</b>

<b>PROJECT TOTAL</b>	<b>\$ 30,666</b>
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**EXHIBIT B**  
**INSURANCE REQUIREMENTS**

*Prior to the beginning of and throughout the duration of this Agreement, Consultant will maintain insurance in conformance with the requirements set forth below. Consultant will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth here, Consultant agrees to amend, supplement or endorse the existing coverage to do so. Consultant acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds available to City in excess of the limits and coverage required in this agreement and which is applicable to a given loss, will be available to City.*

*Consultant shall provide the following types and amounts of insurance:*

Commercial General Liability Insurance using Insurance Services Office “Commercial General Liability” policy from CG 00 01 or the exact equivalent. Defense costs must be paid in addition to limits. There shall be no cross liability exclusion for claims or suits by one insured against another. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the exact equivalent. Limits are subject to review, but in no event to be less than \$1,000,000 per accident. If Consultant owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Consultant or Consultant’s employees will use personal autos in any way to perform the Scope of Services, then Consultant shall provide evidence of personal auto liability coverage for each such person.

Property Damage Insurance in an amount of not less than \$1,000,000 for damage to the property of each person on account of any one occurrence.

Workers Compensation on a state-approved policy form providing statutory benefits as required by law with employer’s liability limits.

Excess or Umbrella Liability Insurance (Over Primary) if used to meet limit requirements, shall provide coverage at least as broad as specified for the underlying coverages. Any such coverage provided under an umbrella liability policy shall include a drop down provision providing primary coverage above a maximum \$25,000 self-insured retention for liability not covered by primary but covered by the umbrella. Coverage shall be provided on a “pay on behalf” basis, with defense costs payable in addition to policy limits. Policy shall contain a provision obligating insurer at the time insured’s liability is determined, not requiring actual payment by the insured first. There shall be no cross liability exclusion precluding coverage for claims or suits by one insured against another. Coverage shall be applicable to City for injury to employees of Consultant, subcontractors or others involved in the Work. The scope of coverage provided is subject to approval of City following receipt of proof of insurance as required herein. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designated to protect against acts, errors or omissions of Consultant and "Covered Professional Services" as designated in the policy must specifically include work performed under this agreement. The policy limit shall be no less than \$2,000,000 per claim and in the aggregate. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend. The policy retroactive date shall be on or before the effective date of this agreement.

*Insurance procured pursuant to these requirements shall be written by insurer that are admitted carriers in the state California and with an A.M. Best's rating of A- or better and a minimum financial size VII.*

General conditions pertaining to provision of insurance coverage by Consultant. Consultant and City agree to the following with respect to insurance provided by Consultant:

1. Consultant agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insureds the City of Morro Bay, its officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition prior to 1992. Consultant also agrees to require all Consultants, and subcontractors to do likewise.
2. No liability insurance coverage provided to comply with this Agreement shall prohibit Consultant, or Consultant's employees, or agents, from waiving the right of subrogation prior to a loss. Consultant agrees to waive subrogation rights against City regardless of the applicability of any insurance proceeds, and to require all Consultants and subcontractors to do likewise.
3. All insurance coverage and limits provided by Consultant and available or applicable to this agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to City or its operations limits the application of such insurance coverage.
4. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to City and approved of in writing.
5. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any Consultant or subcontractor.
6. All coverage types and limits required are subject to approval, modification and additional requirements by City, as the need arises. Consultant shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect City's protection without City's prior written consent.

7. Proof of compliance with these insurance requirements, consisting of certificates of insurance evidencing all of the coverages required and an additional insured endorsement to Consultant's general liability policy, shall be delivered to City at or prior to the execution of this Agreement. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, City has the right, but not the duty, to obtain any insurance it deems necessary to protect its interests under this or any other agreement and to pay the premium. Any premium so paid by City shall be charged to and promptly paid by Consultant or deducted from sums due Consultant, at City's option.
8. It is acknowledged by the parties of this agreement that all insurance coverage required to be provided by Consultant or any subcontractor, is intended to apply first and on a primary, noncontributing basis in relation to any other insurance or self-insurance available to City.
9. Consultant agrees to ensure that subcontractors, and any other party involved with the Scope of Services who is brought onto or involved in the Scope of Services by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Scope of Services will be submitted to City for review.
10. Consultant agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein and further agrees that it will not allow any Consultant, Subcontractor, Architect, Engineer or other entity or person in any way involved in the performance of the Scope of Services to self-insure its obligations to City. If Consultant's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to City. At the time City shall review options with Consultant, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.
11. City reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving Consultant ninety (90) days advance written notice of such change. If such change results in substantial additional cost to Consultant, City will negotiate additional compensation proportional to the increase benefit to City.
12. For purposes of applying insurance coverage only, this Agreement will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards performance of this Agreement.
13. Consultant acknowledges and agrees that any actual or alleged failure on the part of City to inform Consultant of non-compliance with any insurance requirements in no way imposes any additional obligations on City nor does it waive any rights hereunder in this or any other regard.

14. Consultant will renew the required coverage annually as long as City, or its employees or agents face an exposure from operations of any type pursuant to this agreement. This obligation applies whether or not this Agreement is canceled or terminated for any reason. Termination of this obligation is not effective until City executes a written statement to that effect.
15. Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Consultant's insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to City within five days of the expiration of the coverages.
16. The provisions of any workers' compensation or similar act will not limit the obligations of Consultant under this agreement. Consultant expressly agrees not to use any statutory immunity defenses under such laws with respect to City, its employees, officials and agents.
17. Requirements of specific coverage features or limits contained in this section are not intended as limitations on coverage, limits or other requirements nor as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.
18. These insurance requirements are intended to be separate and distinct from any other provision in this agreement and are intended by the parties here to be interpreted as such.
19. The requirements in this Section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impairs the provisions of this Section.
20. Consultant agrees to be responsible for ensuring that no contract used by any party involved in any way with the Scope of Services reserves the right to charge City or Consultant for the cost of additional insurance coverage required by this agreement. Any such provisions are to be deleted with reference to City. It is not the intent of City to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against City for payment of premiums or other amounts with respect thereto.
21. Consultant agrees to provide immediate notice to City of any claim or loss against Consultant arising out of the work performed under this agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

**AMENDMENT NO. 3 TO THE  
AGREEMENT FOR CONSULTANT SERVICES  
BETWEEN THE CITY OF MORRO BAY AND  
KESTREL CONSULTING**

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This Amendment No. 3 is entered by and between the City of Morro Bay, a municipal corporation ("City") and Kestrel Consulting, Inc., a California corporation ("Consultant").

**RECITALS**

WHEREAS, City and Consultant entered into an agreement as of July 21, 2015, for consulting services related to Grant and Loan Funding, Tracking and SRF Support for the Morro Bay Water Reclamation Facility (the "Project"), which was approved by the City Public Works Director for a not to exceed amount of \$65,752 (the "Agreement");

WHEREAS, the Parties amended the Agreement as of June 29, 2016, to extend the contract expiration date of June 30, 2018 ("Amendment No. 1");

WHEREAS, the Parties amended the Agreement as of January 25, 2018, to include additional services and establish a not to exceed amount of \$145,452.00 for the Agreement ("Amendment No. 2");

WHEREAS, the Agreement, Amendment No. 1 and Amendment No. 2 are hereinafter referred to as the "Amended Agreement;"

WHEREAS, the Parties now agree it is again time to amend the Amended Agreement to provide for additional exploration to assess the final plan for the Project, which work requires an expansion of the tasks to be provided by Consultant pursuant to the Amended Agreement;

WHEREAS, Consultant has specific knowledge and experience to provide technical oversight needed to accomplish necessary tasks required to meet the City Council's goals for the Project, and

WHEREAS, due to the expansion of tasks to be provided, the compensation payable pursuant to the Amended Agreement must be increased.

NOW THEREFORE, City and Consultant mutually agree to amend the Amended Agreement as follows:

1. The additional services to be provided by Consultant, pursuant to the Amended Agreement, as hereby amended, shall include Tasks 6 - 7 of the Scope of Work, as set forth in Exhibit A, attached hereto and incorporated herein by this reference (the "Additional Work"). The Additional Work shall be satisfactorily commenced within 3 days after March 1, 2019, and completed within 300 days after commencement.

2. The compensation to be paid for the Additional Work shall be paid in accordance with the rates established by the Amended Agreement on a time and materials basis and shall not exceed \$74,420.00, for a total not to exceed amount of \$219,872.00 for the Amended Agreement, as hereby further amended herein.

3. The term of the Amended Agreement shall be extended until December 31, 2019, unless terminated earlier.

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

5. The effective date of this Amendment No. 3 shall be deemed to be March 1, 2019.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 3 to be executed by their duly authorized representatives as of the day first written above.

CITY OF MORRO BAY  
a municipal corporation

By: \_\_\_\_\_  
Rob Livick, Public Works Director

Attest:

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

Approved As To Form:

\_\_\_\_\_  
Chris Neumeyer, City Attorney

CONSULTANT (2 signatures required)  
Kestrel Consulting, Inc.

By: Monica Reid  
Monica Reid, CEO

By: Shannon Huberd  
Shannon Huberd, Business Manager

**EXHIBIT A**  
AMENDMENT NO. 3

City of Morro Bay  
CITY

AND

Kestrel Consulting, INC.  
CONSULTANT

Amendment No. 3 (Amendment) is issued by the CITY and accepted by CONSULTANT pursuant to the mutual promises, covenants and conditions contained in the Agreement between the above-named parties dated the 21st day of July, 2015 (Agreement), in connection with Grant and Loan Funding, Tracking and SRF Support (Project).

**PURPOSE**

The purpose of this Amendment is to summarize the scope of services for the Project associated with development of two (2) grant applications and management of the CONSULTANT's Agreement through December 31, 2019.

**CONSULTANT'S SERVICES**

This Amendment includes the following scope of services:

**Task 1 - Recycled Water Planning Grant Application**

No additional effort anticipated for this task.

**Task 2 - Recycled Water Construction Loan Application**

No additional effort anticipated for this task.

**Task 3 - Grant Research - Bi-Monthly Grant Summary**

No additional effort anticipated for this task.

**Task 4 - Project Management, Quality Assurance, and Contract Management (12 Months)**

No additional effort anticipated for this task.

**Task 5 - Complete New Funding Applications for WIFIA and CWSRF**

No additional effort anticipated for this task.

## **Task 6 - New Funding**

### **Task 6.1 - Prepare Two New Grant Applications**

CONSULTANT shall lead the process of completing two new grant applications and all required submittals. CONSULTANT shall coordinate with CITY staff, Carollo Engineers, Inc. (WRF Program Manager), with other consultants, and with others as appropriate, to gather, synthesize, validate and share information. CONSULTANT shall facilitate a monthly coordination meeting, likely to be part of the bi-monthly Program Management Meeting, where CONSULTANT can keep everyone informed about the status of any grant applications and next steps. CONSULTANT shall prepare review drafts of the applications and circulate to the CITY and Carollo for edits. CONSULTANT shall finalize and submit the applications. CONSULTANT shall prepare a full print and digital copies as required and provide digital copies for the CITY and WRF Program Manager.

### **Task 6.2 - Research Funding Opportunities**

CONSULTANT shall research funding opportunities at the Federal, State, and local levels and identify best-fit grant opportunities for the Project.

### **Task 7 - Project Management, Quality Assurance, and Contract Management (2019)**

CONSULTANT shall manage this Agreement and any amendments, and coordinate with the CITY and Carollo on matters related to contract and project management. CONSULTANT shall provide monthly summaries of work activities and will comply with all contract requirements. CONSULTANT shall attend project management meetings and provide quality assurance and quality control on all work product.

## TIME OF PERFORMANCE

CONSULTANT shall commence work immediately. Amendment No. 3 shall extend the time of performance for the Agreement to December 31, 2019.

## PAYMENT

CONSULTANT shall bill the CITY monthly indicating the services performed and the cost of such services on a time and materials basis with a not-to-exceed limit of seventy-four thousand, four hundred and twenty dollars (\$74,420).



AGENDA NO: A-5

MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** March 6, 2019

**FROM:** Scott Collins, City Manager

**SUBJECT:** Resolution No. 17-19 Opposing Proposal to Pipe and Truck Offshore Oil through San Luis Obispo County and Neighboring Counties

## RECOMMENDATION

Staff recommend the City Council adopt Resolution No. 17-19, opposing the proposal before Santa Barbara County to truck and pipe offshore oil through Santa Barbara, San Luis Obispo and Kern County, and authorize the Mayor to send a letter outlining the City's position on the matter to Santa Barbara County and other government agencies considering the proposal.

## ALTERNATIVES

Council could elect to not adopt Resolution No. 17-19.

## FISCAL IMPACT

There will be no fiscal impact resulting from approval of the recommendation.

## BACKGROUND

City Council directed staff at the February 13, 2019 Council meeting to bring back an item for Council consideration regarding the proposal before the Santa Barbara County Planning Commission to allow the trucking of offshore oil along Santa Barbara, San Luis Obispo and Kern County highways. If approved, the proposal on behalf of ExxonMobil would allow up to 70 oil tanker truck trips a day carrying nearly half-a-million gallons of crude oil along those highways to processing plants in Santa Maria and Maricopa.

Significant concern has been raised by environmental groups and nearby local government agencies about potential safety, environmental and climate impacts related to the proposal. In particular, critics of the proposal fear that piping and trucking oil out of Santa Barbara could lead to more oil truck accidents on roads in San Luis Obispo County, and potentially more crude oil being spilled and spoiling Central Coast beaches, harming the environment and wildlife. As a result of these concerns, the City of Morro Bay has been encouraged to join the City of San Luis Obispo and other agencies in opposing the proposal to pipe and truck offshore oil through San Luis Obispo County and neighboring counties.

## DISCUSSION

The City of Morro Bay is committed to protecting our state's ocean and coastal water, which provide habitat to a vast array of wildlife, including fish, whales, sea turtles, and birds that depend on a healthy and clean environment. Morro Bay residents and visitors enjoy our estuary, beaches and the Pacific Ocean for recreational, commercial and educational activities, all of which support our

Prepared By: SC

Dept Review: SC

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

City Attorney Review: CN

local economy.

Thus, it is imperative that the City encourage stewardship of the coast line and all the precious resources contained therein. The proposal to truck and pipe oil through Santa Barbara and San Luis Obispo threatens these resources, while contributing to greenhouse gas production, which worsens the effects of climate change.

Therefore, it is recommended that City Council adopt the attached resolution, which states the City opposes plans to truck and pipe oil from offshore Santa Barbara through San Luis Obispo County and neighboring counties. It is further recommended that the Council authorize the Mayor to send letters of opposition to the truck and piping proposals to Santa Barbara County and other agencies who may be considering similar proposals in the area.

**CONCLUSION**

Staff recommend the City Council adopt Resolution No. 17-19, opposing the proposal before Santa Barbara County to truck and pipe offshore oil through Santa Barbara, San Luis Obispo and Kern County, and authorize the Mayor to send a letter outlining the City's position on the matter to Santa Barbara County and other government agencies considering the proposal.

**ATTACHMENT**

- 1) Resolution No. 17-19

**RESOLUTION NO. 17-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
OPPOSING SANTA BARBARA COUNTY PLANNING COMMISSION  
PROJECT CASE #17RVP-00000-00081,  
A PROPOSAL TO TRUCK AND PIPE OFFSHORE OIL  
ALONG SANTA BARBARA, SAN LUIS OBISPO, AND KERN COUNTY**

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

**WHEREAS**, the city of Morro Bay values our state's ocean and coastal waters, which provide habitat to a vast array of wildlife, including fish, whales, sea otters and birds that depend on a healthy and clean environment; and

**WHEREAS**, Morro Bay's residents and its visitors enjoy our estuary, beaches and the Pacific Ocean for recreational, commercial, and educational activities, all of which support our local economy; and

**WHEREAS**, the extremely high rate of accidents makes trucking one of the worst forms of oil transport; and

**WHEREAS**, oil truck accidents cause fires and explosions, injure and kill people, and spill hundreds of thousands of gallons of crude a year onto roads and into waterways; and

**WHEREAS**, California already suffers hundreds of oil truck incidents a year, and many result in oil spills; and

**WHEREAS**, the rate of accidents along the proposed oil-truck route is higher than the state average; and

**WHEREAS**, the proposed trucking routes would pass through critical habitat for several species protected as threatened or endangered under the federal ESA, including red-legged frogs, California tiger salamanders and Southern California steelhead, which are highly susceptible to highly toxic crude oil. And oil spilled into the ocean threatens marine life, including endangered whales, sea turtles and sea otters; and

**WHEREAS**, the application to put 70 oil tanker trucks carrying nearly half-a-million gallons of flammable crude on our highways every day would exacerbate climate change; and

**WHEREAS**, the proposed trucking route passes less than 250 feet from Refugio State Beach campground where 160,000 visitors a year swim, play and camp and within 200 feet of the Amtrak Pacific Surfliner train tracks serving nearly 3 million passengers annually; and

**WHEREAS**, the proposal would bring aging offshore drilling platforms back online, which is inconsistent with California's and the City of Morro Bay's efforts to reduce greenhouse gas emissions; and

**WHEREAS**, in 1969 a well failure off the Santa Barbara coast fouled the ocean and beaches, causing catastrophic damage to the region and sparking the beginning of the modern environmental movement; and

**WHEREAS**, in 2015 a pipeline serving offshore drilling platforms burst near Refugio state beach which fouled beaches and coastal waters for miles, causing irreparable damage to the environment and wildlife; and

**WHEREAS**, offshore drilling and fracking threaten our coast, wildlife, and public health; and

**WHEREAS**, in February 2018, the City of Morro Bay approved Resolution No. 07-18 opposing new drilling, fracking, and related techniques; new or expansion of offshore oil and gas leases and a phase-out of all oil and gas extraction; and a framework for responsible renewable energy development.

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

1. The City Council of the City of Morro Bay opposes Santa Barbara County Planning Commission Project Case # 17RVP-00000-00081, an application to truck offshore oil along Santa Barbara, San Luis Obispo, and Kern County highways; and
2. The City Council of the City of Morro Bay hereby authorizes the Mayor to send a letter on behalf of the City Council outlining the City's position on the matter to Santa Barbara County and other government agencies considering the proposal

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12<sup>th</sup> day of March 2019 on the following vote:

AYES:

NOES:

ABSENT:

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John Heading, Mayor

ATTEST:

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Dana Swanson, City Clerk



AGENDA NO: A-6

MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** February 27, 2019

**FROM:** Jody Cox, Police Chief  
Jennifer Callaway, Finance Director

**SUBJECT:** Approval of Memorandum of Understanding (MOU) between the City of Morro Bay, through the Morro Bay Police Department (MBPD), and the San Luis Coastal Unified School District (SLCUSD) for the position of School Resource Officer (SRO)

## RECOMMENDATION

Staff recommends City Council approve the MOU agreement between the City of Morro Bay, through the Morro Bay Police Department (MBPD), and the SLCUSD to provide a full-time dedicated sworn School Resource Officer (SRO) to the District for coverage of the Morro Bay High School and Del Mar Elementary (ongoing personnel costs to be paid by SLCUSD and equipment costs to be paid by Morro Bay) and authorize Police Chief Cox to execute the agreement on the City's behalf.

## ALTERNATIVES

Council can decide not to approve the MOU and forego providing a sworn SRO position to the SLCUSD.

## FISCAL IMPACT

The proposed SRO position will be fully funded by the SLCUSD at a projected cost of \$161,436.52. The SRO position would be backfilled by a new police officer recruit (Entry level, Step 1, PEPR system) at an estimated cost of approx. \$120,000, for a potential savings to the City of approximately \$40,000. The City will fund the initial equipment costs associated with the position, of approximately \$65,000, through Measure Q (as recommended by the Citizen Finance Advisory Committee), and will be responsible for the replacement costs of that equipment.

## BACKGROUND

The City of Morro Bay and the SLCUSD have had a long-standing committed partnership to provide a sworn School Resource Officer to the City of Morro Bay's two district schools, Morro Bay High School and Del Mar Elementary. This position was previously funded by each agency providing 50% of the funding for the full-time position (with the City funding its portion through Measure Q). In 2017 the SLCUSD withdrew their 50% funding of the position due to projected financial constraints related to anticipated loss of revenue from the planned 2024/2025 closure of Diablo Nuclear Power Plant the City of Morro Bay was not in a financial position to fully fund the SRO at that time and the position was eliminated, reducing the MBPD sworn staffing level by one full-time equivalent (FTE).

Since that time the SLCUSD has recognized the importance and need to have a full-time SRO

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

dedicated to the safety and security of our community's youth, school staff and faculty. The SLCUSD has agreed to fully fund the personnel costs of this position to meet this need.

### **DISCUSSION**

The City of Morro Bay and the San Luis Coastal Unified School District have a strong and committed desire to assign a dedicated SRO to Morro Bay High School and to provide police support to other schools in the District. The SRO provides a valuable and efficient means to both deter and investigate juvenile criminal activity and maintain a positive influence of support directed specifically toward the youth in our community. The SLCUSD has demonstrated their dedication to school safety by proposing to fund the full personnel costs of the SRO position, with the City funding the related equipment costs.

### **CONCLUSION**

Staff recommends the City Council approve the MOU between the City of Morro Bay through the Morro Bay Police Department and the San Luis Coastal Unified School District to provide a full-time sworn SRO, and to backfill that position with a full-time sworn police officer position to maintain current staffing and patrol coverage.

### **ATTACHMENT**

1. MOU between City of Morro Bay (through the MBPD) and the San Luis Coastal Unified School District.



# SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

## LETTER OF AGREEMENT

between

San Luis Coastal Unified School District

and the

City of Morro Bay, through the Morro Bay Police Department

This letter of agreement (“Agreement”) between the San Luis Coastal Unified School District (“District”) and the City of Morro Bay, through the Morro Bay Police Department (“Department”), is effective March 5, 2019, and shall remain in effect until terminated in accordance with the terms of this Agreement.

The City of Morro Bay and the District both have a strong and committed desire to assign a dedicated School Resource Officer (“SRO”) to Morro Bay High School (“MBHS”) and to provide police support to other schools in the District. The SRO assignment provides a valuable and efficient means to both deter and investigate juvenile criminal activity and maintain a positive influence of support directed specifically toward the youth in our community. To that end, the parties agree to the following:

### **District’s Obligations:**

- Pay the Department the full cost of employing a full time police officer and assigning such officer as a School Resource Officer (SRO) in accordance with the terms of this Agreement. Such costs include but are not limited to salary, benefits, overtime (if requested and/or as agreed upon), contributions to CalPERS, health benefits, educational incentives, and all costs and benefits that the Department is required to provide to the officer in accordance with the most recent Memorandum of Understanding Between the Morro Bay Peace Officers’ Association and the City of Morro Bay and the Morro Bay Police Department Policy Manual, as may be amended. District will pay the Department quarterly within 30 days of receiving an invoice from the Department.
- Provide office space and a direct computer link to MBHS for SRO and reasonable access to necessary school attendance and student disciplinary records.
- Provide the SRO with a school radio for direct communications with MBHS personnel.
- Provide the SRO with a safe/visible parking space for a marked Department emergency response/patrol vehicle at MBHS.
- Provide other support upon mutual agreement when needed.

### **Department’s Obligations:**

- Assign one full-time uniformed and equipped police officer as an SRO for the District beginning as soon as feasibly possible following board approval.

- Unless otherwise agreed by the parties, the SRO's primary obligation will be to be present at MBHS between the hours of 7:30 a.m. and 3:30 p.m., on all days that MBHS is in session during the term of this Agreement. The parties agree to adjust these hours as needed if the District requests that the SRO be present at school events or other activities outside of normal school hours. The SRO may also spend time away from the MBHS campus on school days for school business, to respond to calls from other schools in the District, and to participate in required training assigned by the Department or as provided by the District.
- At the request of District, the SRO will also attend special events and school-related activities that occur outside of normal school hours.
- At the request of District, the SRO will also provide services to Del Mar Elementary School, working with school staff, teachers, and counselors to provide instruction in Drug/Alcohol/Tobacco Awareness and Education and have a visible presence.
- At the request of District, on days when school is not in session, the SRO will work with school personnel to write and update school emergency plans, conduct school threat assessments, provide training to school staff, and perform other tasks deemed necessary and appropriate by the District and the Department.
- During summer and other school breaks the SRO may be periodically assigned to patrol, advanced training, or other duties to maintain the necessary and required skills of a sworn police officer.
- Department will train additional officers to backfill the SRO position and cover absences due to scheduled training, vacation, or other unforeseen/extended leaves(not including sick days) to ensure that an SRO is always available to perform the services required by this Agreement.
- Department will provide the SRO with a department vehicle, as available, and all other necessary equipment authorized and required by the Department, including a communications system.
- Department will provide a Preliminary Alcohol Screening device and other equipment for use by the SRO and MBHS Administration as equipment is available and will work to obtain a Marijuana/THC detection device when available. SRO will work with MBHS staff to provide training on these devices.

### **Additional Terms**

The District and the Department agree to the following additional terms:

- Termination. Either party may terminate this Agreement at any time by giving thirty (30) days advance written notice to the other party; however, the parties may agree in writing to a shorter notice period. Notwithstanding the foregoing, either party may terminate this Agreement if the other party materially breaches any of the terms of this Agreement, and such termination shall be effective immediately upon the breaching party's receipt of the notice.
- Indemnification. In contemplation of the provisions of Section 895.2 of the California Government Code imposing certain tort liability jointly upon public entities solely by reason of such entities being parties to an agreement as defined by Section 895 of said Code, the parties hereto, as among themselves, pursuant to the authorization contained



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AGENDA NO: A-7  
MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** March 5, 2019

**FROM:** Rob Livick, PE/PLS – Public Work Director/City Engineer  
Pamela Newman, Assistant Engineer

**SUBJECT:** Adopt Resolution No. 18-19 approving the Parcel Map MBAL 17-0139 (787 Main St. & 280 Morro Bay Blvd) and abandonment of portions (for only Parcel 1) of the Main Street and Morro Bay Boulevard Rights-of-Way, with a revised delineation on Parcel Map MBAL 17-0139 to not include the abandonment to Parcels 2 and 3

### RECOMMENDATION

Staff recommends City Council adopt Resolution No. 18-19 approving Parcel Map MBAL 17-0139, and the partial right-of-way abandonment (vacation) of both a 2-foot wide strip along the westerly side of Main Street as well as a 1-foot wide strip along the southernly side of Morro Bay Boulevard for only Parcel 1, with a revised delineation to not include the abandonment to Parcels 2 and 3.

### ALTERNATIVES

If City Council believes that the applicant has not met the applicable code requirements the City Council shall deny the approval of the Parcel Map.

### FISCAL IMPACT

There is no fiscal impact as a result of this action.

### BACKGROUND/ DISCUSSION

Approval of a lot line adjustment is normally exempt from the requirements of the State’s subdivision map act. The applicant has chosen to finalize their Lot Line Adjustment using the Parcel Map process in order to correct errors that occurred many decades ago. The Pizza Port and Mike’s Barber Shop buildings were constructed into the right-of-way. In order to avoid demolition of these iconic Morro Bay businesses and historic buildings due to setback requirements, the applicant is seeking a minor abandonment of a 1-foot strip of right-of-way along Morro Bay Boulevard and a 2-foot strip along Main Street adjacent to the effected Parcels 1, 2 and 3 using California Government Code section 66499.20.2.

The approval of a Parcel Map is a “ministerial act”, pursuant to the California Subdivision Map Act (Government Code Section 66474.1), once the map is found to be in substantial

Prepared By: \_\_\_pn\_\_\_ Department Review: \_\_\_RL\_\_\_  
City Attorney Review: \_\_\_SC\_\_\_ City Manager Review: \_\_\_CN\_\_\_

conformance with the approved tentative map. This Parcel Map has met all the City regulations and no further discretionary approvals are required.

Typically, a Lot Line Adjustment is approved by the Community Development Director, but due to the associated abandonment this Parcel Map is required to be approved by City Council after the Planning Commission finds the abandonment is in conformance with the General Plan.

On March 5, 2019 the Morro Bay Planning Commission made a finding that the right-of-way abandonment is consistent with the City of Morro Bay General Plan for Parcel 1. No decision was made for Parcels 2 and 3.

### **CONCLUSION**

Staff recommends the City Council approve Parcel Map MBAL 17-0139 by Resolution No. 18-19 along with the associated abandonment of portions of Morro Bay Boulevard and Main Street with a revised delineation to not include the abandonment to Parcels 2 and 3 after Council approval.

### **ATTACHMENTS**

1. Resolution No. 18-19
2. Parcel Map MBAL 17-0139
3. Preliminary Lot Line Adjustment Plan

**RESOLUTION NO. 18-19**  
**A RESOLUTION OF THE CITY COUNCIL OF MORRO BAY APPROVING THE PARCEL MAP**  
**MBAL 17-0139; FINALIZING A LOT LINE ADJUSTMENT AND ABANDONING A PORTION**  
**OF PUBLIC RIGHT OF WAY AS DELINATED ON SAID PARCEL MAP**

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

**WHEREAS**, on March 5, 2019 the Planning Commission did hold a properly noticed public hearing, received public testimony, and after closing the public hearing fully considered the various issues surrounding the abandonment of a 1-foot strip of right-of-way along Morro Bay Boulevard and a 2-foot strip along Main Street adjacent to the affected Parcels 1, 2 and 3 using California Government Code section 66499.20.2; and

**WHEREAS**, the Planning Commission did find the partial abandonment of the right-of-way adjacent to Parcel 1 consistent with the City’s General Plan; and

**WHEREAS**, abandonment of public right of way is exempt under California Environmental Quality Act Section 15305, Class 5 for minor alterations in land use limitations which do not result in any changes in land use or density, including minor lot line adjustments that do not result in the creation of any new parcel; and

**WHEREAS** the parcels as configured in the proposed Lot Line Adjustment meet all applicable zoning and building code requirements; and

**WHEREAS**, the recordation of the parcel map is a ministerial act pursuant to the City of Morro Bay Subdivision Ordinance and California Subdivision Map Act;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay, California, that the City hereby approves the parcel map MBAL 17-0139 along with the proposed abandonment of portions of public right-of-way adjacent to Parcel 1 shown thereon;

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay, California, at a regular meeting held on the 12<sup>th</sup> day of March 12, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
JOHN HEADDING, Mayor

ATTEST:

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

## OWNER'S STATEMENT

WE THE UNDERSIGNED, HEREBY CERTIFY THAT WE ARE ALL THE OWNERS OF, AND ALL RECORD HOLDERS OF SECURITY INTEREST IN, AND ALL PARTIES HAVING ANY RECORD TITLE INTEREST IN THE REAL PROPERTY INCLUDED WITHIN THE SUBDIVISION AND PROJECT SHOWN ON THIS MAP, AND THAT EACH OF US DOES HEREBY CONSENT TO THE FILING AND/OR RECORDATION OF THIS MAP.

MASTON BAY PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

OWNER \_\_\_\_\_ DATE \_\_\_\_\_

## NOTARY

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA )  
COUNTY OF \_\_\_\_\_ )

ON \_\_\_\_\_, 20\_\_\_\_, BEFORE ME, \_\_\_\_\_ NOTARY PUBLIC, PERSONALLY APPEARED \_\_\_\_\_, WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND AND OFFICIAL SEAL.

SIGNATURE: \_\_\_\_\_ COMMISSION NO.: \_\_\_\_\_  
COUNTY OF: \_\_\_\_\_  
PRINTED NAME: \_\_\_\_\_ MY COMMISSION EXPIRES: \_\_\_\_\_

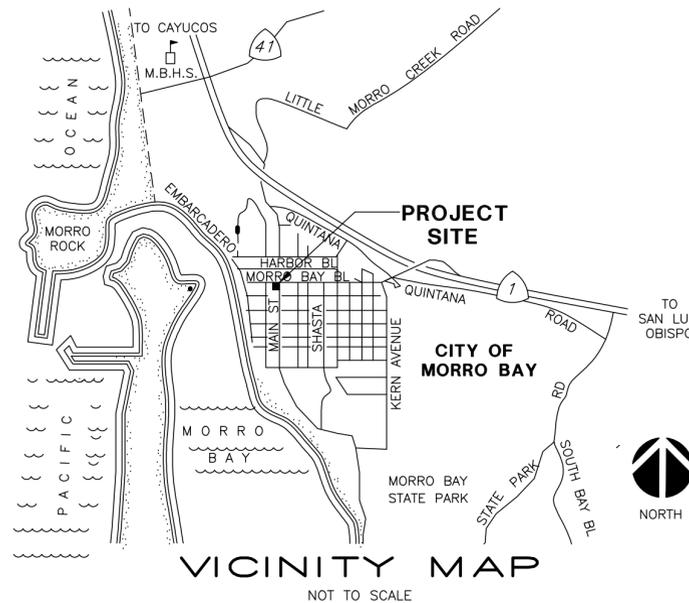
**NOTE: DO NOT STAMP WITH NOTARY SEAL PER CALIFORNIA SUBDIVISION MAP ACT, GOVERNMENT CODE § 66436(c)**

## SURVEYOR'S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION AND IS BASED UPON A FIELD SURVEY IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE AT THE REQUEST OF ROB LIVICK OF THE CITY OF MORRO BAY IN JUNE OF 2018. I HEREBY STATE THAT THIS PARCEL MAP SUBSTANTIALLY CONFORMS TO THE APPROVED OR CONDITIONALLY APPROVED PRELIMINARY PARCEL MAP (LOT LINE ADJUSTMENT). I ALSO HEREBY STATE THAT ALL MONUMENTS SHOWN HEREON ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED, OR WILL BE SET IN SUCH POSITIONS WITHIN 1 YEARS OF THE DATE OF RECORDATION OF THIS MAP AND ARE (OR WILL BE) SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED.



MICHAEL B. STANTON L.S. 5702 DATE \_\_\_\_\_



## PARTIAL STREET ABANDONMENT

THE FOLLOWING STREET EASEMENTS ARE HEREBY ABANDONED IN ACCORDANCE WITH GOVERNMENT CODE SECTION 66499.20 1/2:

- 1) A 2' STRIP ALONG THE WESTERLY SIDE OF MAIN STREET PER A MB 35
- 2) A 1' STRIP ALONG THE SOUTHERLY SIDE OF MORRO BAY BOULEVARD PER A MB 35

## CITY ENGINEER'S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS MAP, THAT THE SUBDIVISION SHOWN HEREON IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATION THEREOF, AND THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT AND THE CITY OF MORRO BAY SUBDIVISION ORDINANCE HAVE BEEN COMPLIED WITH, AND I AM SATISFIED THAT THIS MAP IS TECHNICALLY CORRECT.

ROB LIVICK, LS 8126 DATE \_\_\_\_\_  
CITY ENGINEER, CITY OF MORRO BAY

## CITY CLERK'S STATEMENT

I HEREBY STATE THAT THIS LOT LINE ADJUSTMENT WAS DULY ADOPTED AND APPROVED BY THE COUNCIL OF THE CITY OF MORRO BAY ON \_\_\_\_\_, 2019 AND THAT THE CITY CLERK WAS DULY AUTHORIZED AND DIRECTED TO ENDORSE HEREON ITS APPROVAL OF SAME.

I ALSO DO HEREBY CERTIFY THAT THE CITY COUNCIL OF THE CITY OF MORRO BAY DID ORDER THE ABANDONMENT OF THE FOLLOWING STREET EASEMENTS:

- 1) A 2' STRIP ALONG THE WESTERLY SIDE OF MAIN STREET PER A MB 35
- 2) A 1' STRIP ALONG THE SOUTHERLY SIDE OF MORRO BAY BOULEVARD PER A MB 35

DANA SWANSON DATE \_\_\_\_\_  
CITY CLERK OF THE CITY OF MORRO BAY

## COUNTY RECORDER'S STATEMENT

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_ AT \_\_\_\_\_ M. IN BOOK \_\_\_\_\_ OF PARCEL MAPS, AT PAGE \_\_\_\_\_, AT THE REQUEST OF MICHAEL B. STANTON.

DOCUMENT NO: \_\_\_\_\_

FEE: \_\_\_\_\_

SIGNED: \_\_\_\_\_ BY: \_\_\_\_\_  
TOMMY GONG DEPUTY  
COUNTY RECORDER

## PARCEL MAP NO. MBAL 17-0139

BEING A LOT LINE ADJUSTMENT OF LOTS 1, 2 AND 3 OF BLOCK 29 OF THE TOWN OF EL MORRO, AS SHOWN ON THE MAP FILED IN BOOK \_\_\_\_\_ A OF MAPS AT PAGE 35 IN THE CITY OF MORRO BAY COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA.

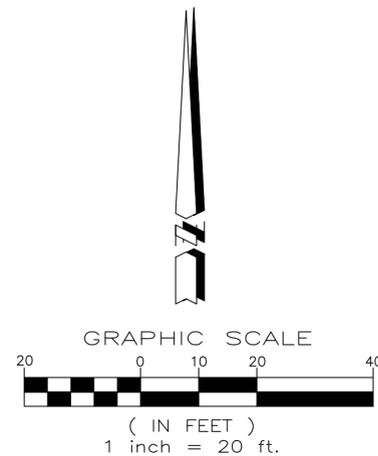
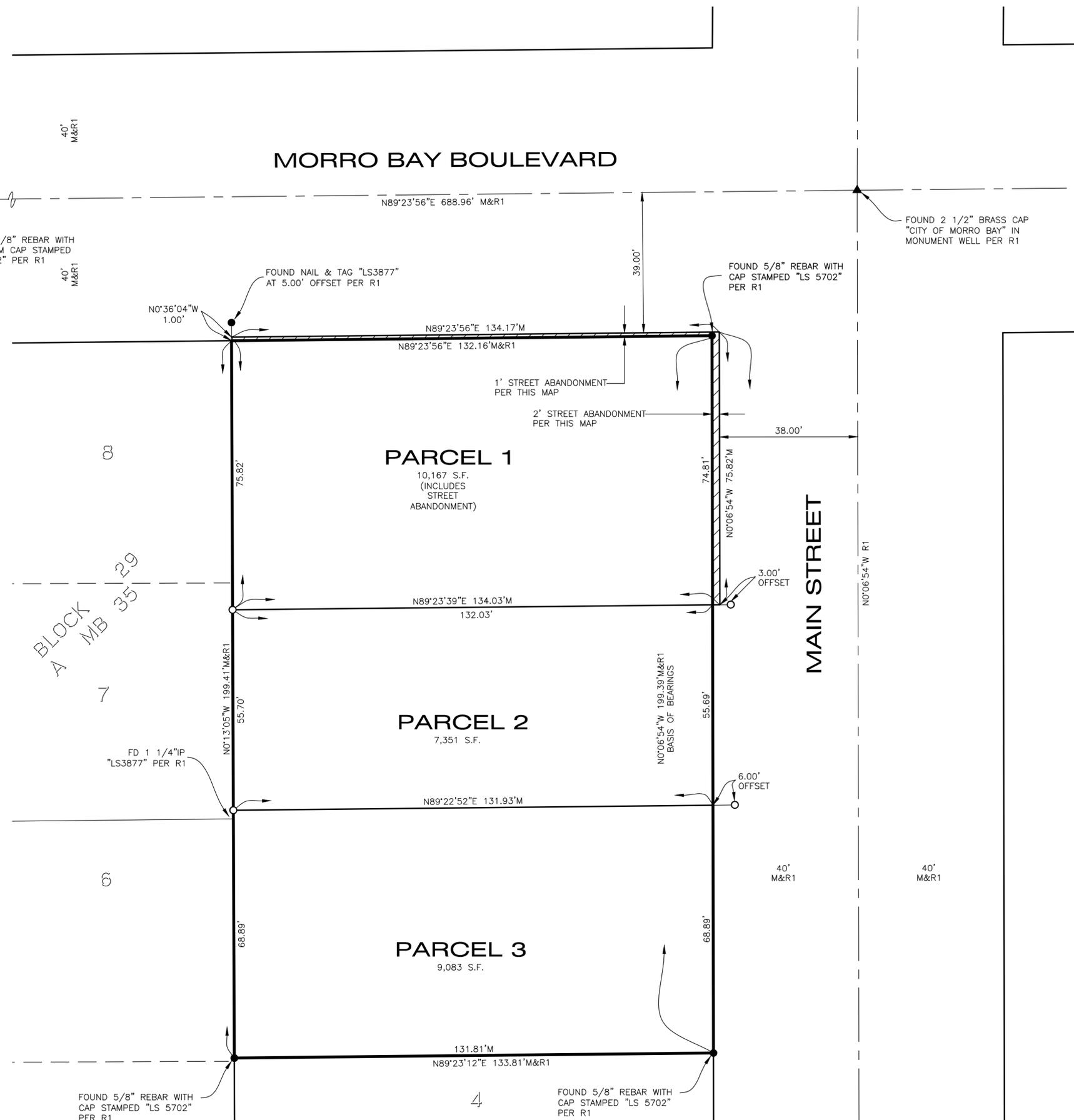
**MBS** LAND SURVEYS MICHAEL B. STANTON, PLS 5702  
3559 SOUTH HIGUERA ST.  
SAN LUIS OBISPO, CA 93401  
805-594-1960

N:\2017\17-143 775 & 767 Main St. - Morro Bay\C3D-2019\17-143 775 MAIN STREET - Parcel Map.dwg, 18X26 PM 2, Mar 07, 2019 10:40am, LRichardson

MARKET AVENUE

MORRO BAY BOULEVARD

MAIN STREET



- LEGEND**
- SET 5/8" REBAR WITH PLASTIC CAP "L.S. 5702"
  - SET NAIL & TAG "L.S. 5702"
  - FOUND MONUMENT AS NOTED
  - ▲ FOUND WELL MONUMENT AS NOTED
  - M MEASURED
  - R RECORD
  - FND. FOUND
  - S.P. SINGLE PROPORTION
  - ▨ ABANDONED IN ACCORDANCE WITH GOVERNMENT CODE SECTION 66449.20 1/2

**REFERENCES**  
R1 114 LS 76

**BASIS OF BEARINGS**  
THE BASIS OF BEARINGS FOR THIS SURVEY WAS TAKEN FROM THE EAST LINE OF BLOCK 29 BETWEEN FOUND MONUMENTS AS SHOWN, BEARING N 0° 06' 54" W PER 114 LS 76.

**PARCEL MAP NO. MBAL 17-0139**  
BEING A LOT LINE ADJUSTMENT OF LOTS 1, 2 AND 3 OF BLOCK 29 OF THE TOWN OF EL MORRO, AS SHOWN ON THE MAP FILED IN BOOK A OF MAPS AT PAGE 35 IN THE CITY OF MORRO BAY COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA.

**MBS LAND SURVEYS** MICHAEL B. STANTON, PLS 5702  
3559 SOUTH HIGUERA ST.  
SAN LUIS OBISPO, CA 93401  
805-594-1960





AGENDA NO: C-1  
MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor & City Council **DATE:** February 28, 2019

**FROM:** Eric Endersby, Harbor Director

**SUBJECT:** Introduce, Discuss and Provide Direction on the New Morro Bay Aquarium Market and Economic Feasibility Study Completed by ConsultEcon, Inc. for the Central Coast Aquarium, and Discuss and Provide Direction on the Future of Lease Site 69-70/69W-70W, Located at 595 Embarcadero and Site of the Old Morro Bay Aquarium

## RECOMMENDATION

Staff recommends the Council receive this report and provide direction on both the New Morro Bay Aquarium Market and Economic Feasibility Study for the Central Coast Aquarium, as well as the future of Lease Site 69-70/69W-70W (located at 595 Embarcadero and site of the Old Morro Bay Aquarium), as each are discussed in the “conclusion” section, and any other desired input on the elements herein.

## ALTERNATIVES

No alternatives are proposed.

## FISCAL IMPACT

No fiscal impact at this time.

## BACKGROUND

The “Pipkin” lease for this site (69-70/69W-70W) expired on September 30, 2018. In fall of 2013, the City issued a Request for Proposals (RFP) for complete redevelopment of the site, with an express requirement in the RFP for the new development to be a new, modern aquarium and/or marine educational in nature. While the Central Coast Aquarium (CCA) of Avila Beach (formerly the “Avila Sea Life Center”) was the only party to express interest in the RFP, at the time they were unable to meet the RFP submission deadlines and thus did not submit.

CCA, in a public-private collaboration with Cal Poly’s Center for Coastal Marine Sciences and the City, continued to work closely with City staff on their proposal to build a new, modern state-of-the-art aquarium on the site and adjoining street-end property. In May 2016, the City Council approved a Consent of Landowner (COL) with CCA for their proposal with several compliance date requirements.

On February 28, 2017 the City Council approved an extension of all the compliance dates in the COL by one year each to allow CCA to fundraise for feasibility, initial planning, permitting and capital costs associated with construction, as CCA had obtained eligibility to apply for a \$20M United States Department of Agriculture (USDA) Rural Development Community Facilities Guaranteed Loan to finance the project. Those extended COL compliance dates have all subsequently passed.

Prepared By: EE Dept Review: EE  
City Manager Review: SC City Attorney Review:  
CN

In May 2018, Christine Johnson became the new Executive Director for CCA. With the prospective \$20M loan from the USDA still in play, last summer CCA elected to move forward with a professionally-prepared financial feasibility study, using in part the \$10,000 provided by the City in 2017 to assist CCA in its efforts to establish a Morro Bay facility.

CCA raised the additional necessary funds for the study, and then including the \$10,000 from Morro Bay, contracted with ConsultEcon, a firm with experience guiding nonprofits, specifically zoos and aquariums, to complete the financial feasibility study to determine if the project was economically viable, and if so, under what circumstances.

## **DISCUSSION**

In January 2019, after working closely with CCA, City staff and community leaders and members, ConsultEcon completed their New Morro Bay Aquarium Market and Economic Feasibility Study for CCA's proposed project. It is included with this staff report as Attachment 1. Highlights of the study include:

### **FACILITY**

- New facility is assumed to be a 4,000 square foot building with 7,500 gallons of exhibit water.
- Visitor experience focuses on the uniqueness of Morro Bay with aquarium tanks, touch tanks, displays and educational opportunities. No marine mammals will be displayed.
- Facilities from Cal Poly to conduct and exhibit research.
- Aquarium will offer educational on-water experiences partnering with local tour boat and water sports operators.
- CCA is well-situated to operate the facility given their experience and track record.

### **MARKET and ECONOMIC POTENTIAL**

- Capacity to generate stabilized mid-range annual earned revenue of \$691,000.
- New Morro Bay aquarium will benefit and enhance the current inventory of attractions in the region.
- Large and growing volume of tourists to Morro Bay and SLO County will increase the visitation base. Estimated tourists visiting Morro Bay in 2017 was 800,000.
- Resident market includes all of SLO County.
- Aquariums are a well-known and popular attraction type with a high degree of market success in a variety of market types predicated on:
  - Solid planning and feasibility analysis
  - Sound financial/business plans
  - Good, accessible locations and solid markets
  - Compelling exhibits
- Stable year attendance potential of 34,000 to 69,000, with a 52,000 mid-range. Estimated attendance 12% from the resident market, and 88% from the tourist market.
- Similar-size benchmark aquariums in the U.S. annual attendance average of 50,300.
- Assumed adult admission pricing of \$9.95 and per-visitor retail sales of \$4.00.
- Estimated 52 annual facility rentals for special and other events.
- Estimated 9 "full-time equivalent" (FTE) employee positions to manage and operate the facility.

### **EXPENSES**

- Stable year annual operating expenses of \$813,000 from:
  - \$364,000 salaries and benefits for 9 full time employees
  - \$120,000 in cost of goods sold
  - \$290,000 in other expenses

- \$39,000 for capital reserves
- \$122,000 deficit between revenues and expenses to be made up with contributed (non-earned) revenues from:
  - Ongoing fundraising
  - Financial reserves/endowment
  - Operating grants
  - Government sector support/partnership
- Virtually all aquariums require contributed revenues and/or public/private partnerships to cover operating expenses.
- Proposed new Morro Bay Aquarium operating expenses covered by earned revenues of 85%. The standard in the industry is approximately 75% to 80%. Main sources for benchmark aquarium development funding are private philanthropy, public grants, revenue bonds and other sources including tax incentives and donation of land or subsidized land.
- Proposed new Morro Bay Aquarium assumes no financing (loan) debt or lease site payments.

For 25 years CCA has provided marine science education in San Luis Obispo County to thousands of residents and visitors. A major expansion in CCA's mission was made possible through the construction of its own building in Avila Beach on land owned by SLO County and leased to CCA for \$1.00/year (a partnership that still stands). The building's construction was funded, in large part, with Unocal Remediation Funds as a result of the underground oil contamination disaster that occurred in Avila Beach over previous decades.

After construction, the Aquarium also received donated remediation funds for operations of nearly \$100,000 per year. In 2013, those remediation funds ended entirely and the 2013 budget deficit was roughly \$105,000. CCA embarked on a five-year journey to fiscal sustainability and, through CCA leadership, supported by generous philanthropy from the community, four years later CCA's Tax Form 990 showed a budget deficit of only \$1,523 in 2017. Currently, their year-end budget for 2018 reportedly shows a budget surplus of roughly \$20,000.

Following review of the feasibility study, the CCA Board at their January 26, 2019 meeting directed its staff to continue pursuing the Morro Bay project based on the assumptions and recommendations of the ConsultEcon study. They further acknowledged that success of the project relies almost entirely on securing philanthropic and other non-earned revenues for design, construction and operation. CCA has also indicated their success relies on partnership with the City of Morro Bay, to include no lease payments. At the January 26 meeting, the CCA Board voted unanimously to move forward to a Morro Bay City Council meeting with the intention of:

1. Releasing the economic feasibility study, for the first time, to donors and the public through the City of Morro Bay's City Council staff report process at a Council meeting in February or March 2019;
2. Establishing if the City is interested in pursuing the project as a partner with CCA and Cal Poly based on the results of the study. If so, see next step;
3. Forming a short-term task force, for no more than one year, consisting of staff or council members from the City of Morro Bay along with CCA staff, CCA board members, and other interested community members in order to seek opportunities for major capital investment in the project. All viable opportunities must return to CCA and to the City of Morro Bay for discussion.
4. Reassessing the status of the project at the end of the agreed upon timeline.

## **CONCLUSION**

In staff's estimation, for Council decision tonight is:

- A. Whether or not the City is willing to continue forward with CCA in pursuing this project as outlined in the CCA Board action, including the proposed one-year timeline?
- B. If still moving forward with CCA, to what degree the City will partner in and/or support the capital investment-seeking task force as proposed by CCA?
- C. Any specific direction to staff, including choosing members for the proposed task force?

In discussions with CCA's Executive Director, Christine Johnson, one year is a reasonable time to determine whether or not there is sufficient philanthropic interest to raise the necessary funds.

Further, Ms. Johnson and her board do not believe that occupying the existing vacant Morro Bay Aquarium building, even with a part-time touch tank and gift shop presence, is something they can justify and support given the necessary amount of time, effort, attention and capital involved with mounting a fundraising campaign sufficient to raise \$5M-\$10M over the period of one year, which is quite substantial. They are not proposing, therefore, to occupy the aquarium lease site on an interim basis.

Because of this, staff are seeking further Council input and direction, if any, on options to operate the aquarium site at this time. In the short-term, staff are intending to:

1. Sort-through and clean-up the substantial amount of material and debris left by the previous tenant, saving anything that is valuable or of historical significance.
2. Clean and prep the downstairs front unit to make it leasable or rentable.
3. Secure occupation of the site before the summer season starts.

Staff have had the electrical systems checked by an electrician and corrected any safety issues, as well as inspected and corrected any undue general safety or health hazards on the site, although as previously stated there is still need for substantial clean-up. In addition, the Tourism Department assisted with funding and installing the window banners now in place to mitigate the site's vacant nature.

## **ATTACHMENT**

*New Morro Bay Aquarium Market and Economic Feasibility Study* by ConsultEcon, Inc., January 2019.

# **New Morro Bay Aquarium Market and Economic Feasibility Study**



**Prepared by:  
ConsultEcon, Inc.**

**Prepared for:  
Central Coast Aquarium**

**January 2019**

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## **EXECUTIVE SUMMARY**

This report reviews the preliminary market and economic feasibility of a new Morro Bay Aquarium to be rebuilt at 595 Embarcadero in Morro Bay with both “main street” access and direct water access in Morro Bay at the rear of the building. The new Morro Bay Aquarium is planned to be operated by the Central Coast Aquarium (CCA) in Avila Beach in collaboration with the City of Morro Bay and California Polytechnic State University, San Luis Obispo (CalPoly).

### **Project Description**

For the purposes of this market and economic feasibility analysis, the new Morro Bay Aquarium is assumed to be 4,000 square feet (SF) in size with 7,500 gallons of exhibit water. A preliminary description of the visitor experience has been developed that focuses on interpreting uniqueness of Morro Bay within aquarium tanks, with touch tanks and other interpretive displays as well as an opportunity for CalPoly to exhibit some of their research. It is planned that the Aquarium will offer educational on-the-water experiences in Morro Bay working with local boat tour and water sports’ operators. CCA would be an excellent operator of the Morro Bay Aquarium as they have a proven track record of high-quality aquarium operations, they know the local market and have knowledgeable local staff. The success of the CCA in terms of its programming and content within a limited physical space is due to having passionate and knowledgeable staff as explainers: this is critical to the success of the new Morro Bay Aquarium, also within a limited physical space.

### **Site Context**

Morro Bay is a centrally located coastal city in San Luis Obispo County. It is 15 miles northwest of San Luis Obispo and 25 miles north of Avila Beach—where the CCA is located. Morro Bay is off of California State Route 1, which spans a greater portion of the California Coastline, in addition to linking cities like San Luis Obispo and Avila Beach to Morro Bay. The site of the Morro Bay Aquarium is at the former Morro Bay Aquarium located at 595 Embarcadero in the city center of Morro Bay. The Morro Bay Aquarium site is well positioned in the city in reference to commercial areas and public transit, in addition to having waterfront access from a wharf in the rear of the building. Limiting to the potential aquarium is the availability of parking, which is a city-wide challenge. There are on-street parking options, a small 11-car parking lot adjacent to the building, as well as further car parks. Overall, the Morro Bay Aquarium has an excellent site with its prime location on the commercial Embarcadero, its access to the ocean will, and the City’s connectivity to California State Route 1.

## Resident Market

The Resident Market Area for the new Morro Bay Aquarium is defined as residents of San Luis Obispo County. The Resident Market Area population has the following demographic characteristics:

- ◆ A median age of 40.5; a population somewhat older than that of the State of California and the U.S. as a whole.
- ◆ A population in a key market segment – children ages 5 to 17 - that is projected to increase by approximately 3.0 percent over the period 2018 to 2023 – a rate that is higher than both that of the State and the U.S. as a whole.
- ◆ In 2018, 35.7 percent of the population over 25 years old had attained bachelors and advanced degrees, which was a higher percent of population than in California, and the U.S. In the Resident Market Area, educational attainment is strong. This is considered a positive indicator for interest in educational attractions such as aquariums.
- ◆ A household profile in which approximately 62.5 percent of households are family households. This proposal of family households is slightly lower than in the State and the U.S. as a whole. The household make-up is an indicator that the exhibits and programs of the new Morro Bay Aquarium should be geared not only to children and families, but also to the general public and to adults.
- ◆ A median household income of \$65,700 with 62 percent of households earning more than \$50,000 per year and almost one third of households earning more than \$100,000 annually. These data indicate that a large percentage of resident market residents have income levels that could afford an educational attraction such as the new Morro Bay Aquarium. Nonetheless, ticket pricing policies should be set to be affordable to families with lower income levels as well.

## Tourism Market Summary

For 2017, the Morro Bay Tourism Bureau/ City of Morro Bay estimated a total of 800,000 visitors to Morro Bay. In San Luis Obispo County, almost 90 percent of visitors came for leisure/vacation purposes, and many travelers are California residents. Visitation to Morro Bay is strong in the summer months (June through August) with at least 75 percent of hotel rooms occupied in FY 2015-2016. A majority of the visitors were overnight guests with an average length of stay of 2.2 nights. Many visitors stay two to five nights, with out of state visitors having longer stays.

Visitors spent the most money in San Luis Obispo, Morro Bay and Pismo Beach. Travelers spent 25 percent of their trip expenses on entertainment, cultural, art and other activities. These data suggest that visitor spending is strong in Morro Bay and that tourists are likely to be interested in and be able to afford an aquarium visit. The large and growing volume of tourists to Morro Bay and San Luis Obispo County will increase the visitation base for the aquarium, especially if tourists are staying multiple nights.

## Local Attractions

The major draw to San Luis Obispo County is the natural beauty and the beaches; and, Hearst Castle, located north of Morro Bay is by far the major visitor attraction. There is a wide variety of other cultural, art, zoo/aquarium, and outdoor attractions in San Luis Obispo County, most of which are reasonably priced \$5.00 to \$13.00. A revitalized Morro Bay Aquarium will benefit and enhance the current inventory of attractions in the region.

## Benchmark

Seven aquariums and aquatic education centers were selected for review, including an analysis of market, facility, and operating factors to provide input to the operating potential of the proposed new Morro Bay Aquarium. The characteristics reviewed included:

- ◆ Market populations for each of the selected aquariums
- ◆ Median household income and tourist market context
- ◆ Admission pricing and annual attendance
- ◆ Staffing and size in square feet, as well as water volume in gallons
- ◆ Operating expenses and revenues

There are some general observations that may be drawn from these comparisons.

- ◆ Six of the seven selected facilities are located in destination tourism cities or regions.
- ◆ Average market penetration was approximately 23 percent.
- ◆ The average adult ticket price at the selected facilities was approximately \$10.00.
- ◆ Average annual attendance was approximately 50,300.
- ◆ The average size of the selected aquariums was 13,000 square feet, with water volume average of 38,442. Several of the selected facilities have both indoor and outdoor exhibit components.
- ◆ Operating expenses and revenues ranged widely among the selected facilities.
- ◆ The percentage of operating expenses that were covered by earned revenue averaged approximately 25 percent.

## Keys to Aquarium Economic Sustainability

ConsultEcon has identified 11 factors, or “keys to success”, that will contribute to the successful development and operation of an aquarium. They are as follows:

1. **Established on a Sound Financial Basis** – An aquarium must be established on a sound financial basis for it to have adequate resources to accomplish its mission, education and conservation goals in an entertaining environment. Notably, over the past few decades, most visitor attractions such as aquariums, have focused on

increasing their earned revenue potential by adding such activities as unique interactive programs, facility rentals and educational experiences on and off-site.

2. **A Good Location and Site** - Visibility, accessibility, adequate parking and an attractive site are all critical to project success. Good views from the site, supportive nearby land uses and strong connections to the water are also important determinants of the quality of a site for an aquarium.
3. **A Critical Mass of Attraction Elements** - The aquarium must offer sufficient content to draw residents from nearby and on longer day trips, and to attract visitation from tourists to the area.
4. **A Strong Thematic Focus** - The new generation of aquariums have tended to focus their exhibit program on a comprehensive “story line” that is much more than the sum of its individual exhibits.
5. **The Depth of Visitor Experience Offered** - The aquarium visitor currently has high expectations of their visit, and a very rewarding experience is needed to sustain repeat attendance and to attract new visitors.
6. **The Length of Stay/Attraction Content** - A length of stay and quality of attraction content must be commensurate with ticket price.
7. **Outstanding Exhibits and Programs** - New technologies and interpretive techniques are available for the next generation of aquariums to implement outstanding and novel exhibits and programs.
8. **Serves Residents and Visitors** - Aquariums rely on both resident and tourist markets. The location, program and marketing must address both target audiences and must be sensitive to the unique characteristics of these markets.
9. **A Broad Audience Mix** - Exhibits and interpretation that appeal to a wide audience are needed. The audience varies in age and education, level of interest in scientific detail and in expectation for an entertainment versus learning experience.
10. **Offers Multiple Visit Opportunities** - Successful aquariums must develop a pattern of repeat visitation in their resident markets (and even in their travel markets if possible). Changing exhibit galleries, special programs and events, and attractive membership options are ways to build the repeat visit audience.
11. **Offers Opportunities to Spend and to Relax** - Aquariums must ensure that all of their visitors' needs are fulfilled including opportunities to purchase a souvenir, have a light meal or snack, and have a place to sit and rest during the visit.

### **Aquariums' Market Performance**

Aquariums are a well-known attraction type that many visitors have visited in the past. There are high expectations by the audience that the experience will be “fresh” and that new reasons to visit will be offered. Thus, many aquariums are expanding and/or renovating, and high-quality changing exhibit programs are essential to aquarium success. Some aquariums have

successfully interpreted their unique, local marine or freshwater stories, becoming a “must-see” destination in tourism settings as a visit to the aquarium becomes part of the tourists’ experience in learning about the place they are visiting. It is an important finding of our research over the last three decades that aquariums can achieve success in various market contexts given quality program content, competitive pricing, strategic marketing programs and a sustainable operating model.

Aquariums internationally have generally enjoyed a high degree of market success in a variety of market types. The market sizes, product qualities, location, and competition vary among aquariums. In the last 50 years there have been over 30 freestanding aquariums developed in North America. Their success has been predicated on:

- ◆ Solid planning and feasibility analysis
- ◆ Sound financial/ business plans
- ◆ Good, accessible locations and solid markets
- ◆ Compelling exhibits

Aquariums are among the most fiscally attractive visitor venues in North America and worldwide as they are:

- ◆ Compact
- ◆ Exotic
- ◆ High impact
- ◆ Repeatable
- ◆ Appealing to a broad audience mix as “non-threatening” in terms of topic
- ◆ Able to combine entertainment and education

### **Preliminary Market and Economic Potential**

The stable year attendance potential for the new Morro Bay Aquarium ranges from 34,000 to 69,000, with a mid-range of 52,000.

Data in **Table 1** presents the preliminary net operating income potential for the new Morro Bay Aquarium in a stable year in current dollars.

The new Morro Bay Aquarium has substantial capacity to generate earned revenue, \$691,000 in a stabilized year, mid-range attendance potential. In a stabilized year, the non-earned revenue requirement is approximately \$122,000 for breakeven operations. At the same time, this is a complex and labor-intensive operation with exhibits that will have substantial operating costs as well, \$813,000 in a stabilized year, mid-range attendance potential. Contributed revenue, or “non-earned” revenue, are part of all aquarium operations including the Central Coast Aquarium’s operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

**Table 1**  
**Preliminary Net Income Potential Summary**  
**New Morro Bay Aquarium**

	YEAR 1	YEAR 2	Stable Year YEAR 3	YEAR 4	YEAR 5	Stable Year	
Attendance	59,800	57,200	52,000	52,260	52,520	52,000	
							<b>Current Dollar Value</b>
Earned Revenue	\$796,413	\$772,155	\$733,306	\$746,201	\$784,555	\$691,212	85%
Operating Expenses	\$889,996	\$886,945	\$865,646	\$899,995	\$940,220	\$813,156	100%
<u>Net Income Before</u>							
Contributed Revenues	(\$93,583)	(\$114,790)	(\$132,339)	(\$153,794)	(\$155,665)	(\$121,944)	-15%
Contributed Revenue Requirement <sup>1/</sup>	\$93,583	\$114,790	\$132,339	\$153,794	\$155,665	\$121,944	15%
<u>Net Income After</u>							
Contributed Revenue	\$0	\$0	\$0	\$0	\$0	\$0	

NOTE: Year 1 is in 2018 dollars.

1/ Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Source: ConsultEcon, Inc.

Based on the detailed revenue potential and operating expense analyses presented earlier, data in Table 1 provide combined operating revenue and operating expense estimates for the new Morro Bay Aquarium as part of the CCA operation, based on a mid-range attendance scenario.

In the early years of the project, when attendance is higher than in a stable year, earned revenue is higher than the stabilized year. Over a five-year period there will be some variability in net operating income based on the years' individual circumstances. Different attendance levels would create somewhat different operating profiles and would require different operating plans. The data show that stable year earned revenues represent 85 percent of total needed revenues to support operations in a stable year (not including capital reserves). This operating model, however, assumes that rent would be offered at a discounted rate as a community-based, educational and tourism-supporting project (other than utilities, insurance, and maintenance) which if required would increase operating costs and the amount of contributed, or non-earned, revenues required. Like other not-for-profit aquariums and projects, this analysis assumes no debt service. It is assumed that the capital funds needed for the new Morro Bay Aquarium's development would be fundraised.

The new Morro Bay Aquarium will, and must, be active in generating substantial contributed (non-earned) revenues for the facility. The facility is expected to engage in ongoing fundraising, to establish financial reserves and endowment, and to secure operating grants and government sector support. Virtually all aquariums require contributed revenues, including gifts, grants, and endowments, to supplement earned revenues. Contributed revenues should be targeted at levels higher than contained herein, as these would allow more robust levels of service provision, would create revenues to cover shortfalls in earned revenue that may occur, and could contribute to increasing the financial reserves and endowment the Aquarium should build over time.

## **Section I**

### **INTRODUCTION AND ASSUMPTIONS**

This report reviews the preliminary market and economic feasibility of a new Morro Bay Aquarium to be rebuilt at 595 Embarcadero in Morro Bay with both “main street” access and direct water access in Morro Bay at the rear of the building. The new Morro Bay Aquarium is planned to be operated by the Central Coast Aquarium (CCA) in Avila Beach in collaboration with the City of Morro Bay and CalPoly.

In preparing this report, the following assumptions were made. This study is qualified in its entirety by these assumptions.

1. The size and design of the new Morro Bay Aquarium will serve to create a high quality, stimulating attraction with broad-based audience appeal and a distinctive image. The new Morro Bay Aquarium will be a unique attraction in the region and the nation. This distinction will give it further visibility as a “must-see” attraction. The entrances to the site will be highly visible and well signed.
2. The facility will be competently and effectively managed. An aggressive promotional campaign will be developed and implemented. This program will be targeted to prime visitor markets. The admission price for the elements of the facility will be consistent with the entertainment and educational value offered, and with current attraction admissions prices for other comparable visitor attractions.
3. There will be no physical constraints to impede visitors to the new Morro Bay Aquarium, such as major construction activity. Changes in economic conditions such as a major recession or major environmental problems that would negatively affect operations and visitation will not occur in the near future.
4. Every reasonable effort has been made in order that the data contained in this study reflect the most accurate and timely information possible and it is believed to be reliable. This study is based on estimates, assumptions and other information developed by ConsultEcon, Inc. from its independent research efforts, general knowledge of the industry, and consultations with the client. No responsibility is assumed for inaccuracies in reporting by the client, its agents and representatives, or any other data source used in the preparation of this study. No warranty or representation is made that any of the projected values or results contained in this study will actually be achieved. There will usually be differences between forecasted or projected results and actual results because events and circumstances usually do

not occur as expected. Other factors not considered in the study may influence actual results.

5. Possession of this report does not carry with it the right of publication. This report will be presented to third parties in its entirety and no abstracting of the report will be made without first obtaining permission of ConsultEcon, Inc., which consent will not be unreasonably withheld.
6. This report may not be used for any purpose other than that for which it was prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through advertising media, news media or any other public means of communication without the prior consent of ConsultEcon, Inc.
7. This report was prepared during August 2018 through the date of this report. It represents data available at that time.

## Section II

### PROJECT DESCRIPTION

This following section reviews the recently closed Morro Bay Aquarium, existing CCA operation, proposed new Morro Bay Aquarium concept and the site of the Morro Bay Aquarium, it's relation to the surrounding town and to the CCA. The section will discuss the site context, transit access, parking and traffic flows near the site.

#### **Past Morro Bay Aquarium Operations**

The Morro Bay Aquarium opened in 1960 and closed in September 2018. It was privately operated as a for-profit aquarium for 50 years under a lease agreement from the City of Morro Bay which expired. No data was available about the past Aquarium's operation. Before the Aquarium closed, ConsultEcon visited the Aquarium in August which had an adult ticket price of \$3 and limited aquarium exhibit offerings as shown by photographs in **Figure II-1**.

**Figure II-1**  
**ConsultEcon Photos of Old Morro Bay Aquarium Interior**



Source: ConsultEcon, Inc. July/August 2018.

### **Existing Central Coast Aquarium Operation**

The CCA is located in Avila Beach and is proposing to operate the new Morro Bay Aquarium. The existing CCA is approximately 2,500 square feet and has 6,500 gallons of exhibit water. The Aquarium hosted over 22,000 visitors in 2017 and has an adult ticket price of \$8.00. The Aquarium currently has 3 full time employees and 4 part-time employees, for a total of 5 full time equivalent (FTE) employees with annual operating expenses of about \$458,000 and earned revenue coverage of operating expenses of 58 percent, with the balance of revenue from “non-earned” sources such as contributions, fundraising proceeds and grants.

Figure II-2 presents photos of the existing CCA's facility and exhibits. These images reflect the success of the CCA in terms of its programming and content within a limited physical space: having passionate and knowledgeable staff as explainers is critical to success. CCA would be an excellent operator of the Morro Bay Aquarium as they have a proven track record of high-quality aquarium operations, they know the local market and have knowledgeable local staff.

**Figure II-2**  
**Central Coast Aquarium**



Source: ConsultEcon, Inc. August 2018.

## New Morro Bay Aquarium Concept

The following is a draft description of the new Morro Bay Aquarium by Scott Reid, Manager of Collections, Monterey Bay Aquarium, for CCA in Summer 2018.

“Once inside the Morro Bay Aquarium, visitors walk down a ramp to the main exhibit space giving the guests an immersive feeling of becoming submerged. Straight ahead is the first exhibit, a large **Wharf/Pier Piling Exhibit**, with surfperch and invertebrates attached to the pilings. Looking beyond and a bit to the right, the eye moves out into the channel, and the second large exhibit comes into view and it’s a **Sand Channel Exhibit** with a sandy bottom inhabited with bat rays, guitarfish, leopard sharks, flatfish, eelgrass beds, fish and, at the top of the exhibit, you see the bottom of a small boat moored to the bottom. The mooring chain has kelp attached that attracts juvenile fish and the actual mooring is there to be seen as well. There are smaller jewel tanks nearby with eelgrass habitat, pipefish and other juvenile perch/rockfish.

Moving beyond and continuing to the right, you have a large open view of Morro Rock. There are two exhibits; one is the **Jetty Exhibit** with eels, lobster, crabs, appropriate fish and wave motion. Continuing to the right of the rock is the **Surf Zone Exhibit** with sand dollars, flatfish, rays, a small school of anchovies, and more crabs. Smaller jewel tanks highlight sand dollars and sand crabs, which are small but iconic animals that beachgoers see when looking for shells on the beach. You could have a **Beyond the Rock Exhibit** that shows deep-water fish and invertebrates found in the Davidson Seamount, which would allow for interpreting the Seven Sisters of which the seamount and Morro Rock are a part. This exhibit would tie the marine habitat to the terrestrial area behind the Seven Sisters that visitors can see when they drive south/north on Highway One to between San Luis Obispo and Morro Bay.

Continuing on, a medium sized **Kelp Forest Exhibit** is what the visitor sees as you head north toward Cayucos and beyond. The Kelp Forest Exhibit can be smaller exhibit than either the Wharf/Pier Piling Exhibit and the Sand Channel Exhibit but still large enough to be a 6’ to 8’ exhibit. Beyond this exhibit is a **Marine Mammal Interactive Space** (information only, no live mammals), focusing on the sea lions and elephant seals, and white sharks that prey on them in addition to whales and bottlenose dolphins.

Back at the entrance, if you went left of the Wharf/Pier Piling Exhibit, you are heading south toward the invertebrate **Touch Tank** with intertidal invertebrates that are interpreted by docents. Continuing to the left, we enter the **Morro Bay Estuary Exhibit**, which is primarily made up of smaller jewel tanks highlighting smaller fish and invertebrates that reside there. There could be an interactive space here focused on **estuarine birds** and **harbor seals**.

Cal Poly may decide to have a **Research Lab** located on the second floor of the Aquarium and positioned directly above the Aquarium system space on the first floor, allowing for ease of getting systems coordinated. Other opportunities exist for docking of Cal Poly's research vessel at the aquarium and for underwater research projects that can become part of a public exhibit within the aquarium. Cal Poly and CCA have had a preliminary discussion about the use of space. Currently, both parties are waiting on the outcome of the economic feasibility study before moving forward with more detailed planning.

Flexible Use / Event Space: When not in use for educational programs, a flexible use space would be used as additional Aquarium space for events and available for rental by the public.”<sup>1</sup>

For the purposes of this market and economic feasibility analysis, the new Morro Bay Aquarium is assumed to be 4,000 square feet (SF) in size with 7,500 gallons of exhibit water. A preliminary description of the visitor experience has been developed that focuses on interpreting uniqueness of Morro Bay within aquarium tanks, with touch tanks and other interpretive displays as well as an opportunity for CalPoly to exhibit some of their research. It is planned that the Aquarium will offer educational on-the-water experiences in Morro Bay working with local boat tour and water sports' operators.

## **Morro Bay Aquarium Site Context**

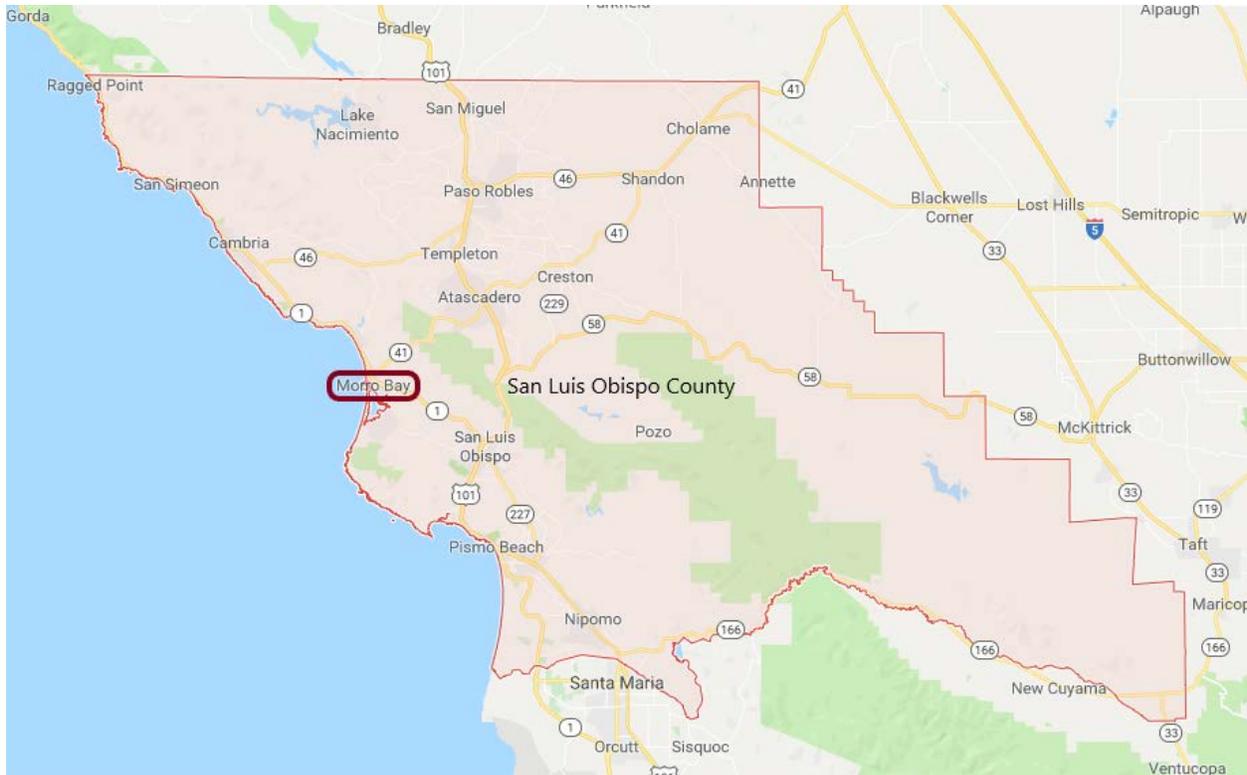
### **Regional and County Context**

Morro Bay is located in San Luis Obispo County, which is defined in the map in **Figure II-3**. Morro Bay is on the Pacific coast and is located north of San Luis Obispo, Avila Beach and Pismo Beach. San Luis Obispo County is located north of Los Angeles and south of San Francisco—in mid-California. The City of Morro Bay is in the coastal center of San Luis Obispo County.

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<sup>1</sup> Source: “initial Concept Plan for a Proposed Public Aquarium and Marine Science Education Facility in Morro Bay Proposed by Central Coast Aquarium, Avila Beach Updated September 6, 2018” from Central Coast Aquarium.

**Figure II-3**  
**Regional Context**  
**San Luis Obispo County, California**

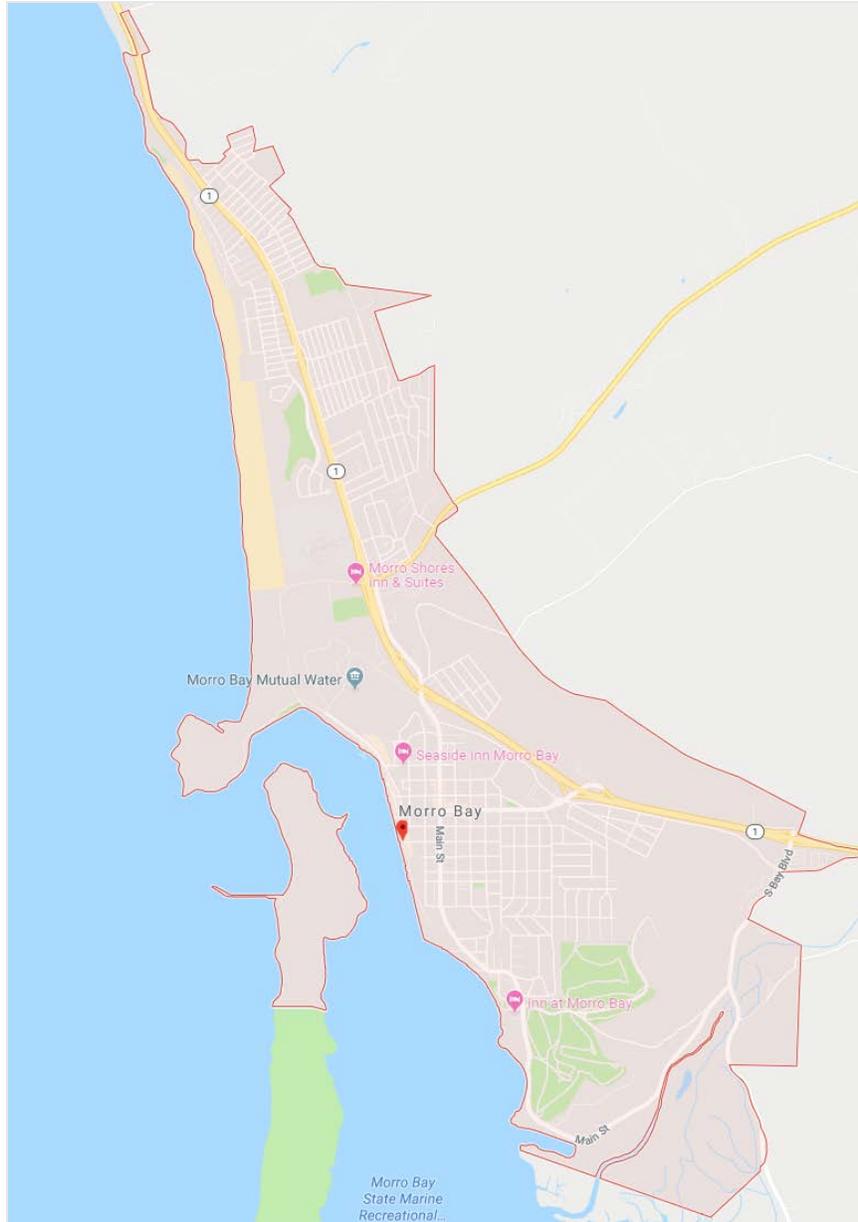


Source: Google Maps, ConsultEcon, Inc.

### City Context

The City of Morro Bay is a coastal city in California. It is accessible by California State Route 1 (SR-1), which runs north-south along the coast of California. SR-1 spans the coast of California running from south of Los Angeles to north of San Francisco. California State Route 1 is a well-known tourist route due to its scenic vistas along Big Sur and serves as a north-south route for major California cities. The site of the Morro Bay Aquarium is easily accessed from SR-1 via Morro Bay Boulevard and Main Street. **Figure II-4** is a map of the City of Morro Bay, in relation to SR-1 and the Pacific Coast.

**Figure II-4**  
**City of Morro Bay**



Note: Red Marker indicates Morro Bay Aquarium  
Source: Google Maps

## **Site Review**

The site of the Morro Bay Aquarium is a small parcel with 4,067 square feet of land and 2,206 square feet of water, and it is located at 595 Embarcadero in Morro Bay, California.<sup>2</sup> There are currently 11 parking spaces located adjacent to the building.<sup>3</sup> The image in **Figure II-5** shows the parcel in reference to the ocean—to the west, the main roadway—Embarcadero to the east, and the building with the adjacent parking lot.

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<sup>2</sup> Source: Morro Bay Economic Development Roadmap, March 2017

<sup>3</sup> Source: Morro Bay Economic Development Roadmap, March 2017

**Figure II-5**  
**Site of Morro Bay Aquarium**  
**Morro Bay Aquarium**



Source: Google Maps

The image in **Figure II-6** shows the view of the former Morro Bay Aquarium from Marina Street. The Aquarium is well positioned on the Embarcadero near businesses and restaurants and it has waterfront access from the street.

**Figure II-6**  
**Street View of Morro Bay Aquarium**  
**Morro Bay Aquarium**



Source: Google Maps, October 2017

The aquarium is on the waterfront, and has access to the ocean from a wharf in the rear of the building. The image in **Figure II-7** shows the wharf of the former Morro Bay Aquarium.

**Figure II-7**  
**View of the Wharf at Former Morro Bay Aquarium**



Source: ConsultEcon, Inc.

Additionally, from the wharf side of the aquarium, the Morro Rock is visible along with the bay and ocean. **Figure II-8** is an image of the bay visible from Morro Bay Aquarium. The Aquarium's context is very much tied to its location on the water in addition to its relation to the businesses on the Embarcadero.

**Figure II-8**  
**View of Morro Bay from Aquarium**



Source: ConsultEcon, Inc.

### **Morro Bay Aquarium Access**

In Morro Bay, the aquarium site is located on the Embarcadero, a road that runs north-south and parallel to the coastline.

To travel by car to the site requires taking Main Street to one of the minor or side streets of Marina or Pacific Street. The side streets run east-west, connecting the Embarcadero to the main roadways—Morro Bay Boulevard and Main Street. The map in **Figure II-9** shows routes of access to the Morro Bay Aquarium. Connectivity to SR-1, Morro Bay Boulevard, Main Street, and the ancillary streets of Pacific and Marina connect directly or indirectly to the Embarcadero.

**Figure II-9**  
**Map of Street Access to Morro Bay Aquariums**  
**Central Coast Morro Bay Aquarium**



Source: Google Maps and ConsultEcon, Inc.

### **Morro Bay Public Transit Access**

The City of Morro Bay operates a *Call a Ride* shuttle system, a fixed route bus service and a seasonal trolley system. The *Call a Ride* shuttle system is an on-demand bus service that operates along the routes of the bus system, but will travel up to 0.75-mile off the route to do curb to curb service. The *Call a Ride* system could be particularly useful for connecting visitors staying in hotels to the aquarium. The scheduled bus system is also useful as it runs close to the Morro Bay Aquarium, the map in **Figure II-10** shows the routes for the fixed route bus in Morro Bay.

**Figure II-10**  
**Morro Bay Public Transit Bus Route Map**  
**Central Coast Morro Bay Aquarium**



Source: City of Morro Bay Transit

Another Public Transit option is the seasonal trolley system, and it has a route that runs along the Embarcadero. The Trolley service would likely connect tourists to the aquarium since the trolley primarily serves tourists rather than residents. The map in **Figure II-11** shows the routes for the trolley system, and stop seven on the waterfront route is adjacent to the site of the Morro Bay Aquarium. The connection of the aquarium to the trolley system is beneficial because the trolley provides access to major attractions in Morro Bay. Therefore, there is the opportunity to connect sightseeing tourists to the aquarium and to other attractions in Morro Bay.

**Figure II-11**  
**Morro Bay Public Transit Trolley Route Map**  
**Central Coast Morro Bay Aquarium**



Source: City of Morro Bay Transit

Overall, the public transit systems provide a low-cost alternative to taxis and ride-sharing and abates the need to use a personal automobile and find parking, which is scarce in the area.

### **Morro Bay Aquarium Parking**

Finding public parking in the City of Morro Bay can be a challenge for drivers. There are few car parks in downtown Morro Bay, or on the main section of the waterfront, especially where this project is located, and this may act as limiting factor in visitation to the aquarium. The closest public car parks include the former Dynegy Power Plant Facility which is approximately a mile north of the aquarium with 200 parking spaces, and smaller parking lots on Market and Pacific streets.<sup>4</sup> Finally, the City does have street parking, and it is available on a majority of the streets, but in particular to the aquarium there is parking on Pacific, Marina and Main Streets, and the Embarcadero. The city is looking at expanding street parking options by adding paid parking spaces on Morro Bay Boulevard and Market Street. The city of Morro Bay is aware of the parking challenges in the city and has planned to change parking requirements on new builds, and is considering a new parking structure near the mixed-use hotel development in Market Plaza.

At the site there is a small parking lot adjacent to the aquarium. The parking lot in its current condition is not viable to handle high attendance volumes to the Aquarium. For the aquarium to accommodate visitors, it would need to prioritize parking for visitors, whether that is public parking, an adjacent lot, valet parking, or another alternative.

### **Local Context and Adjacent Uses**

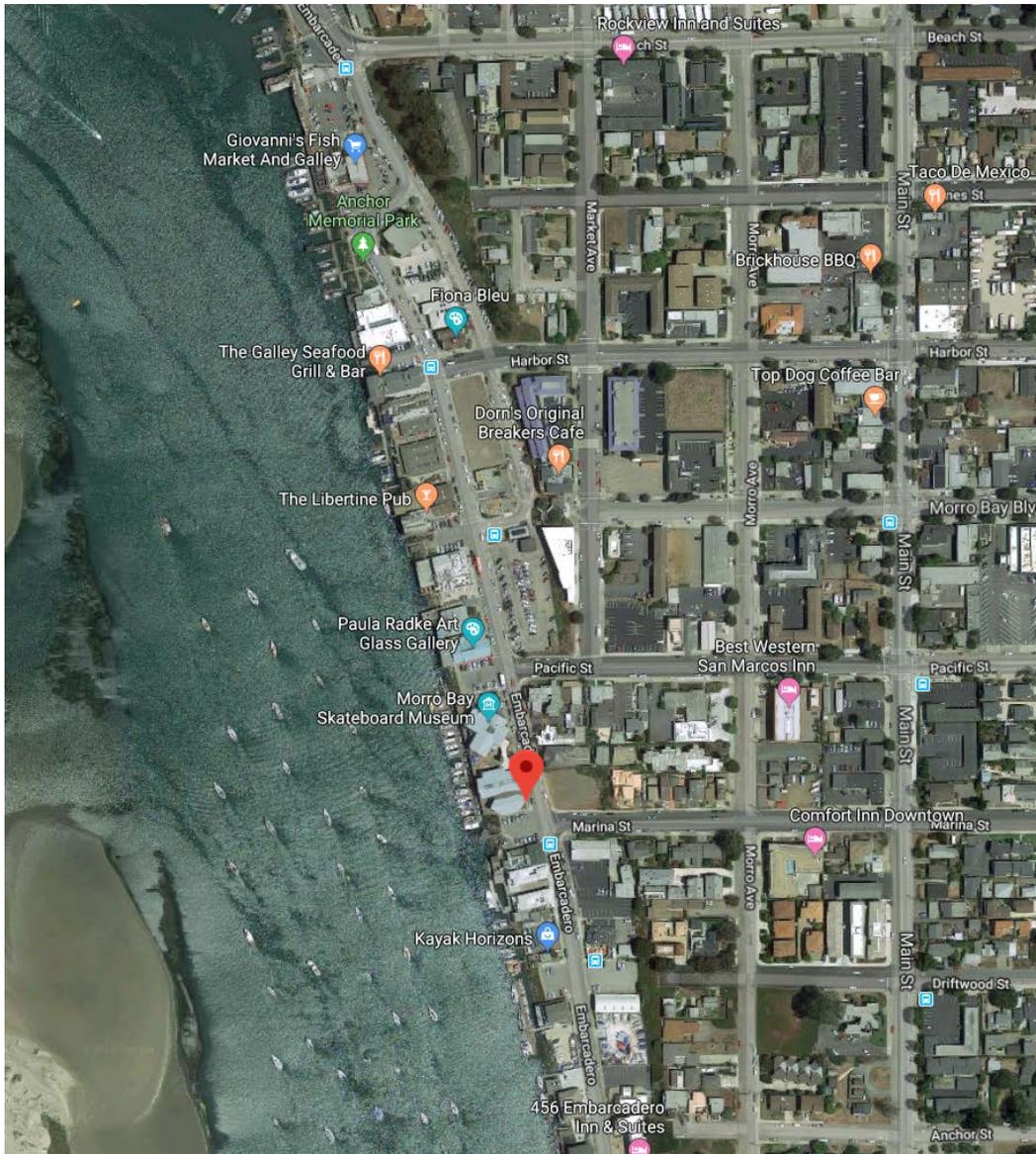
The Morro Bay Aquarium is located on the Embarcadero, which is a road that runs parallel to the oceanfront and has many shops and restaurants along it. Just north of the Morro Bay aquarium is the Morro Bay Skate Board Museum, Paula Radke Art Glass Gallery, Sub Sea Tours—a whale watching tour agency; and to the south is Kayak Horizons—a kayak rental agency; and to the east are a series of chain hotels many of which are within two blocks from

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<sup>4</sup> Source: San Luis Obispo County News “Morro Bay looks to add more parking spaces”  
<https://www.sanluisobispo.com/news/local/article183597351.html>

the waterfront. **Figure II-12** is a satellite image of the area around the site of the Morro Bay Aquarium.

**Figure II-12**  
**Local Context**

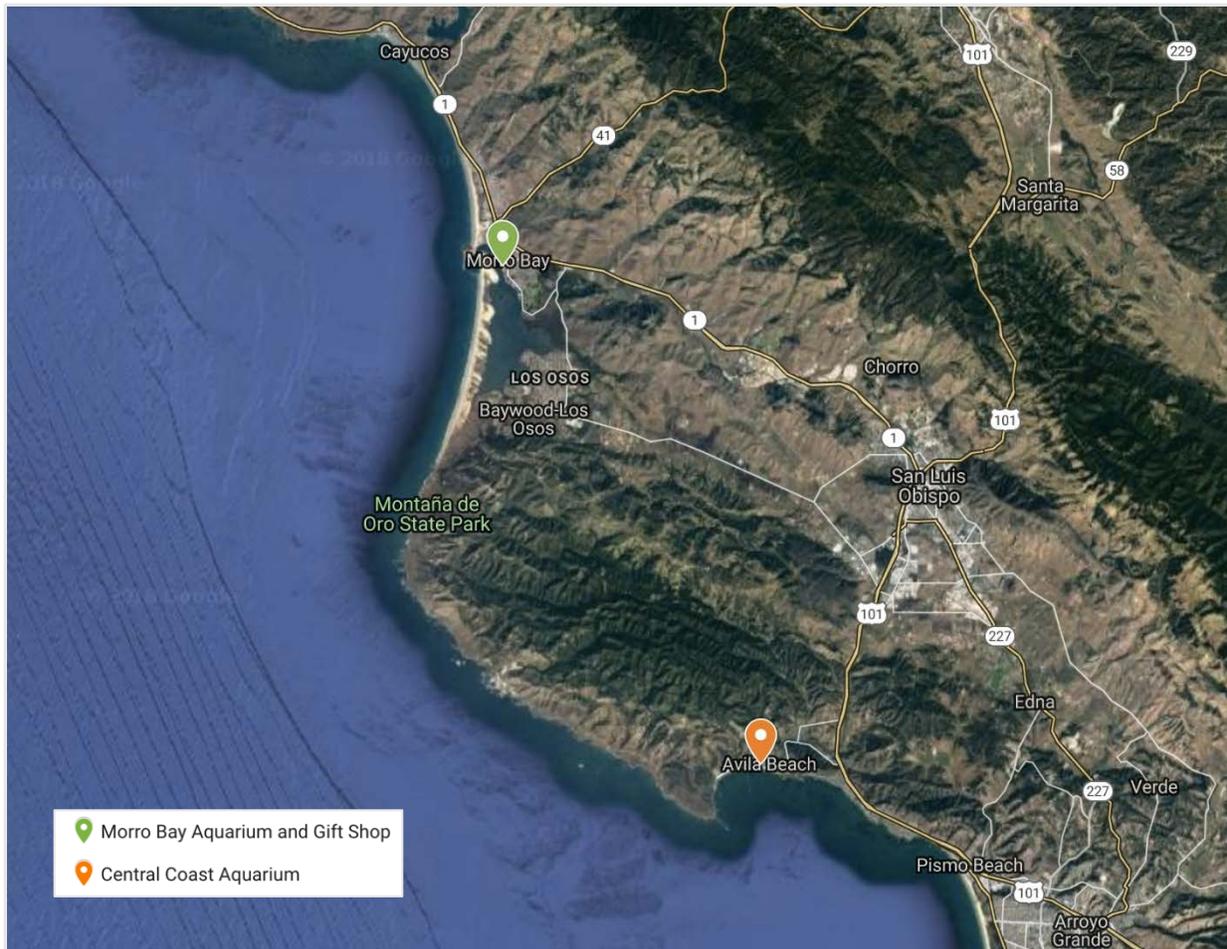


Note: Red Marker shows location of Morro Bay Aquarium  
Source: Google Maps

### Central Coast Aquarium Location Context

The Morro Bay Aquarium and the CCA are located 23 miles apart and connected by California State Route 1 and U.S. 101. Additionally, there is a byway that cuts south of San Luis Obispo connecting Avila Beach and Morro Bay through the town of Los Osos. The map in **Figure II-13** shows the locations of the former Morro Bay Aquarium Morro Bay, CA in relation to CCA in Avila Beach, CA, and the various routes and roadways that one can take to reach either site.

**Figure II-13**  
**Site Map for Central Coast and Morro Bay Aquariums**  
**Central Coast Morro Bay Aquarium**



Source: Google Maps and ConsultEcon, Inc.

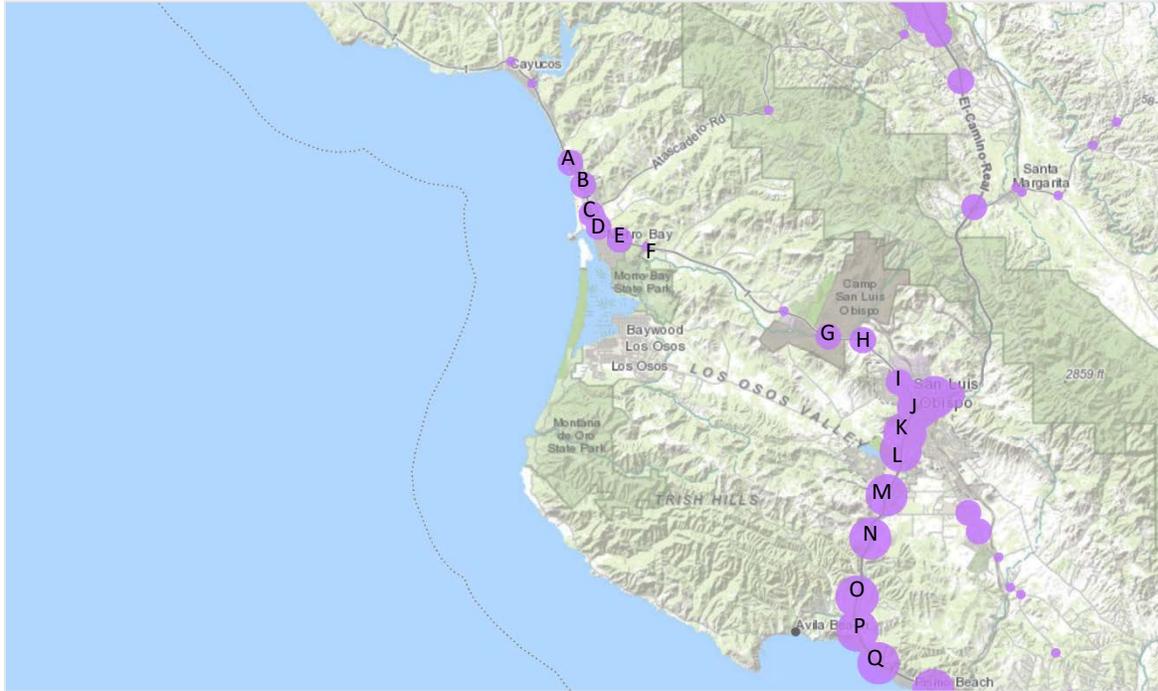
### **Traffic Volumes between Morro Bay and Avila Beach**

The data in **Figure II-14** and **Figure II-15** show the flow of the Average Annual Daily Traffic Counts (AADT) on California State Route 1 for the year 2016.

The map in Figure II-14 shows the traffic that is headed south or west, or a vehicle traveling from Morro Bay going southwest on SR-1 to the Avila Beach Area.

Between San Luis Obispo and Avila Beach there is an increase in traffic volumes, going both north and south bound. Overall traffic volume is lower around Morro Bay than San Luis Obispo and Avila Beach areas. Traffic volumes peak going southbound at marker N (post mile 24.30), which is midway from San Luis Obispo to Avila Beach/Pismo Beach, with a AADT volume of 75,300 vehicles. The increase of southbound travelers is beneficial for the CCA to receive visitors, but also to know that there is an established flow of vehicles going from the Morro Bay area to San Luis Obispo down to Avila Beach.

**Figure II-14**  
**AADT Traveling South or West on CA RTE-1, 2016**  
**Central Coast Morro Bay Aquarium**



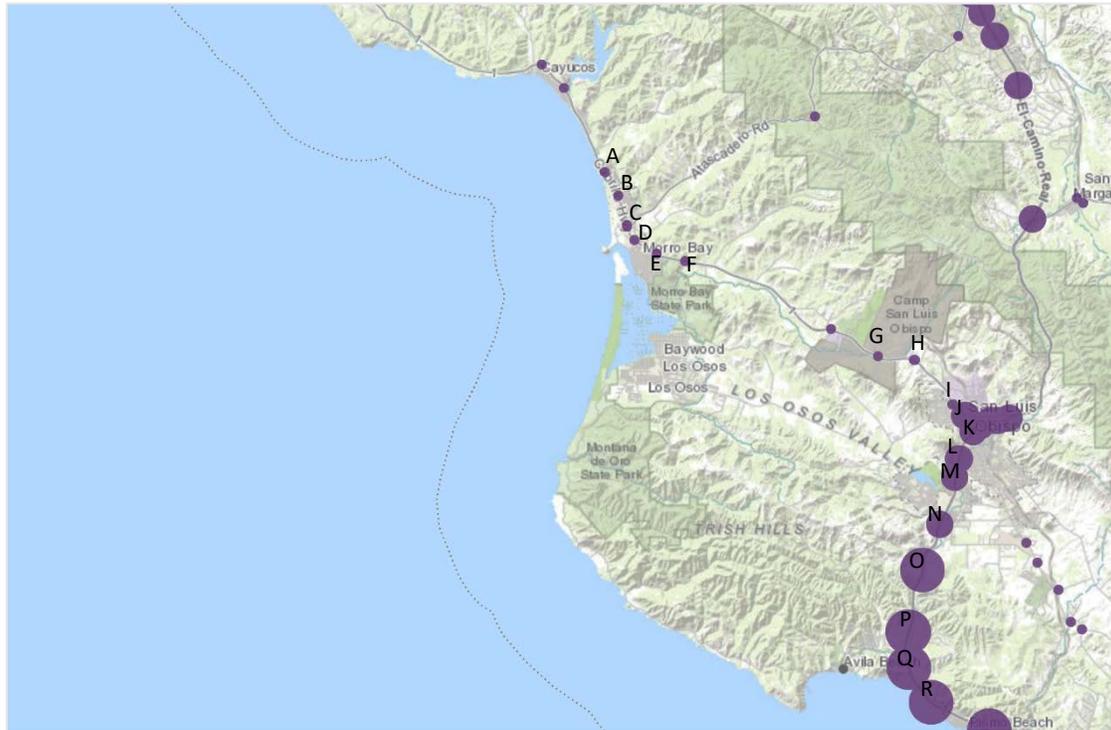
Morro Bay	AADT	San Luis Obispo	AADT	Avila Beach	AADT
A—post mile 31.97	17,300	G—post mile 20.89	20,600	N—post mile 24.30	75,300
B—post mile 31.13	20,500	H—post mile 19.71	25,600	O—post mile 22.29	69,100
C—post mile 30.14	25,000	I—post mile 17.84	29,000	P—post mile 21.12	74,400
D—post mile 29.62	21,300	J—post mile 17.34	33,500	Q—post mile 19.81	73,900
E—post mile 28.82	24,300	K—post mile 29.07	65,100		
F—post mile 27.88	13,100	L—post mile 28.09	73,000		
		M—post mile 27.05	65,300		

Source: California Department of Transportation California—ArcGIS Traffic Analysis Database

The map in Figure II-15 shows the traffic that is headed north or east, or a vehicle traveling from Avila Beach north toward San Luis Obispo or Morro Bay. When heading northbound, the volume of traffic wanes after San Luis Obispo, gradually decreasing as vehicles approach Morro Bay. The northbound traffic flow at marker A (post mile 31.97) is the lowest, at 16,100 vehicles, a considerable difference from Marker R (post mile 19.81) which is south of Avila Beach with 74,400 vehicles. While the overall traffic volume decreases going northbound

there is still traffic flowing north of San Luis Obispo, so there is still a flow of potential visitors heading north.

**Figure II-15**  
**AADT Traveling North or East on CA RTE-1, 2016**  
**Central Coast Morro Bay Aquarium**



Morro Bay	AADT	San Luis Obispo	AADT	Avila Beach	AADT
A—post mile 31.97	16,100	G—post mile 20.89	21,200	N—post mile 25.91	63,400
B—post mile 31.13	16,300	H—post mile 19.71	24,000	O—post mile 24.30	71,000
C—post mile 30.14	n/a	I—post mile 17.84	26,700	P—post mile 22.29	75,300
D—post mile 29.62	25,000	J—post mile 17.34	34,900	Q—post mile 21.12	69,100
E—post mile 28.82	21,300	K—post mile 29.07	54,400	R—post mile 19.81	74,400
F—post mile 27.88	24,300	L—post mile 28.09	58,000		
		M—post mile 27.05	66,500		

Source: California Department of Transportation California—ArcGIS Traffic Analysis Database

### **Site Context Summary**

For the purposes of this market and economic feasibility analysis, the new Morro Bay Aquarium is assumed to be 4,000 square feet (SF) in size with 7,500 gallons of exhibit water.

Morro Bay is a centrally located coastal city in San Luis Obispo County. It is 15 miles northwest of San Luis Obispo and 25 miles north of Avila Beach—where the CCA is located. Morro Bay is off of California State Route 1, which spans a greater portion of the California Coastline, in addition to linking cities like San Luis Obispo and Avila Beach to Morro Bay. The site of the Morro Bay Aquarium is at the former Morro Bay Aquarium located at 595 Embarcadero in the city center of Morro Bay. The Morro Bay Aquarium site is well positioned in the city in reference to commercial areas and public transit, in addition to having waterfront access from a wharf in the rear of the building. Limiting to the potential aquarium is the availability of parking, which is a city-wide challenge. There are on-street parking options, a small 11-car parking lot adjacent to the building, as well as further car parks. Overall, the Morro Bay Aquarium has an excellent site with its prime location on the commercial Embarcadero, its access to the ocean, and the City's connectivity to California State Route 1.

### Section III

## MARKET CONTEXT

This section summarizes the market context for the new Morro Bay Aquarium. Reviews of resident and tourist markets and local attractions are included in this evaluation.

### RESIDENT MARKET

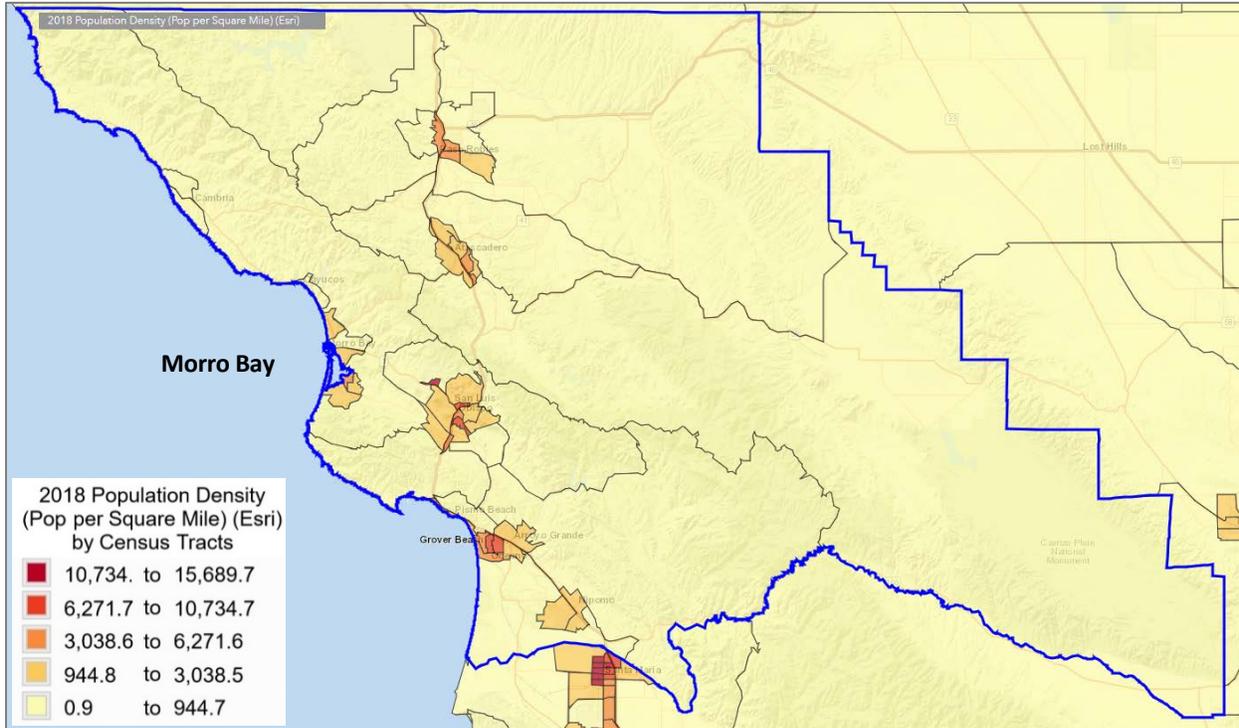
The Resident Market Area is defined as the area whose residents would visit the new Morro Bay Aquarium as a primary purpose or as an important part of a day trip. Resident markets are analyzed within a “gravity model” context, which means that the closer residents live to an attraction, the more likely they are to visit. On its periphery, defined as a 60 minute drive or more the resident market changes over to the tourist market. Ultimately, the geographic reach and available markets for educational visitor attractions depend on the size, quality, and type of products and services offered, the accessibility and location of the attraction, the presence of other competitive attractions, regional transportation networks, and the marketing efforts of the organization.

For the purposes of this analysis, the Resident Market Area for the new Morro Bay Aquarium is defined as San Luis Obispo County, which is further broken down into Primary and Secondary Resident Markets, as follows:

- ◆ Primary Resident Market: City of Morro Bay
- ◆ Secondary Resident Market: Remainder of San Luis Obispo County

**Figure III-1** shows the population density in San Luis Obispo County, which comprises the overall Resident Market Area.

**Figure III-1**  
**San Luis Obispo County Population Density**  
**New Morro Bay Aquarium**



Note: Blue line is boundary of San Luis Obispo County.  
Source: ESRI and ConsultEcon, Inc.

Figure III-2 is a map illustrating the Resident Market Area.

**Figure III-2  
 Resident Market Area Definition  
 New Morro Bay Aquarium**



Primary Resident Market		City of Morro Bay
Secondary Resident Market		San Luis Obispo County

Source: ESRI and ConsultEcon, Inc.

**Resident Market Demographic Characteristics**

The demographic characteristics of the Resident Market Area are provided below. These are also compared to the population characteristics in the State of California and the U.S. as a whole.

Data in **Table III-1** summarize the population trends in the Resident Market Area. The total population in the Resident Market Area was estimated to be approximately 287,900 in 2018. The total Resident Market Area population is projected to increase by 4.5 percent between 2018 and 2023. By comparison, Total Resident Market population growth is slightly greater than that of the State of California and the U.S. as a whole.

**Table III-1**  
**Population Trend in the Resident Market Area, 2010, 2018, 2023**  
**New Morro Bay Aquarium**

	2010	2018	2023	Percent Change, 2010 to 2018	Percent Change, 2018 to 2023
City of Morro Bay	10,234	10,699	11,045	4.5%	3.2%
Remainder San Luis Obispo County	259,366	277,201	289,755	6.9%	4.5%
<b>Total Resident Market Area</b>	<b>269,600</b>	<b>287,900</b>	<b>300,800</b>	6.8%	4.5%
<i>State of California</i>	<i>37,254,000</i>	<i>39,806,800</i>	<i>41,456,900</i>	6.9%	4.1%
<i>United States</i>	<i>308,745,500</i>	<i>330,088,700</i>	<i>343,954,700</i>	6.9%	4.2%

Source: U.S. Census Bureau, Census 2010 Data; Esri forecasts for 2015 and 2020; and ConsultEcon, Inc.

Note: Population numbers are rounded to nearest hundred.

### Age Profile and Trends

Data in **Table III-2** summarize the age profile in the Resident Market Area. The data show that the median age in the Total Resident Market Area is estimated at 40.5 years of age, somewhat older than in the State and the U.S. as a whole. This is borne out by the age distribution, which is more heavily weighted to the oldest 55-plus age group at about one third of the total population, significantly higher than the 26 percent of the population in California and 16 percent of the population for the U.S. as a whole. In addition, the Resident Market Area also has a higher proportion of college age students—18 to 24 years old—due to the location of the California State Polytechnic University - San Luis Obispo.

**Table III-2**  
**Population Age Profile in the Resident Market Area, 2018**  
**New Morro Bay Aquarium**

	Median Age	0 to 17	18 to 24	25 to 34	35 to 54	55 +
City of Morro Bay	50.8	14.5%	6.1%	12.2%	22.2%	44.9%
Remainder San Luis Obispo County	40.1	18.8%	12.4%	13.0%	22.5%	33.3%
<b>Total Resident Market Area</b>	<b>40.5</b>	<b>18.6%</b>	<b>12.2%</b>	<b>13.0%</b>	<b>22.5%</b>	<b>33.8%</b>
<i>State of California</i>	<i>36.2</i>	<i>23.2%</i>	<i>9.9%</i>	<i>15.3%</i>	<i>25.6%</i>	<i>26.0%</i>
<i>United States</i>	<i>38.3</i>	<i>26.7%</i>	<i>11.2%</i>	<i>16.6%</i>	<i>30.1%</i>	<i>15.5%</i>

Source: ESRI and ConsultEcon, Inc.

Note: Remainder San Luis Obispo County Median Age is estimated based on weighted average calculations.

### School Age Children

Data in **Table III-3** summarize the age profile of school aged children in the Resident Market Area. These data show that there were an estimated 37,400 children between the ages of 5 and 17 in the Resident Market Area in 2018. The number of school aged children is expected to increase in overall Resident Market by 3.0 percent during the period 2018 to 2023. The total number of school children in the Resident Market Area is beneficial for school and group trips, as well as being a driver for family attendance.

**Table III-3**  
**Estimated Number of School Age Children in Resident Market Area, 2018**  
**New Morro Bay Aquarium**

	2018 Estimated School-Age Children	2023 Estimated School-Age Children	Percent Change, 2018- 2023
City of Morro Bay	1,000	1,100	10.0%
Remainder San Luis Obispo County	35,300	36,300	2.8%
<b>Total Resident Market Area</b>	<b>36,300</b>	<b>37,400</b>	<b>3.0%</b>
<i>State of California</i>	<i>6,182,500</i>	<i>6,205,100</i>	<i>0.4%</i>
<i>United States</i>	<i>53,988,400</i>	<i>55,060,400</i>	<i>2.0%</i>

Source: ESRI and ConsultEcon, Inc.

Note: Total population numbers are rounded to nearest hundred.

### Educational Attainment

Data in **Table III-4** show the educational attainment of the population over 25 years old in the Resident Market Areas in 2018. In the Resident Market Area, educational attainment is strong. This is considered an indicator of interest in educational attractions such as aquariums. Overall, the percentage of the population over 25 years old holding bachelor's and graduate/professional degrees is higher in the Resident Market Area than it is in the State or U.S. as a whole.

**Table III-4**  
**Educational Attainment of Population over 25 years old, 2018 Estimate**  
**New Morro Bay Aquarium**

	Less than 9th Grade	9th-12 Grade, no Diploma	High School Graduate	GED/ alternative credential	Some College, no degree	Associate's degree	Bachelor's degree	Graduate/ professional degree	Total
City of Morro Bay	331	357	1,359	272	2,234	620	1,946	1,385	8,504
Remainder San Luis Obispo County	8,039	10,206	31,324	4,910	49,382	19,110	43,094	24,722	190,786
<b>Total Resident Market Area</b>	<b>8,370</b>	<b>10,562</b>	<b>32,684</b>	<b>5,182</b>	<b>51,616</b>	<b>19,730</b>	<b>45,040</b>	<b>26,107</b>	<b>199,290</b>
<i>State of California</i>	<i>2,556,394</i>	<i>2,077,070</i>	<i>4,793,239</i>	<i>612,469</i>	<i>5,618,741</i>	<i>2,050,441</i>	<i>5,565,483</i>	<i>3,355,267</i>	<i>26,629,106</i>
<i>United States</i>	<i>11,702,677</i>	<i>15,978,655</i>	<i>51,761,839</i>	<i>9,002,059</i>	<i>46,135,553</i>	<i>19,129,375</i>	<i>44,110,089</i>	<i>27,456,280</i>	<i>225,276,527</i>
<b>Percent to Total</b>									
City of Morro Bay	3.9%	4.2%	16.0%	3.2%	26.3%	7.3%	22.9%	16.3%	100.0%
Remainder San Luis Obispo County	4.2%	5.3%	16.4%	2.6%	25.9%	10.0%	22.6%	13.0%	100.0%
<b>Total Resident Market Area</b>	<b>4.2%</b>	<b>5.3%</b>	<b>16.4%</b>	<b>2.6%</b>	<b>25.9%</b>	<b>9.9%</b>	<b>22.6%</b>	<b>13.1%</b>	<b>100.0%</b>
<i>State of California</i>	<i>9.6%</i>	<i>7.8%</i>	<i>18.0%</i>	<i>2.3%</i>	<i>21.1%</i>	<i>7.7%</i>	<i>20.9%</i>	<i>12.6%</i>	<i>100.0%</i>
<i>United States</i>	<i>5.2%</i>	<i>7.1%</i>	<i>23.0%</i>	<i>4.0%</i>	<i>20.5%</i>	<i>8.5%</i>	<i>19.6%</i>	<i>12.2%</i>	<i>100.0%</i>

Source: ESRI and ConsultEcon, Inc.

### Household Composition

Data in **Table III-5** summarize household characteristics in the Resident Market Area. In 2018, there were an estimated 108,400 households in the Resident Market Area, of which 62.5 percent were family households. This proportion of family households is slightly lower than that of the State of California and the U.S. as a whole. The household make-up data is an indicator that the exhibits and programs of the New Morro Bay Aquarium should be geared not only to children and families, but also to the general public and to adults.

**Table III-5  
 Resident Market Household Profile, 2018  
 New Morro Bay Aquarium**

	Estimated Number of Households	Estimated Number of Family Households	Percent of Families to Total Households	Average Household Size
City of Morro Bay	5,000	2,700	54.0%	2.11
Remainder San Luis Obispo County	103,400	65,000	62.9%	2.68
<b>Total Resident Market Area</b>	108,400	67,700	62.5%	2.51
<i>State of California</i>	<i>12,577,500</i>	<i>8,642,500</i>	<i>68.7%</i>	<i>2.92</i>
<i>United States</i>	<i>124,110,000</i>	<i>81,631,200</i>	<i>65.8%</i>	<i>2.59</i>

Source: ESRI and ConsultEcon, Inc.

Note: Population numbers are rounded to nearest hundred. Average Household Size in Remainder San Luis Obispo County is estimated based on weighted average calculations.

### Household Income

Data in **Table III-6** summarize the household income characteristics in the Resident Market Area. The median household income in the Resident Market Area is \$65,700 which was slightly lower than that of the State of California, but conversely higher than that of the U.S. as a whole. Regarding affordability, 62 percent of households earned more than \$50,000 per year and almost one third of households earned more than \$100,000 annually. These data indicate that a large percentage of resident market residents have income levels that could afford an educational attraction such as the new Morro Bay Aquarium. Nonetheless, ticket pricing policies should be set to be affordable to families with lower income levels as well.

**Table III-6**  
**Percent of Resident Market Area Households by Income Group, 2018**  
**New Morro Bay Aquarium**

	Median Household Income	Less than \$25,000	\$25,000-\$49,999	\$50,000-\$74,999	\$75,000-\$99,999	\$100,000+
City of Morro Bay	\$55,663	22.3%	22.2%	18.3%	12.5%	24.8%
Remainder San Luis Obispo County	\$70,083	17.7%	19.9%	17.0%	12.6%	32.8%
<b>Total Resident Market Area</b>	<b>\$65,731</b>	<b>17.9%</b>	<b>20.0%</b>	<b>17.1%</b>	<b>12.6%</b>	<b>32.4%</b>
<i>State of California</i>	<i>\$69,051</i>	<i>17.9%</i>	<i>18.9%</i>	<i>16.1%</i>	<i>12.2%</i>	<i>34.9%</i>
<i>United States</i>	<i>\$58,100</i>	<i>20.6%</i>	<i>22.1%</i>	<i>17.6%</i>	<i>12.5%</i>	<i>27.2%</i>

Source: ESRI and ConsultEcon, Inc.

Note: Remainder San Luis Obispo County Median Household Income is estimated based on weighted average calculations.

### Resident Market Summary

The Resident Market Area for the new Morro Bay Aquarium is defined as residents of San Luis Obispo County. The Resident Market Area population has the following demographic characteristics:

- ◆ A median age of 40.5; a population somewhat older than that of the State of California and the U.S. as a whole.
- ◆ A population in a key market segment – children ages 5 to 17 - that is projected to increase by approximately 3.0 percent over the period 2018 to 2023 – a rate that is higher than both that of the State and the U.S. as a whole.
- ◆ In 2018, 35.7 percent of the population over 25 years old had attained bachelors and advanced degrees, which was a higher percent of population than in California, and the U.S. In the Resident Market Area, educational attainment is strong. This is considered a positive indicator for interest in educational attractions such as aquariums.
- ◆ A household profile in which approximately 62.5 percent of households are family households. This proposal of family households is slightly lower than in the State and the U.S. as a whole. The household make-up is an indicator that the exhibits and programs of the new Morro Bay Aquarium should be geared not only to children and families, but also to the general public and to adults.
- ◆ A median household income of \$65,700 with 62 percent of households earning more than \$50,000 per year and almost one third of households earning more than \$100,000 annually. These data indicate that a large percentage of resident market residents have income levels that could afford an educational attraction such as the

new Morro Bay Aquarium. Nonetheless, ticket pricing policies should be set to be affordable to families with lower income levels as well.

## **TOURISM MARKET**

The following section reviews the characteristics of the tourist market in San Luis Obispo County and the City of Morro Bay in California. Tourist market segments in San Luis Obispo County include:

- ◆ Overnight destination visitors to San Luis Obispo County, including:
  - Visitors staying in area hotels and motels and other paid lodging
  - Visitors staying with friends and relatives (VFR's) in private homes
- ◆ Day trip and pass through tourists, including:
  - California residents from outside of the defined Resident Market Area

Information presented in this section is based on data provided by SLO CAL<sup>5</sup>, Morro Bay Tourism Bureau, and interviews with local stakeholders.

### **California Tourism**

California is one of the most popular tourism destination states. In 2017, there were 273.7 million visitors to California that generated \$132.4 billion in visitor expenditures in the State. California's ample coastline and reputation for being a laid-back destination are key reasons for many trips, but California also is home to the entertainment industry, major U.S. cities with significant cultural institutions, theme parks and attractions, and a variety of National Parks and outdoor recreation sites. The landscape and experiences available are diverse which reinforces the varied tourist profile in the state.

### **San Luis Obispo County**

Located on California's central coast, San Luis Obispo County offers a strong array of outdoor and coastal activities. Situated between San Francisco and Los Angeles, the central coast is home to Highway One—a major coastal road, national and state parks, a wine

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<sup>5</sup> SLO CAL is San Luis Obispo California (Tourism agency).

region and small beach towns. The attractive geography offers 350 miles of coastal cliffs, natural and protected shorelines, and sunny beaches. These assets are primary reasons for visitors coming to the area. The county has a reputation for being an adventurous, unpretentious, genuine place to travel to—which often attracts young professionals and young families.

In San Luis Obispo County specifically, key visitor segments include leisure travelers, visiting friends and relatives, seasonal residents and business travelers, and day trippers. San Luis Obispo County offers a range of attractions and events that are significant draws for leisure travelers, including a large segment of destination overnight leisure travelers. The community also benefits from having inland and coastal access. Tourism in San Luis Obispo is a \$1.75 billion industry and a top economic driver for the county.<sup>6</sup> SLO CAL is looking to widen its tourist market, as currently it is a primarily regional tourist market to San Francisco and Los Angeles.

### **Visitor Volume and Key Metrics**

San Luis Obispo County receives many visitors each year, and the volume of visitors from 2014 to 2017 has grown 5.9 percent. Respectively, 6.8 million visitors came to SLO County in 2014 which grew to 7.2 million visitors by 2017. In FY 2015,<sup>7</sup> 63 percent of the total visitors were ages 22 to 39. Approximately one half of the travelers in the party came with children, with the majority of kids aged 6 to 17; and, travelers in their 30s have the highest rate of traveling with children. A majority of travelers are college graduates and married. Additionally many travelers are California residents, commonly living in Los Angeles, CA; Fresno-Bakersfield, CA; and also strong markets are Portland, OR; Phoenix, AZ; and Florida.

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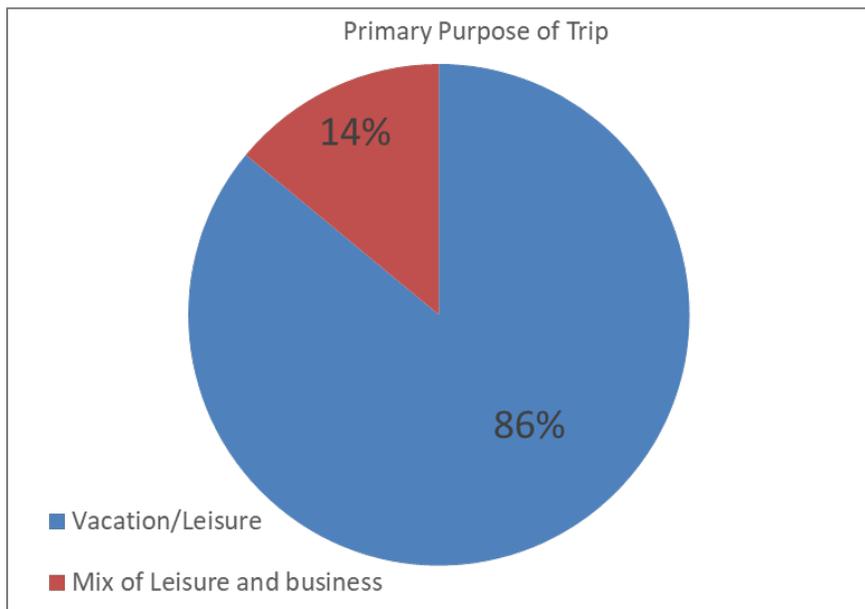
<sup>6</sup> Interview with Chuck Davison at SLO CAL on July 18, 2018

<sup>7</sup> SLO County Fiscal Year 2015 goes from March 2015 to February 2016

### Trip Purpose

Almost nine out of ten visitors to San Luis Obispo County made their most recent trip for leisure purposes. Data in **Figure III-3** shows the split between leisure and leisure-business travelers—SLO County is heavily a leisure destination at 86 percent of all trip purposes.

**Figure III-3**  
**Primary Trip Purpose to San Luis Obispo County, FY 2015**



Source: Visit San Luis Obispo County and Merrill Research, Share of Wallet Study, 2016

### Length of Stay and Repeat Visitation

The average length of stay for visitors was 3.6 nights in FY 2015. Approximately 80 percent of visitors spent between two to five nights in San Luis Obispo County in that year. Out of state visitors and visitors under 50 were more likely to have longer stays. On average, visitors made two trips to San Luis Obispo County in the past fiscal year. Around one-third of visitors have made more than three trips in the past. People in their 30's and with a household income of \$75,000 to \$100,000 were the most frequent visitors.

**Seasonality of Visitation**

FY 2015 had a balance of visitors throughout the year with typical high season, shoulder and low seasons. June and August had the highest proportion of total visitors at 10 percent and 12 percent of total visitors, respectively. April and March had the fewest visitors at 4 percent. Having most of the year with strong to moderate levels of visitation is beneficial to operating an aquarium because the “off-season” is relatively short. Data in **Table III-7** show the percentage of visitors to SLO County by month for FY 2015.

**Table III-7**  
**Seasonality of Trips to SLO County, FY 2015**

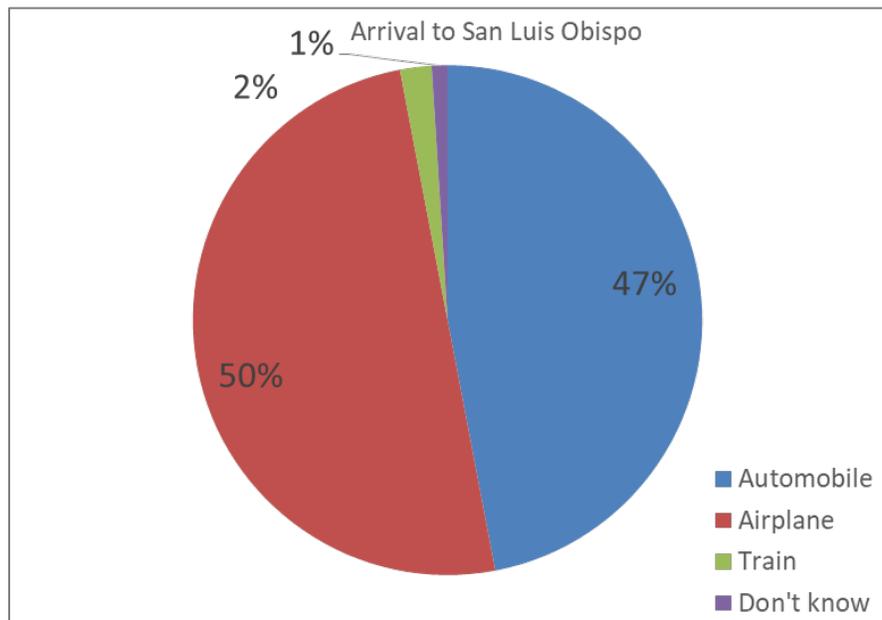
Base: Past Visitors	TOTAL
<b>When Visited (N)</b>	<b>400</b>
March '15	7%
April '15	4%
May '15	7%
June '15	10%
July '15	9%
August '15	12%
September '15	8%
October '15	7%
November '15	9%
December '15	8%
January '16	9%
February '16	6%
March '16	4%

Source: Visit San Luis Obispo County and Merrill Research, Share of Wallet Study, 2016

### Transportation Used

Data in **Figure III-4** show how visitors arrive in San Luis Obispo. There is a split between travelers arriving to San Luis Obispo by plane and by automobile. Slightly more travelers are arriving by plane—50 percent—than coming by auto at 47 percent. San Luis Obispo has a regional airport that makes connections to larger California cities, which makes it an easy destination for California residents, but a harder to reach destination for those living out of the state who have to make connections to reach San Luis Obispo County.

**Figure III-4**  
**Arrival Method to San Luis Obispo County, FY 2015**



Source: Visit San Luis Obispo County and Merrill Research, Share of Wallet Study, 2016

### Visitor Spending

On average for FY 2015, visitors spent \$2,100 during their last visit to San Luis Obispo County, which represented 44 percent of their total annual leisure travel budgets/spending. Accommodations and food spending accounted for half of spending in the county. Spending is particularly strong in San Luis Obispo, Morro Bay and Pismo Beach. Data in **Table III-8** show the break out of how visitors spend while visiting San Luis Obispo County. Entertainment, Arts/Cultural and Other Activities represent about 25 percent of

their actual spending. Combined these are key items that visitors spend money on outside of food and accommodations.

**Table III-8**  
**Arrival Method to San Luis Obispo County, FY 2015**

Base: Past Visitors	TOTAL
<b>Spending Allocation Average (N)</b>	<b>400</b>
Accommodations	29%
Food	21%
Wine	8%
Entertainment	10%
Arts/Cultural	6%
Activities	9%
Shopping	11%
Local transportation	6%
Other	1%

Source: Visit San Luis Obispo County and Merrill Research, Share of Wallet Study, 2016

### **Paid Lodging/ Accommodations**

All paid lodgings, including hotels and motels, vacation rentals, campgrounds and other transient accommodations are required to pay the tourist development tax in San Luis Obispo county. In FY 2015 the majority of visitors stayed in a hotel and motel accommodations, 60 percent and 9 percent respectively. Nine percent of visitors are staying in unpaid accommodations—with friends or family. Those aged 30 to 39 are more likely than other age groups to stay in a resort.

### **City of Morro Bay, San Luis Obispo County**

Morro Bay is considered one of the most affordable destinations on the Central Coast of California. Known for the Morro Rock, Morro Bay has a reputation as a classic California beach town.

### Visitor Volume and Key Metrics

The Morro Bay Tourism Bureau/ City of Morro Bay<sup>8</sup> estimates that in 2017 the city received nearly 800,000 tourists. Visitor volume in Morro Bay increased by 3.0 percent from 2016—continuing a trend in increasing visitor volumes since 2014. Of the approximate 800,000 visitors there were an estimated 511,500 overnight guests and 286,500 day visitors. Both overnight and day visitation increased from the previous year. Respectively, overnight visitors increased by 4.2 percent and day visitors increased by 0.8 percent. Among overnight visitors the average length of stay was 1.6 nights.

### Visitor Spending

Visitor spending has a significant impact on the local economy. San Luis Obispo County CVB reports that tourist dollar spending can be broken down by the following:

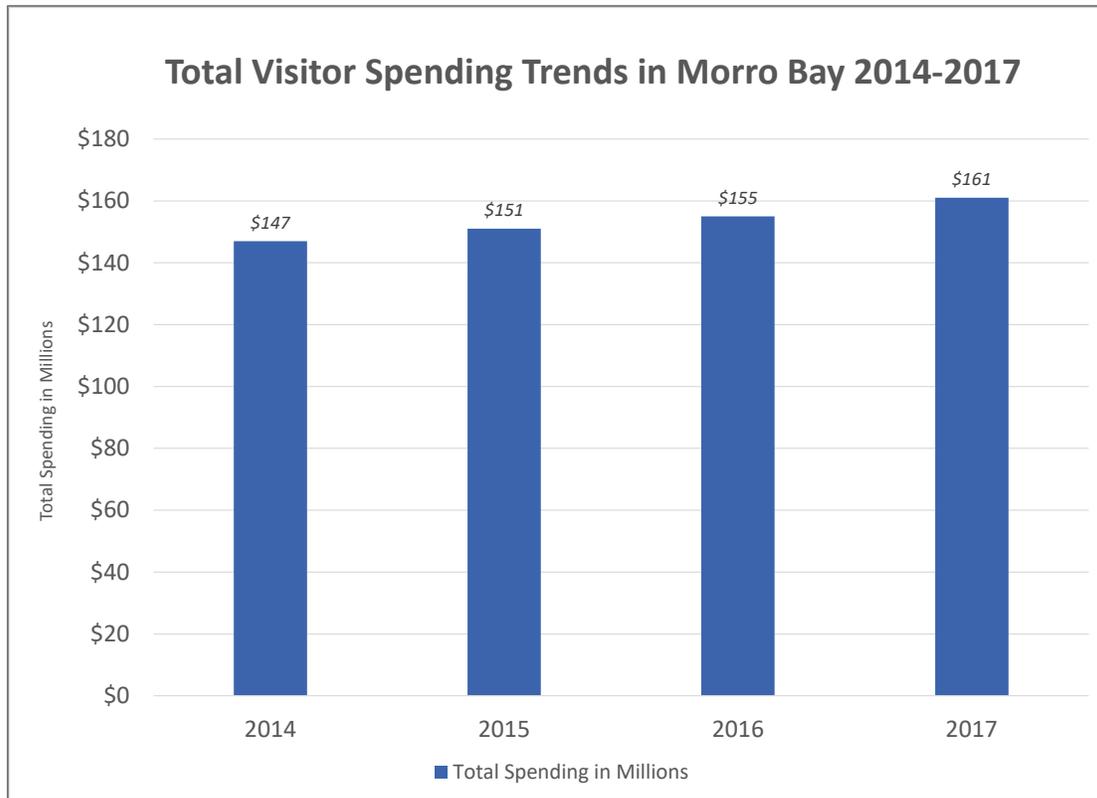
- ◆ Food and Beverage: 33%
- ◆ Lodging: 32%
- ◆ Retail Sales: 20%
- ◆ Entertainment and Recreation: 15%

Data in **Figure III-5** show the trend of total visitor spending in Morro Bay from 2014 to 2017. The total expenditures has increased between 2014 and 2017 by \$14 million. Visitor spending has increased in tandem with increases in number of visitors.

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<sup>8</sup> The Morro Bay Tourism Bureau was dissolved in 2017 and moved into tourism marketing and sales department under the City of Morro Bay.

**Figure III-5**  
**Total Visitor Spending Trends in Morro Bay from 2014 to 2017**



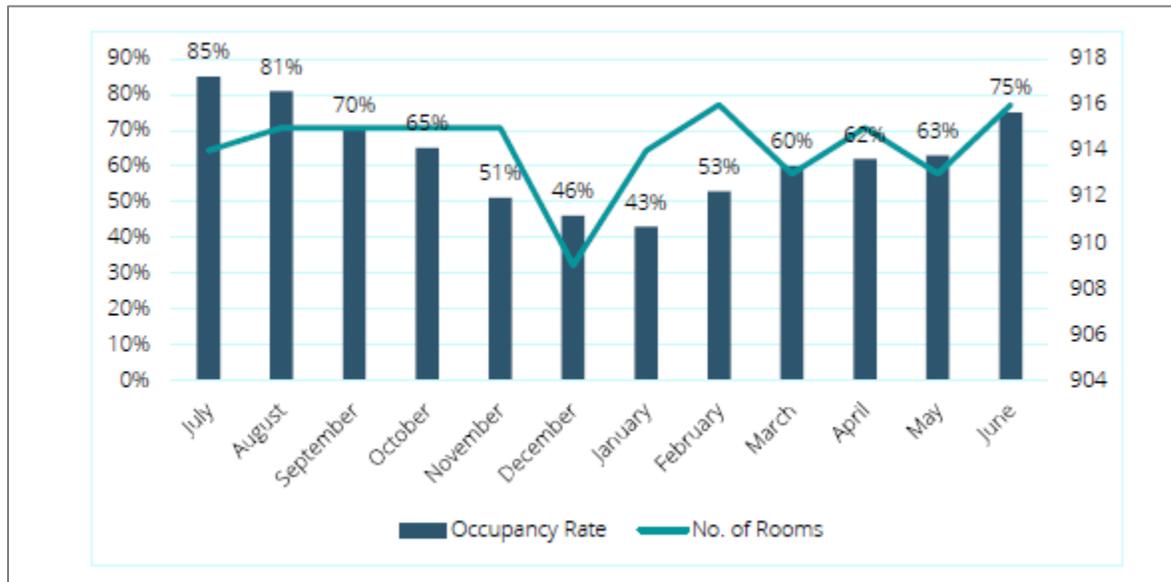
Source: Morro Bay Visitor Impact Study, 2018, Tourism Economics, and ConsultEcon, Inc.

### Lodging Trends

**Figure III-6** below shows the occupancy rates and room nights of hotels and motels from FY 2015 to FY 2016<sup>9</sup>. The trend shows that occupancy rates are as would be expected lowest in the winter months and are highest in the summer—peak occupancy occurred in July 2015 with 85 percent of hotel occupancy.

<sup>9</sup> Morro Bay Fiscal Year 2015-2016 occurred from July 2015 to June 2016.

**Figure III-6**  
**Hotel and Motel Occupancy and Room Nights (000)**  
**FY 2015-2016**



Source: Discover Morro Bay—Marketing and Sales Plan, 2017 City of Morro Bay, 2016

### Tourism Market Summary

For 2017, the Morro Bay Tourism Bureau/ City of Morro Bay estimated a total of 800,000 visitors to Morro Bay. In San Luis Obispo County, almost 90 percent of visitors came for leisure/vacation purposes, and many travelers are California residents. Visitation to Morro Bay is strong in the summer months (June through August) with at least 75 percent of hotel rooms occupied in FY 2015-2016. A majority of the visitors were overnight guests with an average length of stay of 2.2 nights. Many visitors stay two to five nights, with out of state visitors having longer stays.

Visitors spent the most money in San Luis Obispo, Morro Bay and Pismo Beach. Travelers spent 25 percent of their trip expenses on entertainment, cultural, art and other activities. These data suggest that visitor spending is strong in Morro Bay and that tourists are likely to be interested in and be able to afford an aquarium visit. The large and growing volume of tourists to Morro Bay and San Luis Obispo County will increase the visitation base for the aquarium, especially if tourists are staying multiple nights.

**LOCAL ATTRACTIONS**

The primary attractions of San Luis Obispo County are its beaches and scenic Highway One. The region also offers a number of museums, historic sites, natural areas, and recreational attractions. The information in **Table III-9** gives the characteristics of selected popular local attractions in San Luis Obispo County.

**Table III-9  
 Morro Bay/SLO CAL Area Museums & Attractions  
 New Morro Bay Aquarium<sup>10</sup>**

Attraction	Attendance	Admission Prices	Description
Hearst Castle	750,000	\$25.00 adult \$12.00 child	San Simeon’s Hearst Castle is a decadent and meticulously preserved hilltop estate that brings history to life. Home to art collector and newspaper magnate William Randolph Hearst, Hearst Castle is now an accredited museum and a California State Park. Known as the “Enchanted Hill,” the castle displays Mr. Hearst’s extensive art collection.
Mission San Luis Obispo de Tolosa	200,000	No charge; donations accepted	Founded in 1772 and built on its current foundation in 1792, the still active Mission church lies at the center of modern-day downtown San Luis Obispo. Just outside the Mission lies the open community park and San Luis Creek, an area called Mission Plaza, which faces the shopping and dining district of downtown and hosts many community events such as free summer Concerts in the Plaza.
Morro Bay State Park Museum of Natural History	60,000	\$3.00 adult Free 17 & younger	Natural History Museum with collections re: Chumash Indians; birds & mammals study skins; live mounts; reptiles; insects & other invertebrates; plants including marine algae; rocks; minerals; fossils; shells; estuary below museum.
Charles Paddock Zoo	60,000	\$7.00 adult \$6.00 senior 65+ \$5.00 child 3-11	The Zoo is the home of rare Malayan tiger, spider monkeys, meerkats, an aviary and many more unique species.
San Luis Obispo Museum of Art	54,000	No charge; donations accepted	Art Museum with paintings, sculpture, art education, film, tours, lectures.
San Luis Obsipo Children’s Museum	50,000	\$8.00 adult & child \$7.00 military family members \$5.00 senior 60+	Children’s museum featuring hands-on exhibitions, educational programs, parties & events.
History Center of San Luis Obispo County	20,400	No charge; donations accepted	History museums with temporary exhibitions; special lectures; music events; book signings.
Central Coast Aquarium	22,900	\$8.00 adult \$5.00 senior Free child 2 & under	Aquarium featuring dozens of species, large and small, ranging from the giant pacific octopus to sea stars, rock crabs, smooth hound sharks, and lesser known gumbboot chiton.
Paso Robles Children’s Museum	20,000	\$7.00 adult \$6.00 child 1-13 \$5.00 grandparent	Children’s museum with hands-on exhibitions & educational programs.
South County Historical Society	10,000	No charge; limited hours or by appointment, depending on which building.	History Museum featuring Native American artifacts; Mexican Land Grant Era; early California statehood, schools, lifestyle & agriculture from 1800-1960; period furnishings; personal artifacts; carvings; Cumash Indian baskets; barn; period vehicles. Historic Buildings: 1902 Joof Hall; 1889 Heritage House Museum; 1901 Santa Manuela Schoolhouse; 1889 Paulding History House.

<sup>10</sup> Note that Hearst Castle attendance has fluctuated substantially in recent years.

**Table III-9 (Cont.)  
 Morro Bay/SLO CAL Area Museums & Attractions  
 New Morro Bay Aquarium**

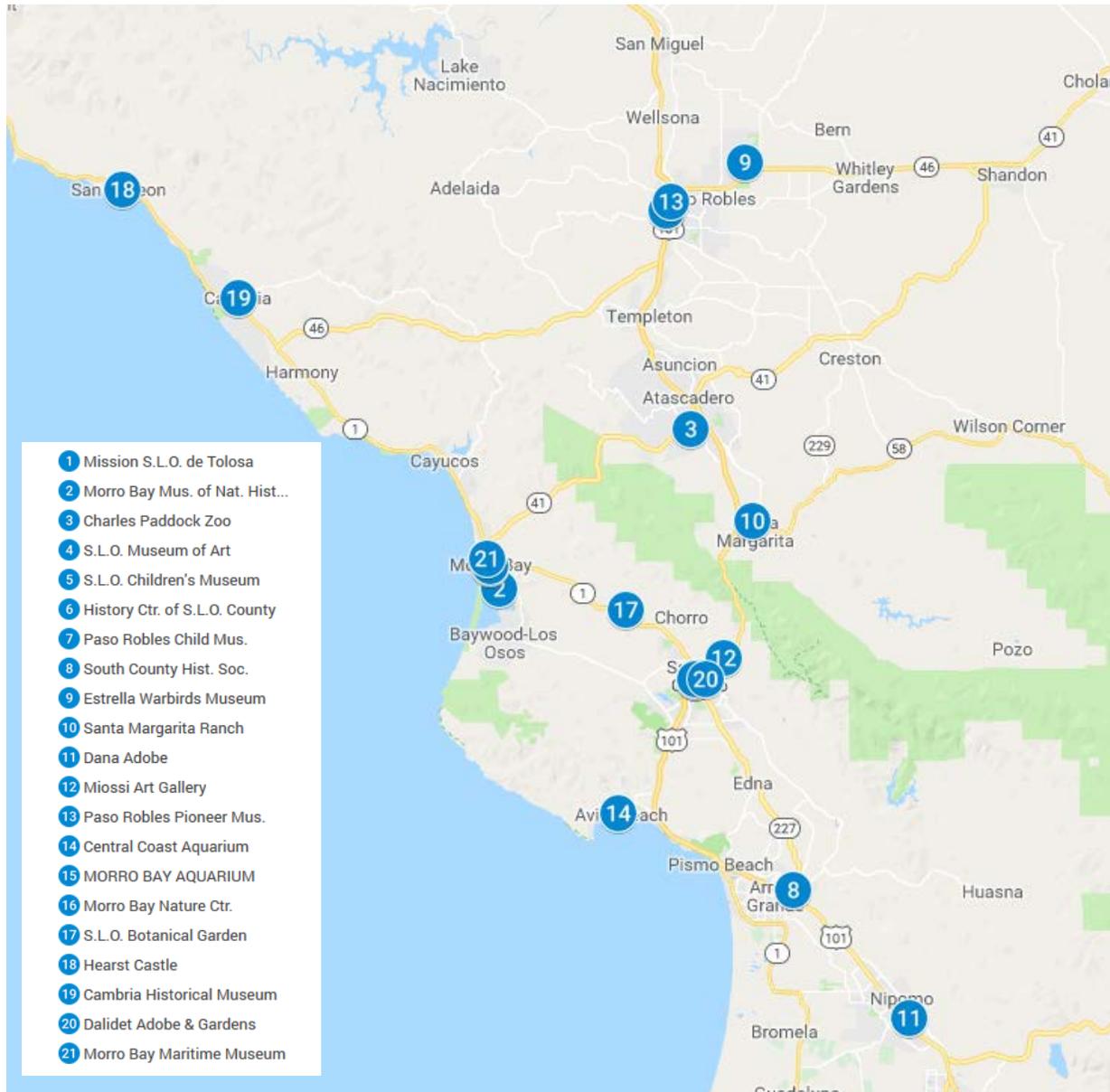
Attraction	Attendance	Admission Prices	Description
Estrella Warbirds Museum	7,900	\$12.00 adult \$10.00 senior 60+	Military history museum featuring aircraft & vehicles; personal artifacts; photographs.
Santa Margarita Ranch House National Historic Site	6,000	No charge; donations accepted	Historic site featuring early California period furnishings; ranch tools; clothing; photographs. Historic Buildings: Santa Margarita ranch house; chapel; bunk house; adobe buildings.
Dana Adobe	5,000	NA	Historic Home & Rancho; History Museum.
H.J. Miossi Art Gallery	1,000	No charge; donations accepted	Art gallery with works by contemporary artists.
Morro Bay Maritime Museum	NA	No charge	Recently opened (Sept. 2018) Maritime Museum featuring historic and military vessels.
Paso Robles Pioneer Museum	NA	No charge; donations accepted	Museum with a 1-room schoolhouse, 2-cell jail replica & other exhibits of life during pioneer days.
Morro Bay Aquarium and Gift Shop	NA	\$3.00 Discounted seniors and military	Closed
Morro Bay National Estuary Nature Center	NA	No charge.	Nature center with interactive kiosk with maps & videos; local watershed; estuary habitats & wildlife; steelhead trout tank; eelgrass; stewardship & resource conservation.
San Luis Obispo Botanical Garden	NA	No charge; donations accepted	The San Luis Obispo Botanical Garden is located near the Pacific Ocean on the Central Coast of California.
Cambria Historical Museum	NA	NA	Historical Museum featuring restored Guthrie-Bianchini House
Dalidet Adobe and Gardens	NA	No charge; donations accepted	History Museum with furniture, paintings and personal artifacts.

Source: SLOCAL, Official Museum Directory online July 2018, facilities listed, and ConsultEcon, Inc.

As illustrated by data in Table III-9 and III-10, attendance and pricing vary between the attractions. Hearst Castle is the most important and popular attraction, and it has the highest ticket prices. Among other attractions, The Mission San Luis Obispo de Tolosa is among the most popular attractions, followed by the Morro Bay State Park Museum of Natural History, the Charles Paddock Zoo, the San Luis Obispo Museum of Art and the San Luis Obispo Children's Museum. Admission prices at these attractions are typically \$5.00 to \$12.00 for adult admission, certain attractions may cost more or less.

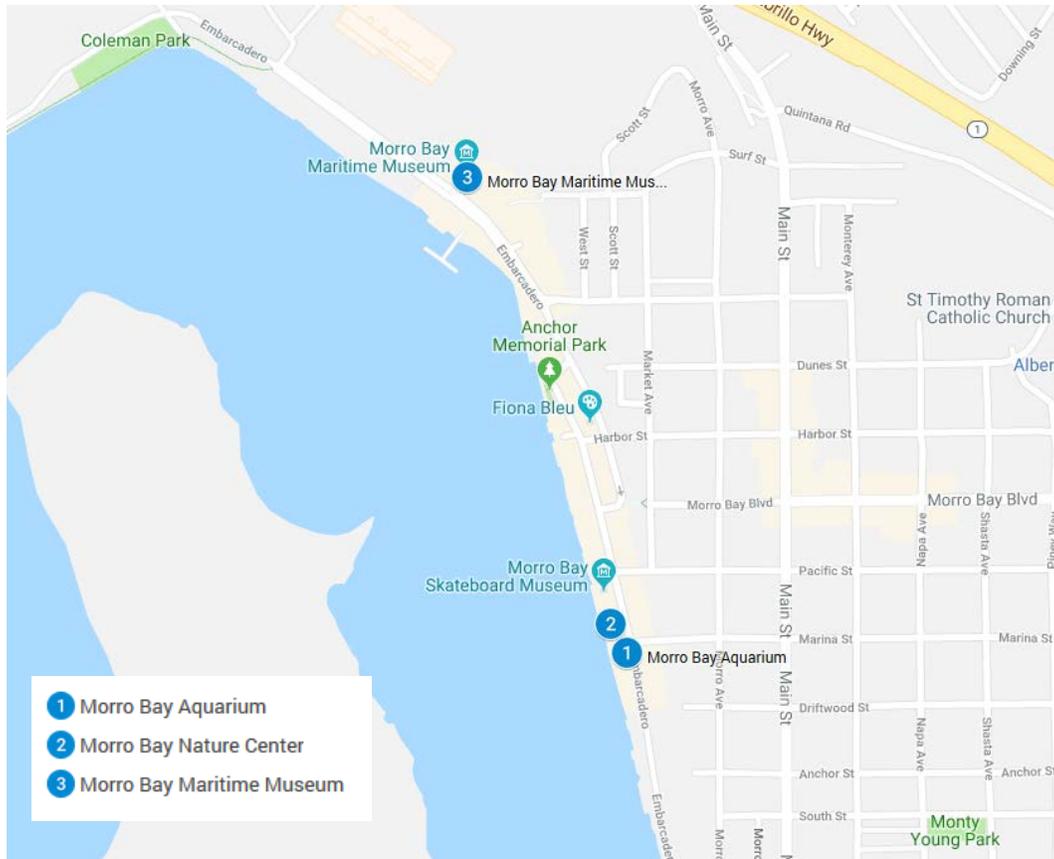
**Figure III-7** and **Figure III-8** below illustrates the locations of the attractions profiled in the table above.

**Figure III-7**  
**Wide-range view of Attraction Locations**  
**New Morro Bay Aquarium**



Source: ConsultEcon, Inc. and Google maps. (Note: Some of the attractions location points overlap)

**Figure III-8**  
**Close-range View of Attraction Locations**  
**New Morro Bay Aquarium**



Source: ConsultEcon, Inc. and Google maps.

### Local Attractions Summary

The major draw to San Luis Obispo County is the natural beauty and the beaches; and, Hearst Castle, located north of Morro Bay is by far the major visitor attraction. There is a wide variety of other cultural, art, zoo/aquarium, and outdoor attractions in San Luis Obispo County, most of which are reasonably priced \$5.00 to \$13.00. A revitalized Morro Bay Aquarium will benefit and enhance the current inventory of attractions in the region.

**CHARACTERISTICS OF CALIFORNIA AZA-ACCREDITED AQUARIUMS**

Data in **Table III-10** describe selected characteristics of AZA-accredited aquariums in the State of California. The accompanying map depicts their locations.

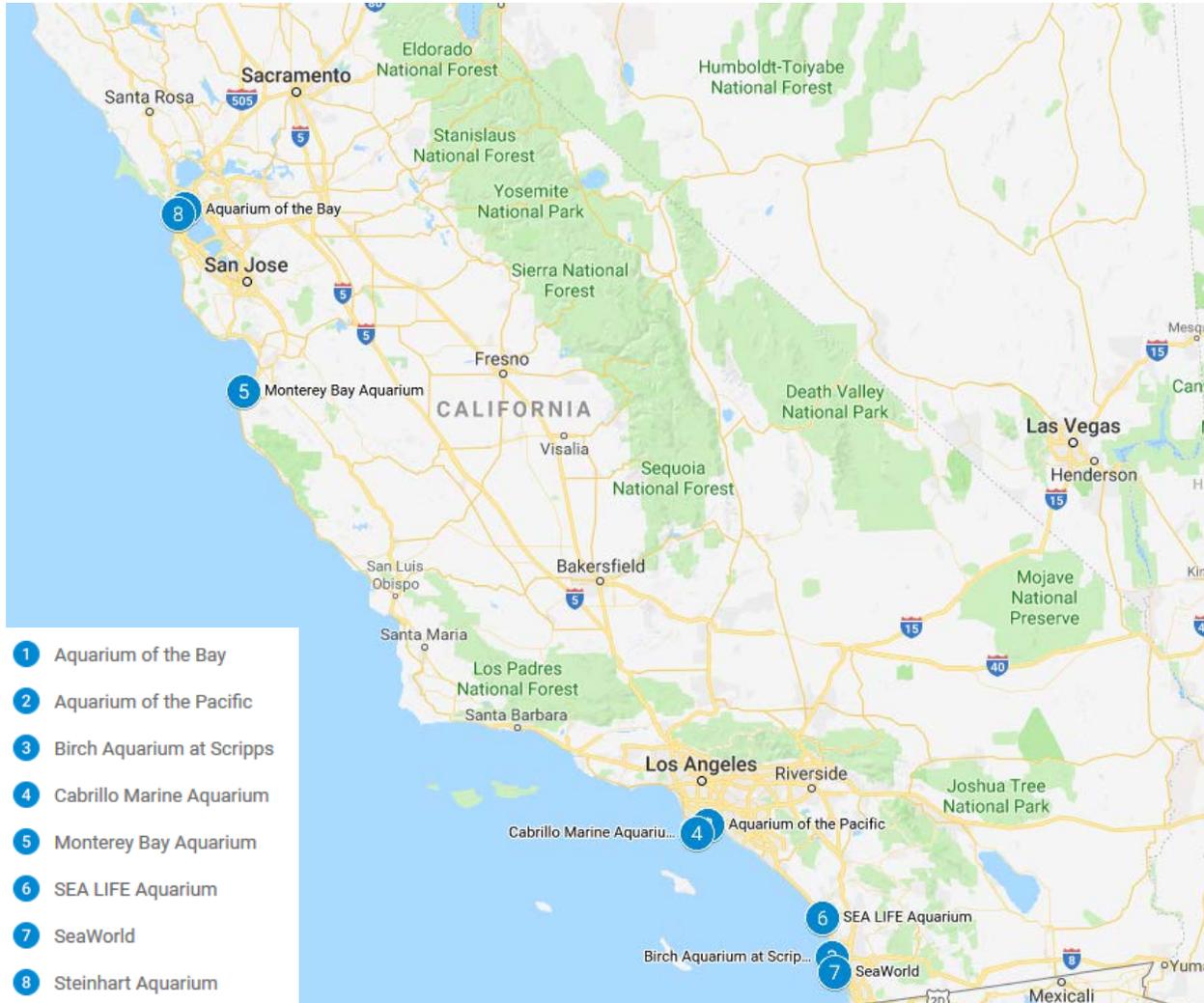
**Table III-10**  
**Size and Attendance Characteristics of California AZA-Accredited Aquariums**  
**New Morro Bay Aquarium**

Name	Address	Annual Attendance	Sq. Ft.	Gallons	Adult Admission <sup>1/</sup>
Aquarium of the Bay	The Embarcadero at Beach Street - Pier 39, San Francisco, Ca	480,000	56,000	1,000,000	\$27.45
Aquarium of the Pacific	100 Aquarium Way, Long Beach, CA	1,700,000	350,000	1,200,000	\$29.95
Birch Aquarium at Scripps Institution of Oceanography	2300 Expedition Way, La Jolla, CA	465,744	64,157	174,795	\$19.50
Cabrillo Marine Aquarium	3720 Stephen M White Drive, San Pedro, CA	295,316	43,037	53,695	\$5.00 (suggested donation)
Monterey Bay Aquarium	886 Cannery Row, Monterey, CA	1,948,805	240,000	2,233,000	\$49.95
SEA LIFE Carlsbad Aquarium at Legoland	1 Legoland Drive, Carlsbad, CA	NA	NA	NA	\$94.00 (2-day Lego + SeaLife)
SeaWorld San Diego	305 Sea World Drive, San Diego, Ca	4,311,000		16,002,568	\$91.99 (\$71.99 off-season)
Steinhart Aquarium & California Academy of Sciences	55 Music Concourse Drive, San Francisco, CA	1,340,576	50,252	650,000	\$35.95

<sup>1/</sup> Admission prices from websites.

Source: AZA online member directory, November 2018, facilities listed, and ConsultEcon, Inc.

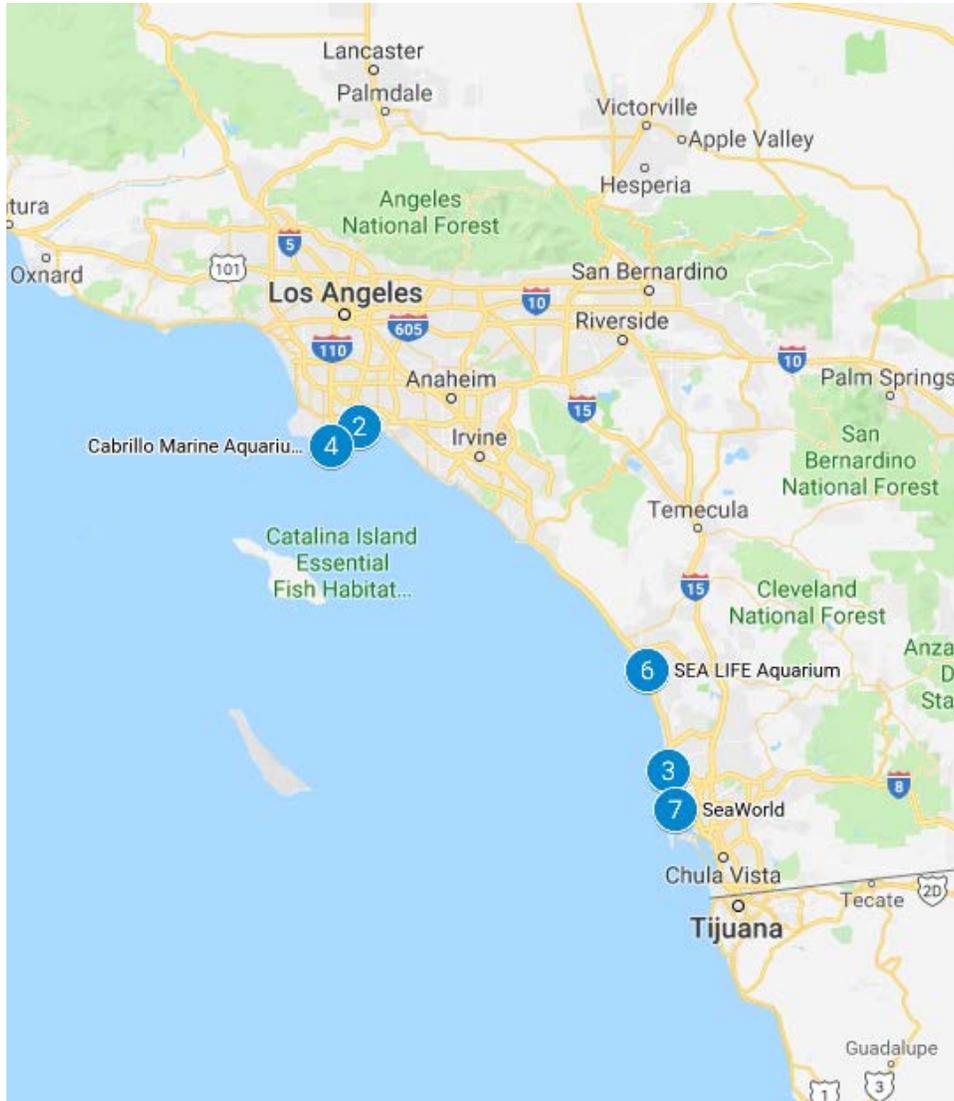
**Figure III-9**  
**Map of AZA-accredited Aquariums in California**  
**New Morro Bay Aquarium**



Source: Google maps and ConsultEcon, Inc.

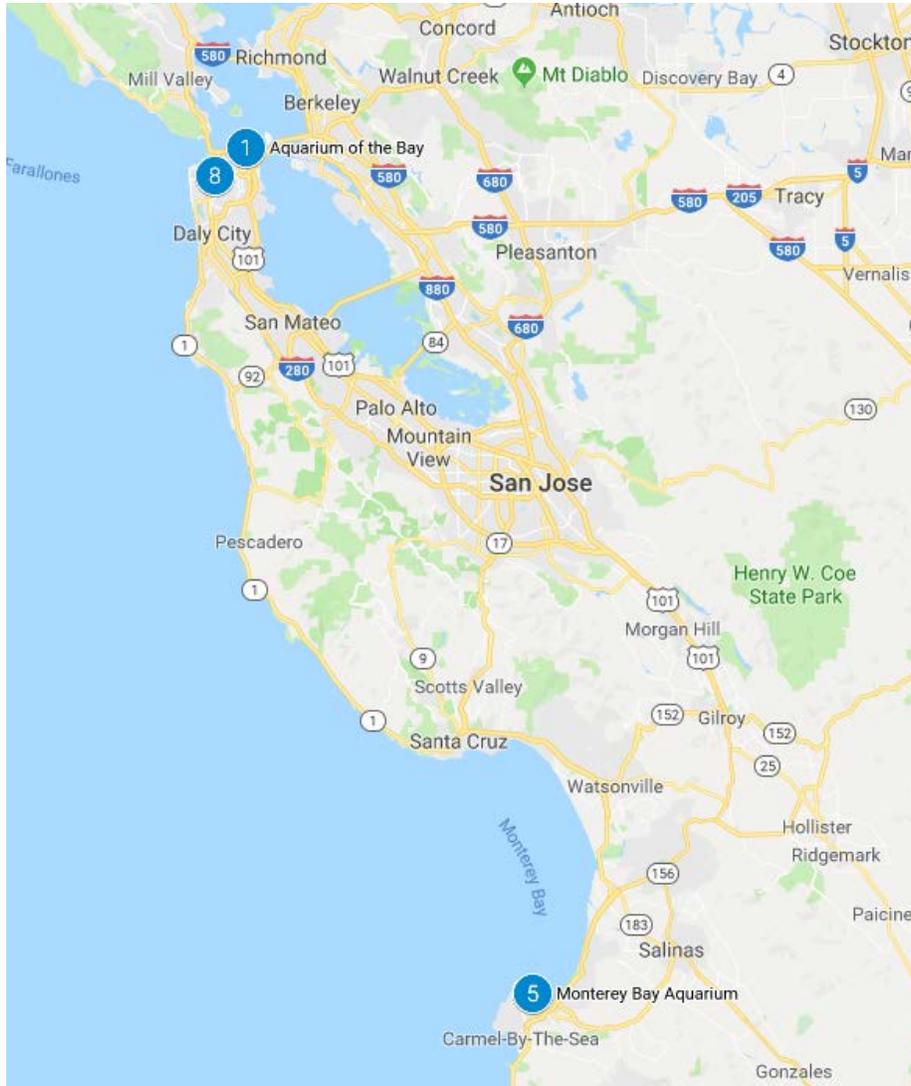
Note: some locations may be partially obscured due to the scale of the map.

**Figure III-9a**  
**Zoomed in view of Attraction Locations, Southern Cal/L.A. area**  
**New Morro Bay Aquarium**



Source: ConsultEcon, Inc. and Google maps.

**Figure III-9b**  
**Zoomed in view of Attraction Locations, Northern Cal/SF area**  
**New Morro Bay Aquarium**



Source: ConsultEcon, Inc. and Google maps.

## Section IV

### REVIEW OF SELECTED COMPARABLE AQUARIUMS

This section includes a review of selected benchmark aquariums, including an analysis of market, facility, and operating factors to provide input to the operations of the proposed new Morro Bay Aquarium. The section also includes an analysis of aquarium capital costs and examples of aquariums operated in public private partnerships.

#### **Benchmarked Aquariums**

The following aquariums were included in the benchmark analysis. These aquariums were selected based on their market sizes, as well as facility sizes that are comparable to the proposed new Morro Bay Aquarium.

- ◆ Central Coast Aquarium, Avila Beach
- ◆ Woods Hole Science Aquarium, Woods Hole, MA
- ◆ Flint RiverQuarium, Albany, GA
- ◆ Seymour Marine Discovery, UC Santa Cruz, Santa Cruz, CA
- ◆ Save the Bay Exploration Center and Aquarium, Newport, RI
- ◆ Florida Oceanographic Coastal Center, Stuart, FL
- ◆ Conservancy of SW FL Nature Center, Naples, FL

**Market and Operating Characteristics of Select Aquariums**

Data in **Table IV-1** show the market populations for each of the selected aquariums, as well as median household income and tourist market context of the selected benchmark aquariums.

**Table IV-1  
 Selected Location Characteristics of Benchmarked Facilities  
 Morro Bay Aquarium**

Aquarium	Location	2018 Metro Area Population	2018 Metro Area Median Household Income	Tourism Market Context	2018 Adult Admission Price
Central Coast Aquarium	Avila Beach, CA	287,863 <sup>1/</sup>	\$63,363	Yes	\$8.00
Woods Hole Science Aquarium	Woods Hole, MA	225,277 <sup>2/</sup>	\$70,396	Yes	Free, donations accepted
Flint RiverQuarium	Albany, GA	155,250 <sup>3/</sup>	\$38,126	No	\$9.00
Seymour Marine Discovery, UC Santa Cruz	Santa Cruz, CA	278,244 <sup>4/</sup>	\$93,833	Yes	\$9.00
Save the Bay Exploration Center and Aquarium	Newport, RI	84,539 <sup>5/</sup>	\$57,705	Yes	\$8.00
Florida Oceanographic Coastal Center	Stuart, FL	465,151 <sup>6/</sup>	\$52,639	Yes	\$12.00
Conservancy of SW FL Nature Center	Naples, FL	366,709 <sup>7/</sup>	\$55,588	Yes	\$14.95
<b>Median</b>		<b>278,244</b>	<b>\$57,705</b>		<b>\$9.00</b>
<b>Average</b>		<b>266,148</b>	<b>\$61,664</b>		<b>\$10.16</b>
<b>New Morro Bay Aquarium</b>		<b>287,863 <sup>8/</sup></b>	<b>\$65,731</b>	<b>Yes</b>	<b>NA</b>

1/ Unincorporated CDP in San Luis Obispo County - County is used in place of Metro pop  
 2/ CDP in Barnstable County - County is used in place of Metro pop  
 3/ Santa Cruz-Watsonville, CA Metro  
 4/ Albany, GA MSA  
 5/ Newport County is used in place of Metro pop  
 6/ Port St. Lucie Metro Area  
 7/ Naples-Marco Island Metro Area  
 8/ San Luis Obispo County is used in place of Metro pop

Source: ESRI; U.S. Census Bureau; Facilities Listed; Official Museum Directory; ConsultEcon, Inc.

## Market Benchmarks

- ◆ Market sizes for the selected aquariums ranged from 84,539 to 465,151, with an average of 266,148 population within a 60-minute drive time.
- ◆ Median Household Incomes averaged \$61,664, and ranged between \$38,126 and \$93,833.
- ◆ The majority of the selected facilities are located in tourism destination areas.
- ◆ Adult ticket prices among the facilities ranged from \$8.00 to \$14.95, with an average of \$10.16.

Data in **Table IV-2** review the metro area characteristics in comparison to the annual attendance of the selected benchmark aquariums and their adult ticket prices which reflect their overall pricing level. Market capture rates offer a comparison of the annual attendance of an aquarium to the area population, and can vary widely among aquariums based on both internal and external factors. Internal factors include the facility size, capacity to serve the demand in their market, the target market, and the size of the marketing budget. External factors relate to the location of the aquarium, the size of the resident, and the dynamic between resident and tourist markets. In smaller or mid-sized markets, higher market capture rates may occur because of high repeat visitation and/or a strong tourism base from which to draw visitors relative to a modest sized resident market.

**Table IV-2**  
**Selected Market Characteristics of Benchmarked Facilities**  
**Morro Bay Aquarium**

Aquarium	Annual Attendance	Metro Area Population	Ratio of Attendance to Metro Area Population	Tourism Market	2018 Adult Admission Price
Central Coast Aquarium	22,874	287,863	7.9%	Yes	\$8.00
Woods Hole Science Aquarium	80,000	225,277	35.5%	Yes	Free, donations accepted
Flint RiverQuarium	66,285	155,250	42.7%	No	\$9.00
Seymour Marine Discovery, UC Santa Cruz	65,000	278,244	23.4%	Yes	\$9.00
Save the Bay Exploration Center and Aquarium	26,055	84,539	30.8%	Yes	\$8.00
Florida Oceanographic Coastal Center	57,000	465,151	12.3%	Yes	\$12.00
Conservancy of SW FL Nature Center	35,000	366,709	9.5%	Yes	\$14.95
<b>Median</b>	<b>57,000</b>	<b>278,244</b>	<b>23.4%</b>		<b>\$9.00</b>
<b>Weighted Average</b>			<b>18.9%</b>		
<b>Average</b>	<b>50,316</b>	<b>266,148</b>	<b>23.2%</b>		<b>\$10.16</b>

Source: ESRI; U.S. Census Bureau; Facilities Listed; Official Museum Directory; ConsultEcon, Inc.

### Attendance Benchmarks

- ◆ Annual attendance among the selected facilities ranged from 22,874 to 80,000, with an average of 50,316.
- ◆ Market penetration rates ranged from 7.9 to 42.7 percent, with a weighted average penetration rate of 18.9 percent.

Data in **Table IV-3** review the sizing characteristics of the selected benchmark aquariums, in comparison with staffing and attendance.

**Table IV-3  
 Selected Sizing Characteristics of Benchmarked Facilities  
 Morro Bay Aquarium**

Aquarium	Annual Attendance	Full Time Staff	Part Time Staff	Total FTE	Size in Square Feet (SF)	Water Volume (Gallons)	Attendees Per SF	SF per FTE
Central Coast Aquarium	22,874	3	6	6	2,500	6,500	9.1	417
Woods Hole Science Aquarium	80,000	3	NA	3	13,500	54,592	5.9	4,500
Flint River Aquarium	66,285	18	10	23	28,000	200,000	2.4	1,217
Seymour Marine Discovery, UC Santa Cruz	65,000	NA	NA	NA	20,000	NA	3.3	NA
Save the Bay Exploration Center and Aquarium	26,055	1	3	3	1,000	3,000	26.1	400
Florida Oceanographic Coastal Center	57,000	NA	NA	NA	NA	NA	NA	NA
Conservancy of SW FL Nature Center	35,000	NA	NA	NA	NA	5,000	NA	NA
<b>Median</b>	<b>57,000</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>13,500</b>	<b>6,500</b>	<b>5.9</b>	<b>817</b>
<b>Weighted Average</b>							<b>4.0</b>	<b>1,304</b>
<b>Average</b>	<b>50,316</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>13,000</b>	<b>53,818</b>	<b>9.3</b>	<b>1,634</b>

Note: FTE = Full Time Equivalent Employee.  
 Source: ESRI; U.S. Census Bureau; Facilities Listed; Official Museum Directory; ConsultEcon, Inc.

**Size and Staffing Benchmarks**

- ◆ The average size of the selected aquariums was 13,000 square feet, with water volume average of 38,442. Several of the selected facilities have both indoor and outdoor exhibit components.
- ◆ The number of attendees per square foot at the selected facilities ranged from 2.4 to 26.1 – with a weighted average of 4.0 per square foot.
- ◆ The average number of employees at these facilities was 9 “full-time equivalents” (FTE) – which is calculated by adding the number of full-time employees to one-half the total part-time employees.
- ◆ The ratio of square footage to FTE’s ranged between 400 and 4,500 square feet per FTE, with a weighted average of 1,304.

Data in **Table IV-4** review operating characteristics of the selected benchmark aquariums.

**Table IV-4**  
**Selected Operating Characteristics of Benchmarked Facilities**  
**Morro Bay Aquarium**

Aquarium	Attendance	Square Footage	Water Volume	Operating Expenses	Total Revenue	Earned Revenue	Earned Revenue Coverage of Operating Expenses	Earned Revenues as % of Total Revenue	FTE	Op. Exp. Per FTE	Op. Exp. Per SF	Op. Exp. Per Att.
Central Coast Aquarium	22,874	2,500	6,500	\$457,894	\$456,371	\$265,048	57.9%	58.1%	6.0	\$76,316	\$183	\$20
Woods Hole Science Aquarium	80,000	13,500	25,000	\$381,250 <sup>1/</sup>	NA	NA	NA	NA	3.0	\$127,083	\$28	\$5
Flint RiverQuarium	66,285	28,000	200,000	\$1,057,635	\$1,064,934	\$250,844	23.7%	23.6%	23.0	\$45,984	\$38	\$16
Seymour Marine Discovery, UC Santa Cruz	65,000	20,000	NA	\$1,370,000	NA	NA	NA	NA	NA	NA	\$69	\$21
Save the Bay Exploration Center and Aquarium	26,055	1,000	3,000	NA	NA	NA	NA	NA	2.5	NA	NA	NA
Florida Oceanographic Coastal Center	57,000	NA	NA	\$1,566,335	\$1,566,335	\$657,861	42.0%	42.0%	NA	NA	NA	\$27
Conservancy of SW FL Nature Center	35,000	NA	5,000	\$8,061,500	\$7,910,894	\$1,587,957	19.7%	20.1%	NA	NA	NA	\$230
<b>Median</b>	<b>57,000</b>	<b>13,500</b>	<b>6,500</b>	<b>\$1,213,818</b>	<b>\$1,315,635</b>	<b>\$461,454</b>	<b>32.9%</b>	<b>32.8%</b>	<b>4.5</b>	<b>\$76,316</b>	<b>\$53</b>	<b>\$21</b>
<b>Weighted Average</b>							<b>24.8%</b>	<b>25.1%</b>		<b>\$54,979</b>	<b>\$51</b>	<b>\$40</b>
<b>Average</b>	<b>50,316</b>	<b>13,000</b>	<b>47,900</b>	<b>\$2,149,102</b>	<b>\$2,749,634</b>	<b>\$690,427</b>	<b>35.8%</b>	<b>35.9%</b>	<b>8.6</b>	<b>\$83,128</b>	<b>\$79</b>	<b>\$53</b>

<sup>1/</sup> Operating expenses are calculated based on \$305,000 actual expenses, which do not include utilities, insurance, etc. - so 25% has been added to that figure.  
Source: ESRJ; U.S. Census Bureau; Facilities Listed; Official Museum Directory; ConsultEcon, Inc.

## Operating Benchmarks

- ◆ Operating expenses for the selected aquariums ranged from approximately \$381,250 to over \$8 million – with an average of \$2.3 million. In the case of the Conservancy of SW FL Nature Center, the large operating budget is indicative of substantial conservation and education programs.
- ◆ The average revenue at the selected facilities was \$2.06 million, and ranged from approximately \$456,000 to \$7.9 million.
- ◆ The ratio of earned revenue to total ranged from 20.1 to 58.1 percent, with a weighted average of 25.1 percent.
- ◆ The percentage of operating expenses that were covered by earned revenue ranged from 19.7 to 57.9, with a weighted average of 24.8 percent.
- ◆ The weighted average of operating expenses per FTE was \$54,979.

## **BENCHMARK SUMMARY**

Seven aquariums and aquatic education centers were selected for review, including an analysis of market, facility, and operating factors to provide input to the operating potential of the proposed new Morro Bay Aquarium. The characteristics reviewed included:

- ◆ Market populations for each of the selected aquariums
- ◆ Median household income and tourist market context
- ◆ Admission pricing and annual attendance
- ◆ Staffing and size in square feet, as well as water volume in gallons
- ◆ Operating expenses and revenues

There are some general observations that may be drawn from these comparisons.

- ◆ Six of the seven selected facilities are located in destination tourism cities or regions.
- ◆ Average market penetration was approximately 23 percent.
- ◆ The average adult ticket price at the selected facilities was approximately \$10.00.
- ◆ Average annual attendance was approximately 50,300.
- ◆ The average size of the selected aquariums was 13,000 square feet, with water volume average of 38,442. Several of the selected facilities have both indoor and outdoor exhibit components.
- ◆ Operating expenses and revenues ranged widely among the selected facilities.
- ◆ The percentage of operating expenses that were covered by earned revenue averaged approximately 25 percent.

## **Aquarium Construction and Development Costs**

- ◆ Overall, construction and development costs for public aquariums are based in whole, or in part, on the following factors:
  - Location and Size Conditions
  - Project Size
  - Project Design
  - Exhibit Types and Content
  - Financing
  - Size of Market
  - Support of Local Authorities / Utilities.

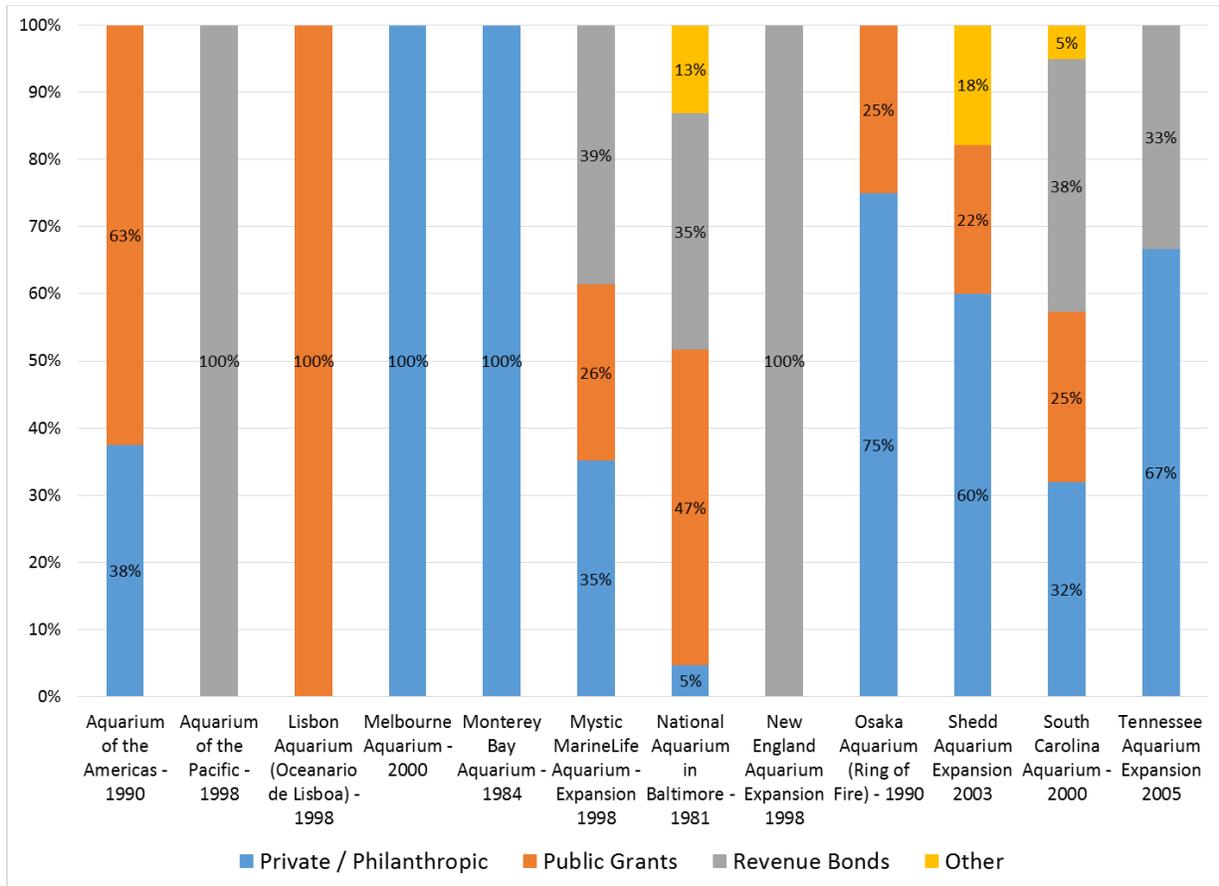
### **Public Funding for Aquariums**

- ◆ The costs associated with building an aquarium attraction are typically high in comparison with other attraction types and there are many varying examples of financing models for aquariums.
- ◆ Most aquarium developers rely on a combination of public and private funding for their projects.
- ◆ The rationale for public funding is based on the benefits that an aquarium provides to its community, including:
  - Economic Development
  - Jobs
  - Education Benefits
  - Conservation Activity
  - Community Development

### **Development Cost Benchmarks**

- ◆ The following analysis compares twelve examples of aquarium developments or renovations that involved public private partnerships.
- ◆ The main sources of Aquarium development funding were private philanthropy, public grants, revenue bonds, and other sources of funding, including donation of land or subsidized land, tax incentives or tax holidays, or retained earnings used toward expansions.
- ◆ Five of the projects described used 100% of funding from one of those sources, while two used some of each funding source.
- ◆ The analysis shows a range of public private partnerships in sharing the costs of aquarium project development.

**Figure IV-1**  
**Examples of Public Private Partnerships**



Note: Other Funding could include donation of land or subsidized land, tax incentives or tax holidays, or retained earnings used toward expansions.

Source: Facilities Listed; ConsultEcon, Inc.

### Summary: Keys to Aquarium Economic Sustainability

ConsultEcon has identified 11 factors, or “keys to success”, that will contribute to the successful development and operation of an aquarium. They are as follows:

1. **Established on a Sound Financial Basis** – An aquarium must be established on a sound financial basis for it to have adequate resources to accomplish its mission, education and conservation goals in an entertaining environment. Notably, over the past few decades, most visitor attractions such as aquariums, have focused on increasing their earned revenue potential by adding such activities as unique interactive programs, facility rentals and educational experiences on and off-site.
2. **A Good Location and Site** - Visibility, accessibility, adequate parking and an attractive site are all critical to project success. Good views from the site, supportive nearby land

uses and strong connections to the water are also important determinants of the quality of a site for an aquarium.

3. **A Critical Mass of Attraction Elements** - The aquarium must offer sufficient content to draw residents from nearby and on longer day trips, and to attract visitation from tourists to the area.
4. **A Strong Thematic Focus** - The new generation of aquariums have tended to focus their exhibit program on a comprehensive “story line” that is much more than the sum of its individual exhibits.
5. **The Depth of Visitor Experience Offered** - The aquarium visitor currently has high expectations of their visit, and a very rewarding experience is needed to sustain repeat attendance and to attract new visitors.
6. **The Length of Stay/Attraction Content** - A length of stay and quality of attraction content must be commensurate with ticket price.
7. **Outstanding Exhibits and Programs** - New technologies and interpretive techniques are available for the next generation of aquariums to implement outstanding and novel exhibits and programs.
8. **Serves Residents and Visitors** - Aquariums rely on both resident and tourist markets. The location, program and marketing must address both target audiences and must be sensitive to the unique characteristics of these markets.
9. **A Broad Audience Mix** - Exhibits and interpretation that appeal to a wide audience are needed. The audience varies in age and education, level of interest in scientific detail and in expectation for an entertainment versus learning experience.
10. **Offers Multiple Visit Opportunities** – Successful aquariums must develop a pattern of repeat visitation in their resident markets (and even in their travel markets if possible). Changing exhibit galleries, special programs and events, and attractive membership options are ways to build the repeat visit audience.
11. **Offers Opportunities to Spend and to Relax** - Aquariums must ensure that all of their visitors' needs are fulfilled including opportunities to purchase a souvenir, have a light meal or snack, and have a place to sit and rest during the visit.

## **Section V**

### **PRELIMINARY ATTENDANCE AND ECONOMIC POTENTIAL**

Following is an assessment of the preliminary attendance and economic potential of the proposed new Morro Bay Aquarium operated by CCA. This analysis will require refinement as the project moves into later programming, design and implementation phases.

#### **Aquariums' Market Performance**

Aquariums are a well-known attraction type that many visitors have visited in the past. There are high expectations by the audience that the experience will be “fresh” and that new reasons to visit will be offered. Thus, many aquariums are expanding and/or renovating, and high-quality changing exhibit programs are essential to aquarium success. Some aquariums have successfully interpreted their unique, local marine or freshwater stories, becoming a “must-see” destination in tourism settings as a visit to the aquarium becomes part of the tourists’ experience in learning about the place they are visiting. It is an important finding of our research over the last three decades that aquariums can achieve success in various market contexts given quality program content, competitive pricing, strategic marketing programs and a sustainable operating model.

Aquariums internationally have generally enjoyed a high degree of market success in a variety of market types. The market sizes, product qualities, location, and competition vary among aquariums. In the last 50 years there have been over 30 freestanding aquariums developed in North America. Their success has been predicated on:

- ◆ Solid planning and feasibility analysis
- ◆ Sound financial/ business plans
- ◆ Good, accessible locations and solid markets
- ◆ Compelling exhibits

Aquariums are among the most fiscally attractive visitor venues in North America and worldwide as they are:

- ◆ Compact
- ◆ Exotic
- ◆ High impact
- ◆ Repeatable
- ◆ Appealing to a broad audience mix as “non-threatening” in terms of topic
- ◆ Able to combine entertainment and education

### **New Morro Bay Aquarium Attendance and Operating Assumptions**

As a visitor attraction and aquarium, the new Morro Bay Aquarium would operate under the norms of such facilities nationally, adjusted for local conditions. Project assumptions relating to the facility and market for the proposed new Aquarium are as follows:

- ◆ The new Morro Bay Aquarium is assumed to operate as a not-for-profit enterprise. A rent assumption of \$1 per year is assumed in this analysis similar to other not-for-profit aquariums that are community-based, educational in nature and tourism-supporting. This analysis does not include depreciation, bond or mortgage payments, or management fees – it assumes that capital costs for the new aquarium’s development will be fundraised
- ◆ The new Morro Bay Aquarium will be well designed and constructed. It will be of a scale in size and in quality to be recognized nationally as a facility of excellence. This operations analysis assumes a high-quality facility with approximately 4,000 square feet both indoor and outdoor areas based on a preliminary concept as outlined by the CCA, and 7,500 gallons of water volume.
- ◆ The new Morro Bay Aquarium will include entertaining and educational exhibits and potential Morro Bay boat and kayak experiences. Each year the Aquarium is assumed to offer a new, changing exhibit. Changing exhibits are essential to attracting new visitors and repeat visitation.
- ◆ The new Morro Bay Aquarium will be located at the past Morro Bay Aquarium’s site at 595 Embarcadero in Morro Bay.
- ◆ The new Morro Bay Aquarium will be open year-round, six days a week during non-peak season, and seven days a week during peak season. In addition, special events and facility rentals could occur at the facility when they do not disrupt regular visitation.
- ◆ The new Morro Bay Aquarium will be well managed and will have the appropriate staff and management infrastructure to support a project of this nature. It is

assumed to be operated by the CCA. The structure, its exhibits, finishes, mechanical equipment and support systems will be well maintained to minimize insurance risks and unexpected repair and maintenance expenditures. Maintaining the exhibits in excellent condition is essential to customer satisfaction.

- ◆ The Morro Bay Aquarium will build a compelling organizational vision, with strong and distinguished advisors and staff, and the project will have a strong base of community support. The facility and site will be used for special events and cultural activities after hours to promote community support and generate additional income. Educational groups will be invited to visit at discounted prices, and will receive a worthwhile and enjoyable educational experience. Community outreach will be a cornerstone of the programming effort.
- ◆ The new Morro Bay Aquarium will develop an aggressive marketing program to achieve and maintain attendance and continually attract new visitors. Ticket pricing will be attractive and commensurate with overall visitor experience and value delivered. The project will also be managed to provide dynamic and effective educational programs and dramatic and continually evolving new exhibits.

### **Preliminary Market and Economic Potential of the New Morro Bay Aquarium**

Data in **Tables V-1** through **V-10** present detailed analysis of the preliminary market and economic potential of the new Morro Bay Aquarium. The following presents a summary of the key market / attendance and economic findings.

#### **Attendance Potential and Physical Planning Parameters**

- ◆ Stable year attendance potential for the new Morro Bay Aquarium ranges from 34,000 to 69,000, with a mid-range of 52,000.
  - 12% of visitors from the Resident Market
  - 88% of visitors from beyond the Resident Market area, or from the visitor/tourist market
- ◆ Opening year attendance is assumed at 15% above stable levels.
- ◆ High day facility sizing analysis at mid-range attendance potential:
  - Based on average length of stay of 30 to 45 minutes:
    - Visitor parking demand of 8 to 12 spaces
    - Range of public circulation space of 1,100 SF to 1,700 SF
    - Total facility size range of 2,200 SF to 3,400 SF

### Revenue Potential

- ◆ Adult admission pricing for the new Morro Bay Aquarium is assumed at \$9.95 with seniors, children and school groups at discounted rates.
- ◆ Couponing and non-peak season discounts assumption of 20%, the achieved per capita is \$6.26, or about 63% of the adult admission price.
- ◆ Estimated number of 130 memberships assuming 2% of visitors to the new Aquarium are members and an average attendance per membership of 8 visits per year.
- ◆ Gross retail sales per capita is assumed at \$4 plus an additional 10% “outside” sales from non-Aquarium visitors at the new Aquarium facility and/or internet sales.
- ◆ Net educational boat tour revenue to the Aquarium is estimated at \$60,000 in a stabilized year.
- ◆ Estimated number of facility rentals within the new Aquarium are 52 to include birthday parties and larger, special event celebrations such as corporate parties and weddings; and average net revenue of \$20,000 in a stabilized year.
- ◆ Miscellaneous revenue is assumed at \$1.00 per capita to include potential revenue from camps, kayak tours in Morro Bay, “behind-the-scenes” tours; special programs and events; etc.
- ◆ Total earned revenue potential in a stable year in current dollars is estimated at \$691,000.

### Operating Expenses

- ◆ Estimated number of full-time equivalent (FTE) employees for the new Aquarium (including full-time and part-time) is 9, most of which will be located at the new Aquarium facility with CCA’s Executive Director overseeing the operation. Some positions will remain at the existing CCA campus and others will work at both campuses.
- ◆ Preliminary operating expenses in a stable year in current dollar are estimated at \$813,000 and includes the following:
  - \$364,000 in salaries & benefits
  - \$120,000 in cost of goods sold (COGS)
  - \$290,000 in other expenses
  - Plus 5% for capital reserves, or \$39,000

### **Preliminary Net Operating Income**

Data in **Table V-11** presents the preliminary net operating income potential for the new Morro Bay Aquarium in a stable year in current dollars.

The new Morro Bay Aquarium has substantial capacity to generate earned revenue, \$691,000 in a stabilized year, mid-range attendance potential. In a stabilized year, the non-earned revenue requirement is approximately \$122,000 for breakeven operations. At the same time, this is a complex and labor-intensive operation with exhibits that will have substantial operating costs as well, \$813,000 in a stabilized year, mid-range attendance potential. Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Based on the detailed revenue potential and operating expense analyses presented earlier, data in Table V-11 provide combined operating revenue and operating expense estimates for the new Morro Bay Aquarium as part of the CCA operation, based on a mid-range attendance scenario.

In the early years of the project, when attendance is higher than in a stable year, earned revenue is higher than the stabilized year. Over a five-year period there will be some variability in net operating income based on the years' individual circumstances. Different attendance levels would create somewhat different operating profiles and would require different operating plans. The data show that stable year earned revenues represent 85 percent of total needed revenues to support operations in a stable year (not including capital reserves). This operating model, however, assumes that rent would be offered at a discounted rate as a community-based, educational and tourism-supporting project (other than utilities, insurance, and maintenance) which if required would increase operating costs and the amount of contributed, or non-earned, revenues required. Like other not-for-profit

aquariums and projects, this analysis assumes no debt service. It is assumed that the capital funds needed for the new Morro Bay Aquarium’s development would be fundraised. The new Morro Bay Aquarium will, and must, be active in generating substantial contributed (non-earned) revenues for the facility. The facility is expected to engage in ongoing fundraising, to establish financial reserves and endowment, and to secure operating grants and government sector support. Virtually all aquariums require contributed revenues, including gifts, grants, and endowments, to supplement earned revenues. Contributed revenues should be targeted at levels higher than contained herein, as these would allow more robust levels of service provision, would create revenues to cover shortfalls in earned revenue that may occur, and could contribute to increasing the financial reserves and endowment the Aquarium should build over time.

**Table V-1  
 Visitation Potential Estimates  
 New Morro Bay Aquarium**

	Estimated 2018 Population	Market Capture Rates		Attendance Range			Percent to Mid Range Total Attendance
		Low	High	Low Range Attendance	Mid Range Attendance	High Range Attendance	
<b>RESIDENT MARKET</b>							
Primary Market Area: City of Morro Bay	10,699	12.0%	24.0%	1,284	1,926	2,568	3.7%
Secondary Market Area: San Luis Obispo County, Less City of Morro Bay	277,201	1.0%	2.0%	2,772	4,158	5,544	8.0%
<b>Total Resident Market</b>	<b>287,900</b>	<b>1.4%</b>	<b>2.8%</b>	<b>4,056</b>	<b>6,084</b>	<b>8,112</b>	<b>11.8%</b>
<b>MORRO BAY VISITOR (OR TOURIST) MARKET</b>							
	Estimated 2017 Market	Low	High	Low Range Attendance	Mid Range Attendance	High Range Attendance	
Overnight Guests	551,500	5.0%	10.0%	27,575	41,363	55,150	79.9%
Day Trip Visitors	286,500	1.0%	2.0%	2,865	4,298	5,730	8.3%
<b>Total Tourist Market</b>	<b>838,000</b>	<b>3.6%</b>	<b>7.3%</b>	<b>30,440</b>	<b>45,660</b>	<b>60,880</b>	<b>88.2%</b>
<b>Total Stabilized Visitation Range</b>				34,496	51,744	68,992	100.0%
<b>Rounded Stabilized Visitation</b> <sup>1/</sup>				<b>34,000</b>	<b>52,000</b>	<b>69,000</b>	

<sup>1/</sup> Rounded to nearest 1,000.

Source: ConsultEcon, Inc.

**Table V-2**  
**Early and Stabilized Year Attendance Trends**  
**New Morro Bay Aquarium**

	Stable Year 1/ 2/				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Percentage of Stabilized Attendance Potential	115%	110%	100%	100.5%	101.0%
<b>Mid Range Visitation</b>	<b>59,800</b>	<b>57,200</b>	<b>52,000</b>	<b>52,260</b>	<b>52,520</b>
Low Range Visitation	39,100	37,400	34,000	34,170	34,340
High Range Visitation	79,350	75,900	69,000	69,345	69,690

1/ Year 3 represents a stabilized year of attendance.

2/ Assumes 0.5% growth rate annually after stable Year 3.

Source: ConsultEcon, Inc.

**Table V-3  
High Day Facility Sizing Parameters in Stabilized Year  
New Morro Bay Aquarium**

	<b>Low- Range Attendance <sup>1/</sup></b>	<b>Mid- Range Attendance <sup>1/</sup></b>		<b>High- Range Attendance <sup>1/</sup></b>
<b>Annual Visitation</b>	34,000	52,000		69,000
High Month as Percent of Total Annual Attendance	18%	18%		18%
High Month Attendance	6,120	9,360		12,420
High Week at 24% of High Month	1,469	2,246		2,981
High Day at 20% in High Week	294	449		596
<b>Length of Stay / Percent In-house</b>	<b>30 Minute Stay - 10%</b>	<b>30 Minute Stay - 10%</b>	<b>45 Minute Stay - 15%</b>	<b>30 Minute Stay - 10%</b>
High in-house population	29	45	67	60
<b>Visitor High Period Parking Demand <sup>2/</sup></b>	5	8	12	10
<b>Public Space Sizing at 25 SF/Attendee</b>				
Range of Public Circulation Space	734 SF	1,100 SF	1,700 SF	1,490 SF
<b>Facility Sizing <sup>3/</sup></b>	<b>2 Times</b>	<b>2 Times</b>	<b>2 Times</b>	<b>2 Times</b>
Total Facility Size Range	1,469 SF	2,200 SF	3,400 SF	2,981 SF

1/ Early year attendance may be twenty percent higher or more.

2/ Based on 50 percent auto usage during high attendance periods, an average of 3.0 persons per vehicle, plus 5% turnover requirement. Does not include staff or volunteer parking.

3/ Broad planning parameters are used to test facility sizing, estimating that there will be 2x as much back of house and supportive space, as there will be visitor circulation space. Supportive and non-circulation spaces include exhibit footprint, offices, life support systems, storage and so forth. Assumes administrative offices would be off-site.

Source: ConsultEcon, Inc.

**Table V-4  
Admissions and Membership Analysis in 2018 Dollars  
in Mid Range Stabilized Year  
New Morro Bay Aquarium**

Per Capita Ticket Revenue					
	% to Total Attendance	Attendance By Type	Ticket Price	Achieved Per Capita	Achieved Per Cap % to Subtotal
Adult	41.0%	21,320	\$9.95	\$4.08	52.2%
Senior/Military	16.0%	8,320	\$8.95	\$1.43	18.3%
Children (3-12)	25.5%	13,260	\$7.95	\$2.03	25.9%
Student Group	8.0%	4,160	\$3.50	\$0.28	3.6%
Members	2.0%	1,040	\$0.00	\$0.00	0.0%
Facility Rentals and Special Events	2.5%	1,300	\$0.00	\$0.00	0.0%
Other Free/Complimentary <sup>1/</sup>	5.0%	2,600	\$0.00	\$0.00	0.0%
<b>Subtotal</b>	<b>100.0%</b>	<b>52,000</b>		<b>\$7.82</b>	<b>100.0%</b>
Coupons & Non-Peak Season Discounts as a percent of achieved per capita ticket revenue	20%			(\$1.56)	
<b>Total</b>				<b>\$6.26</b>	

Memberships Estimates	Total	Membership Types	Percent to Total	Estimated Number of Memberships	Avg. Price By Type
No. of Member Attendances	1,040	Individual (Admit 1)	10.0%	13	\$40
Average Annual Member Attendances Per Membership	8	Dual (Admit 2) Family / Grandparent (Admit 5)	15.0%	20	\$75
<b>Est. Total Memberships</b>	<b>130</b>	Supporter <sup>2/</sup>	10.0%	13	\$250
Membership Revenue	\$13,260	<b>Total</b>	<b>100.0%</b>	<b>131</b>	<b>\$101.87</b>
		<b>Rounded:</b>		<b>130</b>	<b>\$102.00</b>

1/ Includes complimentary tickets, children under three years old, VIP, corporate membership visits, etc.

2/ There would likely be several categories of supportive memberships with fees ranging from an estimated \$250 to \$500.

Source: ConsultEcon, Inc.

**Table V-5  
Attendance and Visitor Spending Assumptions at  
Mid Range Attendance Potential  
New Morro Bay Aquarium**

% to Total Attendance	Stable Year				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Percentage of Attendance By Type</b>					
Adult	43.0%	42.3%	41.0%	41.0%	41.0%
Senior/Military	16.0%	16.0%	16.0%	16.0%	16.0%
Children (3-12)	25.0%	25.0%	25.5%	25.5%	25.5%
Student Group	7.0%	7.5%	8.0%	8.0%	8.0%
Members	2.0%	2.0%	2.0%	2.0%	2.0%
Facility Rentals and Special Events	2.0%	2.2%	2.5%	2.5%	2.5%
Free/Complimentary	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Attendance By Type</b>					
Adult	25,714	24,196	21,320	21,427	21,533
Senior/Military	9,568	9,152	8,320	8,362	8,403
Children (3-12)	14,950	14,300	13,260	13,326	13,393
Student Group	4,186	4,290	4,160	4,181	4,202
Members	1,196	1,144	1,040	1,045	1,050
Facility Rentals and Special Events	1,196	1,258	1,300	1,307	1,313
Free/Complimentary	2,990	2,860	2,600	2,613	2,626
<b>Total</b>	<b>59,800</b>	<b>57,200</b>	<b>52,000</b>	<b>52,260</b>	<b>52,520</b>
<b>Number of Memberships</b>	<b>150</b>	<b>143</b>	<b>130</b>	<b>131</b>	<b>131</b>
<b>Ticket Prices and Achieved Per Capita Ticket Revenue <sup>1/</sup></b>					
Ticketed / Other Attendance					
Adult	\$9.95	\$9.95	\$10.60	\$10.60	\$11.30
Senior/Military	\$8.95	\$8.95	\$9.60	\$9.60	\$10.30
Children (3-12)	\$7.95	\$7.95	\$8.50	\$8.50	\$9.10
Student Group	\$3.50	\$3.50	\$3.70	\$3.70	\$4.00
Members	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Facility Rentals and Special Events	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Free/Complimentary	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Per Capita (Non Members)</b>	<b>\$7.94</b>	<b>\$7.89</b>	<b>\$8.35</b>	<b>\$8.35</b>	<b>\$8.92</b>
<i>Less Coupons &amp; Discounts</i>	<i>(\$1.59)</i>	<i>(\$1.58)</i>	<i>(\$1.67)</i>	<i>(\$1.67)</i>	<i>(\$1.78)</i>
<b>Net Per Capita Ticket Rev.</b>	<b>\$6.35</b>	<b>\$6.31</b>	<b>\$6.68</b>	<b>\$6.68</b>	<b>\$7.14</b>
<b>Average Membership Revenue <sup>1/</sup></b>	<b>\$102.00</b>	<b>\$102.00</b>	<b>\$109.14</b>	<b>\$109.14</b>	<b>\$116.78</b>
<b>Per Capita Retail/Food Sales <sup>2/</sup></b>					
Retail Sales Per Capita	\$4.00	\$4.12	\$4.24	\$4.37	\$4.50
Misc. Sales Per Capita	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13

NOTE: Year 1 is in 2018 dollars.

1/ Ticket prices and membership prices assumed to increase every other year by 7%. Ticket prices shown are estimates and may not reflect actual ticket prices set due to rounding.

2/ Assumed to increase each year by the rate of inflation.

Source: ConsultEcon, Inc.

**Table V-6**  
**Operating Assumptions in Stabilized Year Mid-Range**  
**in 2018 Dollars**  
**New Morro Bay Aquarium**

Aquarium Attendance Potential	52,000		
Attendance Growth Factor	0.5%	Every year after stabilized year	
Aquarium Square Footage	4,000	Estimated	
Water Volume in Gallons	7,500	Assumption	
Inflation	3.0%	Annually	
Employees (FTE's)	9.0		
Employees Fringe & Overhead rate	18.0%	As a percent of average salary / Based on CC Aq. Rates & mostly part-time staff	
<b>Ticket Prices and Assumptions</b>			
Adult	\$9.95		
Senior/Military/Student	\$8.95		
Children (3-17)	\$7.95		
Student Group	\$3.50		
Allowance for coupons & non-peak season discounts	20%	Of ticket sales	
<b>Memberships</b>			
Number of Memberships in Stable Year	130		
Average number of visits per membership	8		
Average Membership Fee	\$102		
<b>Ticket &amp; Membership Price Rate of Increase</b>	7%	Every other year	
<b>Retail Sales</b>			
Per Capita Retail Spending	\$4.00	Per visitor	
Outside Sales as a % of Visitor Sales	5%	from non-Aquarium visitors, website + events	
Cost of Goods Sold	55.0%		
<b>Educational Boat Tours</b>			
Average Fee Per Person for Tour	\$25	By Outside Operator	
Number of Boat Tours Peak Week	35	Assumes 1 hour & 45 minute tour in Morro Bay	
Number of Boat Tours Non-Peak Week	10		
Average Number of Boat Tours Offered Per Year	880		
Average Boat Capacity	20	People	
Maximum Capacity	17,600		
Average Annual Boat Occupancy	70%		
Number of Aquarium Visitors Taking Boat Tour	12,320		
Percent of Total Attendees Purchasing Boat Tour	24%		
Percent of Gross Boat Tour Sales to Aquarium	20%		
<b>Miscellaneous and Outdoor Programming Revenue</b>			
	\$1.00	Per visitor	Includes Camps, Kayak tours, "Behind the Scenes" tours and other paid programming and upcharges; events; etc.
<b>Facility Rental</b>			
Major Rentals Per Year	2		
Target Attendance in Stable Year	150	75	Avg. attendees per event
Average Net Revenue	\$1,750		Per rental to the Aquarium
Minor Rentals Per Year	20		
Target Attendance in Stable Year	500	25	Avg. attendees per event
Average Net Revenue	\$500		Per rental
Birthday Parties Per Year	30		
Target Attendance in Stable Year	360	12	Avg. attendees per event
Average Party Revenue	\$250	\$15	Avg. Net Revenue Per Person (includes ticket price + room rental)
Year 1 Ramp up to full Facility Rental Activity	92%	Year 1	Of Stable Year Rentals Activity
Year 2 Ramp up to full Facility Rental Activity	97%	Year 2	Of Stable Year Rentals Activity
<b>Contributed Revenue Requirement for Breakeven Operations</b>	Varies per Operating		Represents potential revenue from grants, gifts, fundraising events, and endowment proceeds.

Source: ConsultEcon, Inc.

**Table V-7  
 Preliminary Earned Revenue Potential Estimate  
 Stabilized Mid Range Attendance  
 New Morro Bay Aquarium**

Attendance	Stable Year					Stable Year Current Dollar Value
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Total Attendance	59,800	57,200	52,000	52,260	52,520	52,000
<b>Earned Revenues</b>						
Admission Revenue	\$379,993	\$361,085	\$347,173	\$348,909	\$374,846	\$327,244
Membership	15,300	14,586	14,188	14,297	15,298	13,374
Gross Retail	251,160	247,447	231,701	239,845	248,269	218,400
Boat Tour Net Revenue	70,840	69,793	63,448	63,765	64,082	59,806
Facility Rental Net Revenue	19,320	20,328	21,630	22,279	22,947	20,388
Miscellaneous & Outdoor Programming Net Revenue	59,800	58,916	55,167	57,106	59,112	52,000
<b>Total Earned Revenue</b>	<b>\$796,413</b>	<b>\$772,155</b>	<b>\$733,306</b>	<b>\$746,201</b>	<b>\$784,555</b>	<b>\$691,212</b>
<b>Contributed Revenues</b>						
Contributed Revenue Requirement <sup>1/</sup>	<b>\$93,583</b>	<b>\$114,790</b>	<b>\$132,339</b>	<b>\$153,794</b>	<b>\$155,665</b>	<b>\$121,944</b>
<b>Total Revenues</b>	<b>\$889,996</b>	<b>\$886,945</b>	<b>\$865,646</b>	<b>\$899,995</b>	<b>\$940,220</b>	<b>\$813,156</b>

NOTE: Year 1 is in current, 2018 dollars.

1/ Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Source: ConsultEcon, Inc.

**Table V-8**  
**Illustrative Personnel Positions and Salaries**  
**New Morro Bay Aquarium**

Position	Annual Salaries (FTE)	Part-Time Seasonal (Peak Season) Salaries	Number of Full Time Positions	Number of Part Time Positions	Number of Peak Season Positions	Total Salary Budget
<b>Administration &amp; Finance</b>						
Executive Director	NA		at CCA			NA
Development Assistant / Grant Writer	\$45,000			1		22,500
Volunteer / Membership / Facility Rental Coordinator	\$38,000			1		19,000
<b>Visitor Services and Education Programs</b>						
Director of Programs	\$55,000		1			55,000
Educators / Program Coordinators	\$30,000			1		15,000
Camp Counselors / Seasonal Educators (Peak Season)		\$5,000			3	15,000
<b>Retail / Admissions</b>						
Store Manager / Buyer/ Concessions Manager	\$45,000		1			45,000
Cashiers - Admissions/Retail	\$26,000			2		26,000
Cashiers - Admissions/Retail (Peak Season)		\$5,000			4	20,000
<b>Animal Husbandry, Exhibits and Facility Operations</b>						
Director of Husbandry	\$45,000		1			45,000
Aquarium Coordinators	\$28,000			2		28,000
Aquarium Coordinators (Interns)		\$6,000			3	18,000
Total			3	7	10	\$308,500
Fringe & Benefits (@ 18% of Total Salaries)						\$55,530
<b>Total Salaries &amp; Benefits Budget</b>						<b>\$364,030</b>
<b>Total Full Time Equivalent Positions (FTE'S)</b>						<b>9.0</b>

NOTES: Part Time Employees Calculated at 50% FTE, Summer workers at 25% FTE.  
 Visitor Assistants and Aquarist paid positions can be supplemented by Volunteers.  
 Source: ConsultEcon.

**Table V-9**  
**Illustrative Stabilized Year Operating Expenses in 2018 Dollars**  
**New Morro Bay Aquarium**

<b>Project Parameters</b>		<b>Factors</b>		
Aquarium Interior Square Footage	4,000			
Gallons of Water	7,500			
Mid-Range Annual Attendance	52,000			
Employees (FTE's)	9.0	See Personnel Schedule		
<b>Detailed Budgetary Analysis</b>				
	<b>Amount</b>	<b>Factor</b>	<b>Note</b>	<b>% to Total</b>
Salaries (FTE, PTE)	\$308,500		See Personnel Schedule	37.9%
Overhead and Benefits <sup>1/</sup>	55,530	18%	Of Salaries	6.8%
Retail Cost of Goods (COGS) Sold	120,120	55%	Of Gross Retail Sales	14.8%
Rent Assumption	1		Based on experience of similar projects	
Professional / Contract Services	36,000	\$4,000	Per FTE	4.4%
Administrative Expenses <sup>2/</sup>	54,000	\$6,000	Per FTE	6.6%
Development Costs & Events	15,000		Budgeted	1.8%
Telecommunications/ Technology/ Website	15,750	\$1,750	Per FTE	1.9%
Education Programs	26,000	\$0.50	Per Attendee	3.2%
Printing & Publications	7,800	\$0.15	Per Attendee	1.0%
Advertising and Promotion	39,000	\$0.75	Per Attendee	4.8%
Aquarium Animal Food <sup>3/</sup>	1,875	\$0.25	Per Gallon	0.2%
Aquarium Animal Collections/ Care <sup>3/</sup>	1,875	\$0.25	Per Gallon	0.2%
Exhibit Reinvestment / Changing Exhibit	23,400	\$0.45	Per Attendee	2.9%
Uniforms	1,125	\$125	Per FTE	0.1%
Insurance	9,000	\$2.25	Per SF	1.1%
Building, Maintenance, Landscaping & Supplies	12,000	\$3.00	Per SF	1.5%
Utilities	32,000	\$8.00	Per SF	3.9%
Dept. Misc. & Discretionary	15,180	2%	of Total Operating Costs	1.9%
<b>Subtotal Operating Expenses</b>	<b>\$774,156</b>			<b>95.2%</b>
<b>Capital Reserves</b>	<b>\$39,000</b>	5%	of Total Operating Costs	4.8%
<b>Total Operating Expenses</b>	<b>\$813,156</b>			<b>100.0%</b>
<b>Morro Bay Operating Benchmarks</b>				
Operating Expense Per Square Foot	\$203			
Operating Expense Per Attendee	\$16			
Operating Expense Per FTE	\$90,351			

1/ See personnel table.

2/ Includes Dues & Subscriptions, Office Supplies, Professional Travel, Postage & Shipping, Volunteer Costs, Equipment Rental and other Administrative costs.

3/ Animal food and collections care expenses will ultimately depend on the type of the collection and species but are assumed to be local.

Source: ConsultEcon, Inc.

**Table V-10**  
**Operating Expenses in Mid Range Attendance Potential Scenario**  
**New Morro Bay Aquarium**

Operating Expenses	Stable Year					Stable Year Current Dollar Value
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Personnel Salaries (FTE, PTE)	\$308,500	\$317,755	\$327,288	\$337,106	\$347,219	\$308,500
Benefits (@ 26% of Sal.)	55,530	57,196	58,912	60,679	62,500	55,530
Retail Cost of Goods (COGS) Sold	138,138	136,096	127,435	131,915	136,548	120,120
Rent Assumption	1	1	1	1	1	1
Professional Services	36,000	37,080	38,192	39,338	40,518	36,000
Administrative Expenses	54,000	55,620	57,289	59,007	60,777	54,000
Development Costs & Events	15,000	15,450	15,914	16,391	16,883	15,000
Telecommunications / Website	15,750	16,223	16,709	17,210	17,727	15,750
Education Programs	29,900	29,458	28,411	31,201	35,291	26,000
Printing & Publications	8,970	8,837	8,523	9,360	10,587	7,800
Advertising	44,850	44,187	42,616	46,801	52,937	39,000
Aquarium Animal Food	1,875	1,931	1,989	2,049	2,110	1,875
Aquarium Animal Collections	1,875	1,931	1,989	2,049	2,110	1,875
Exhibit Reinvestment / Changing Exhibit	26,910	26,512	25,570	28,081	31,762	23,400
Uniforms	1,125	1,159	1,194	1,229	1,266	1,125
Insurance	9,000	9,270	9,548	9,835	10,130	9,000
Building Maintenance & Supplies	12,000	12,360	12,731	13,113	13,506	12,000
Utilities	32,000	32,960	33,949	34,967	36,016	32,000
Dept. Misc. & Discretionary	15,828	16,081	16,165	16,807	17,558	15,180
Early Year Factor <sup>1/</sup>	40,363	24,603				
<b>Total Operating Expenses</b>	<b>\$847,615</b>	<b>\$844,710</b>	<b>\$824,425</b>	<b>\$857,138</b>	<b>\$895,447</b>	<b>\$774,156</b>
<b>Capital Reserves <sup>2/</sup></b>	<b>\$42,381</b>	<b>\$42,235</b>	<b>\$41,221</b>	<b>\$42,857</b>	<b>\$44,772</b>	<b>\$39,000</b>
<b>Total Operating Costs</b>	<b>\$889,996</b>	<b>\$886,945</b>	<b>\$865,646</b>	<b>\$899,995</b>	<b>\$940,220</b>	<b>\$813,156</b>

NOTE: Year 1 is in current 2018 dollars.

1/ In Years 1 and 2 when attendance is higher than stable year, a factor of +5% and +3%, respectively, have been added to accommodate more than stable year attendance.

2/ Capital Reserves include funds for changing exhibits, equipment replacements and minor capital building improvements.

Source: ConsultEcon, Inc.

**Table V-11**  
**Preliminary Net Income Potential Summary**  
**New Morro Bay Aquarium**

	YEAR 1	YEAR 2	Stable Year YEAR 3	YEAR 4	YEAR 5	Stable Year	
<b>Attendance</b>	59,800	57,200	52,000	52,260	52,520	52,000	
							<b>Current Dollar Value</b>
<b>Earned Revenue</b>	\$796,413	\$772,155	\$733,306	\$746,201	\$784,555	\$691,212	85%
<b>Operating Expenses</b>	\$889,996	\$886,945	\$865,646	\$899,995	\$940,220	\$813,156	100%
<b>Net Income Before Contributed Revenues</b>	(\$93,583)	(\$114,790)	(\$132,339)	(\$153,794)	(\$155,665)	(\$121,944)	-15%
<b>Contributed Revenue Requirement <sup>1/</sup></b>	\$93,583	\$114,790	\$132,339	\$153,794	\$155,665	\$121,944	15%
<b>Net Income After Contributed Revenue</b>	\$0	\$0	\$0	\$0	\$0	\$0	

NOTE: Year 1 is in 2018 dollars.

1/ Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Source: ConsultEcon, Inc.



AGENDA NO: C-2

MEETING DATE: March 12, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** March 6, 2019

**FROM:** Scott Collins, City Manager

**SUBJECT:** Consideration to Authorize the Submittal of Grant Application to San Luis Obispo County Continuum of Care for a Homeless Emergency Aid Program Grant in the Amount of \$285,300, with Potential One Time Cost of \$34,700 to City, and Potential Annual Cost to City of Up To \$20,000, if Grant is Awarded

## RECOMMENDATION

Staff recommend the City Council authorize staff to complete and submit an application to San Luis Obispo County Continuum of Care (SLO CoC) for a Homeless Emergency Aid Program (HEAP) grant in the approximate amount of \$285,300 to support needed renovations to the Veteran’s Hall and provide programming funds in support of a temporary warming shelter during the winter months in Morro Bay, and provide direction as appropriate.

## ALTERNATIVES

Council could elect to not authorize staff to submit a grant application or choose a different program to support for a HEAP grant. The County deadline for this present application is March 19, 2019.

## FISCAL IMPACT

If successful in obtaining a HEAP grant, the City would be responsible for up to \$34,700 to cover half of the costs to fund a needed roof replacement at the Vets’ Hall (with the grant supporting the other half of the roof replacement costs). In addition, the City could be responsible in the future for covering warming center coordination costs (logistics, volunteer coordination, etc.), up to approximately \$20,000 a year.

## BACKGROUND

In response to the growing homeless crisis in California, the state legislature passed and Governor Brown signed SB 850 in June 2018, which created the California Homeless Emergency Aid Program (HEAP) to assist persons experiencing, or at-risk of, homelessness. HEAP is a one-time \$500 million block grant program designed to provide direct assistance to cities and counties to address homelessness throughout California. HEAP funds are to be dispersed through Continuums of Care (CoCs). The San Luis Obispo Continuum of Care (SLO CoC) received approximately \$4.6M in HEAP funds in late 2018 to support local efforts to address homeless service and facility deficits.

In order to be eligible for HEAP grant funding, cities must have declared that a homeless shelter crisis is occurring within their jurisdiction, and submit to their CoC programs or capital project ideas that support homeless services. The City of Morro Bay declared a homeless shelter crisis on November 27, 2018, via Resolution No. 100-18 (see attachment #1 and #2 for the November 27, 2018 staff report and Resolution No. 100-18 for more background information). The City currently

Prepared By: SC

Dept Review: \_\_\_\_\_

City Manager Review: SC

City Attorney Review: CN

has no emergency/temporary shelter for individuals experiencing homelessness or at-risk of becoming homeless. Staff estimates there are anywhere from 50-70 individuals who are homeless within the City of Morro Bay (that figure can fluctuate depending on the season). The City has discussed in the past developing a warming center to temporarily shelter homeless individuals during cold/rainy winter nights, though no program has been developed to date.

## **DISCUSSION**

SLO CoC has created an application process to review proposals for the HEAP grant, with a submittal deadline of March 19, 2019. City of Morro Bay staff has worked with Councilmember McPherson who has served on the Estero Bay Alliance for Care (EBAC) committee for several years, to develop the framework for a winter warming center program and application for the HEAP grant. Councilmember McPherson worked with representatives of the Morro Bay Community Resource Connections (MBCRC), which functions as a clearinghouse that provides information regarding local social services to homeless and in-need individuals living in Morro Bay and nearby communities, and she also reached out to local service providers to gauge their interest in supporting a volunteer based warming shelter. It has been determined through this outreach that there is a great need, and sufficient interest and support, to run such a program here in Morro Bay at the Veterans' Hall. The Vets' Hall also currently supports the Monday Night Dinners, which serves nearly 100 low-income individuals within the Estero Bay region.

There is a demonstrated need for a temporary shelter program in Morro Bay. MBCRC estimates that approximately 25-30% of the individuals attending the Monday Night Dinners at the Vet's Hall are either homeless, living in their cars, or residing temporarily with friends. Given the average attendance at the dinners, that would equate to 20 to 30 individuals who are unlikely to have shelter and are at-risk during the winter months when it is raining or cold.

The proposed application is for HEAP funds to renovate the Morro Bay Veteran's Hall by replacing its leaking roof, modernizing its kitchen (e.g., a new stove, installing a freezer, washer & dryer), repairing bad wiring, and remodeling its two restrooms to include showers. The expanded facilities will allow the Monday night Food Group to serve more individuals, store food, and provide free showers before the dinner. Funds are also being requested to equip the facility to be used as a temporary winter warming shelter for the homeless during cold and inclement weather. Finally, monies are requested to hire a part-time contract coordinator to set up the procedures for operating the warming shelter, coordinating & training the volunteers, and develop a safe parking program (which would require City Council review and recommended outreach to the community prior to implementing a safe parking program).

The total estimated cost of the capital improvements, equipment purchase and coordination expenses is approximately \$320,000. The HEAP grant application would be for \$285,300, with the City assuming responsibility for \$34,700 (half the costs of replacing the roof). The proposal includes acquiring all of the ancillary items necessary to operate a temporary shelter, e.g., sleeping mats and bags, bedding and linens, cleaning supplies, food supplies, etc. It also provides for a temporary staff position to: 1) organize and train the volunteers (two per night that the center is open), 2) develop operational rules for the shelter in consultation with potential shelter users, 3) locate an alternate shelter location when the MB Vets' Hall is in use for other purposes, and 4) continue the efforts already made by MBCRC to establish a Safe Parking Program in the City (much work has already been done toward this goal). The coordinator would likely be hired on a contract by the City. Following implementation of the program, the City would need to fund the on-going oversight/coordination of the program at a cost of up to \$20,000 annually, potentially through the City Council bequests. In addition, the grant would not cover other needed, but unrelated and non-HEAP grant qualifying renovations to the Vets' Hall, such as audio/video capabilities and

chairs.

Should the City receive the grant, it is recommended that staff should bring back more details on the temporary winter shelter program and Vets' Hall improvements for City Council review. Those details include under what weather conditions the temporary shelter would be opened, identifying an alternative temporary shelter location when other events are occurring at the Vets' Hall, and how the coordination role will be filled, among other considerations. It is anticipated that the program would be up and running potentially in time for winter 2020. The HEAP grant stipulates that funds must be used by 2021.

### **CONCLUSION**

The City of Morro Bay declared a homeless shelter crisis in 2018, as approximately 50-70 individuals experience homelessness in our community. The HEAP grant provides a great opportunity to enhance the Monday Night Dinner at the Vets' Hall for low-income individuals, conduct a portion of the needed upgrades to the Vets' Hall facility, and provide temporary shelter to homeless individuals on cold/rainy nights during the winter months.

### **ATTACHMENTS**

- 1) November 27, 2018 Staff Report for HEAP Grant
- 2) Resolution No. 100-18 (previously numbered Resolution No. 94-18)



AGENDA NO: C-3

MEETING DATE: November 27, 2018

## Staff Report

**TO:** Honorable Mayor and City Council      **DATE:** November 19, 2018  
**FROM:** Scott Collins, City Manager  
**SUBJECT:** Adoption of Resolution No. 94-18 Declaring a Homeless Shelter Crisis

### RECOMMENDATION

Adopt Resolution No. 94-18 declaring a homeless shelter crisis in Morro Bay pursuant to the Homeless Emergency Aid Program under SB 850.

### ALTERNATIVES

1. Do not adopt Resolution No.94-18 declaring a homeless shelter crisis in Morro Bay; or
2. Provide alternative direction to staff.

### FISCAL IMPACT

Approval of the recommendation will not result in any fiscal impact to the City's General Fund. However, if the City declares a homeless shelter crisis, then, pursuant to the Homeless Emergency Aid Program ("HEAP"), it will be eligible to receive HEAP funds to support homeless programming in the community, either directly or indirectly through the City.

### BACKGROUND/DISCUSSION

The Governor and Legislature have provided funding to local governments under the HEAP as part of SB 850 enacted on June 27, 2018, and the 2018-19 Budget Act (Chapter 48, Statutes of 2018). HEAP is a one-time \$500 Million block grant program designed to provide direct assistance to cities and counties to address homelessness throughout California. HEAP funds are intended to provide funding to Continuums of Care (CoCs) to address the homelessness crisis throughout California. Formula funding estimates for CoC in San Luis Obispo (SLO) County total approximately \$4.8 Million separated into the following categories:

- \$4,000,000 - Based on Point in Time Count Ranges [SB 850: Section 2, Chapter 5, 50213 (a)]
- \$837,814 - Based on Percent of Homeless Population [SB 850: Section 2, Chapter 5, 50213 (b)]

Based on the HEAP Grant Program Guidance, a shelter crisis declaration is required for all cities and counties within a CoC that wish to receive HEAP funds. While the County serves as the "Collaborative Applicant" for the local CoC, the County may only declare a shelter crisis for the unincorporated areas of the county. Cities within the county must take action by the end of

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City Manager Review: \_\_\_ SC \_\_\_      City Attorney Review: \_\_\_ JWP \_\_\_

November to declare their own shelter crisis within their respective jurisdictions in time for the County's December 31, 2018 application deadline to the State. To date, a shelter crisis declaration was adopted by San Luis Obispo County and most of the cities within the County. Other areas such as Santa Maria and Santa Barbara are adopting similar declarations.

According to the *2017 San Luis Obispo County Homeless Census and Survey Comprehensive Report* (aka Point in Time Count), there were 36 homeless individuals identified in Morro Bay. For reference with other SLO County cities, 94 homeless individuals were identified in Arroyo Grande, 60 in Grover Beach and 9 in Pismo Beach with a total of 1,125 homeless individuals identified countywide. The 36 homeless individuals identified in Morro Bay were all found to be unsheltered given the lack of homeless shelter space on the north coast.

Declaration of a shelter crisis provides the City with the following opportunities with regards to homeless services:

- Immunity from ordinary negligence liability and the ability to suspend strict compliance with housing, health, or safety requirements in the provision of emergency housing.
- Eligibility to become a direct recipient of HEAP funds from the local Continuum of Care (CoC) as referenced earlier.

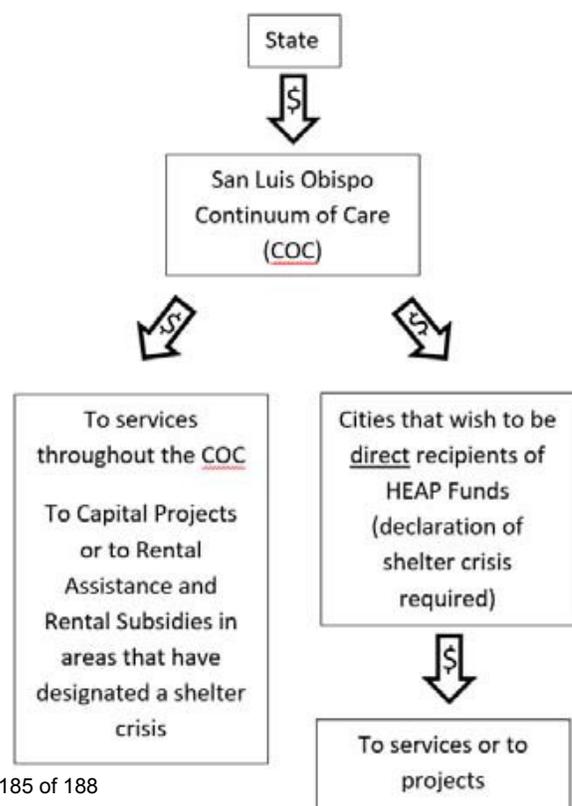
Although there are no current plans to utilize public buildings or other facilities for a shelter within Morro Bay, declaring a shelter crisis provides the City with flexibility to take actions if needed.

As referenced earlier, HEAP provides a total of \$500 Million in one-time funding to local governments for immediate emergency assistance to people experiencing homelessness or are at imminent risk of homelessness. Eligible uses include, but are not limited to, the following:

- Homelessness prevention activities,
- Criminal justice diversion programs for homeless individuals with mental health needs,
- Establishing or expanding services meeting the needs of homeless youth or youth at risk of homelessness, and
- Emergency aid

The parameters of the program are intentionally broad to allow local communities to be creative and craft programs that meet the specific needs they have identified. Although some funds from the HEAP program can be spent in jurisdictions that have not declared a shelter crisis, declaring a shelter crisis does significantly expand the programs available to receive support or allows the City to develop its own programs and become a direct recipient of HEAP funds. Expanded programs include using funds for capital construction projects or towards rental assistance and rental subsidies. The chart on the page above demonstrates the flow of HEAP funds to cities and counties.

Lastly, award of HEAP funds under SB 850 is intended to move quickly as the Business, 01181.0001/522022.1



Consumer Services, and Housing Agency (Agency) will make a first round of awards by January 31, 2019, and a second round of awards by May 31, 2019. Any unallocated funds following the second round will revert to the State's General Fund. Due to that rapid timeline to disburse funds, the process to develop a system to review and select programs and services within the SLO County COC or to individual cities as part of an application to the Agency has already begun with coordination between the County, cities, and nonprofit homeless services organizations.

As part of this process, CoCs must demonstrate that a local collaborative effort has been conducted prior to application submission. A collaborative process may include, but is not limited to, a public meeting, regional homeless taskforce meeting, and letters of support with signatures of endorsement, an adopted homeless plan, and an adopted budget that includes HEAP funds. Participants should include representatives of the local homeless population. Such a process would build on the extensive collaboration on homeless services already underway within Morro Bay through the Estero Bay Alliance for Care (EBAC).

**ATTACHMENT**

Resolution No. 94-18

**RESOLUTION NO. 100-18**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
DECLARING A SHELTER CRISIS PURSUANT TO  
SB 850 (CHAPTER 48, STATUTES OF 2018  
AND GOVERNMENT CODE SECTION 8698.2)**

**WHEREAS**, California's Governor Edmund G. Brown, Jr., and the members of the California Legislature have recognized the urgent and immediate need for funding at the local level to combat homelessness; and

**WHEREAS**, the Governor and Legislature have provided funding to local governments under the Homeless Emergency Aid Program as part of SB 850 and the 2018-19 Budget Act (Chapter 48, Statutes of 2018); and

**WHEREAS**, the Governor and Legislature require jurisdictions seeking an allocation through the Homeless Emergency Aid Program to declare a Shelter Crisis pursuant to Government Code §8698.2; and

**WHEREAS**, the City Council finds the 2017 Point in Time Count found a total of 36 homeless persons within the City of Morro Bay (City) who were homeless and living without shelter at that time; and

**WHEREAS**, the City Council finds a significant number of persons within the City are without the ability to obtain shelter, and the situation has resulted in a threat to the health and safety of those persons; and

**WHEREAS**, the City Council affirms the City's commitment to combatting homelessness and creating or augmenting a continuum of shelter and service options for those living without shelter in our communities.

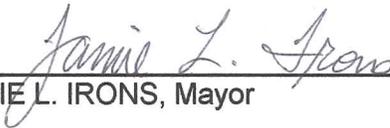
**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Morro Bay, California, as follows:

Section 1. The City Council does hereby find and declare the existence of a shelter crisis, pursuant to Government Code §8698.2, in the City.

Section 2. The City Council authorizes the City's participation in the Homeless Emergency Aid Program

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Morro Bay, California this 27<sup>th</sup> day of November 2018.

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

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

ATTEST:

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