



# 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, June 11, 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 MAY 14, 2019 AND MAY 16, 2019, CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-2 APPROVAL OF MINUTES FOR THE MAY 14, 2019, CITY COUNCIL MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-3 APPROVAL OF MINUTES FOR THE MAY 29, 2019, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-4 DESIGNATION OF REPRESENTATIVE(S) TO THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY; (CITY CLERK)

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

- A-5 ANNUAL WATER REPORT CONCERNING ALLOCATION AND USE IN FY 2018/19 OF WATER EQUIVALENCY UNITS, AND ADOPTION OF RESOLUTION NO. 42-19 ALLOCATING WATER EQUIVALENCY UNITS FOR FY2019/20; (PUBLIC WORKS)

**RECOMMENDATION: City Council review the 2018 annual water report concerning allocation and use in FY 2018/19 of Water Equivalency Units (WEUs) and the proposed allocation of the FY 2019/20 WEUs, and then adopt Resolution No. 42-19 allocating a total of 115 WEUs for FY2019/20, comprised of a total of 50 WEUs for residential development (30 for Single Family Residences and 20 for Multi-Family Residences) and 65 for commercial development.**

- A-6 ADOPTION OF RESOLUTION NO. 43-19 APPROVING A NEW LICENSE AGREEMENT WITH CAL POLY CORPORATION, INC. FOR DEDICATED DOCKAGE SPACE ON THE NORTH T-PIER FOR A FLOATING RESEARCH AND EDUCATIONAL DOCK; (HARBOR)

**RECOMMENDATION: City Council adopt resolution No. 43-19 to approve the two-year License Agreement with Cal Poly Corporation, Inc. ("Cal Poly") for dedicated dockage space on the North T-Pier for a floating research and educational dock, to include an option to extend the agreement for one 2-year period.**

- A-7 ADOPTION OF RESOLUTION NO. 44-19 APPROVING A LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND STATE OF CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE FOR EXCLUSIVE TIE-UP SPACE ON THE NORTH T-PIER FOR A PATROL VESSEL ACCOMMODATION DOCK; (HARBOR)

**RECOMMENDATION: City Council adopt Resolution No. 44-19 to approve a two-year Lease Agreement with the State of California Department of Fish and Wildlife (DFW) for dedicated pier space on the North T-Pier to dock the patrol vessel BLUEFIN.**

B. PUBLIC HEARINGS

- B-1 ADOPTION OF RESOLUTION NO. 45-19 CONTINUING THE PROGRAM AND LEVYING THE ASSESSMENTS FOR THE 2019/20 FISCAL YEAR FOR THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID) (CITY MANAGER/TOURISM)

**RECOMMENDATION: City Council conduct the public hearing, consider public comments and adopt Resolution No. 45-19 continuing the MBTBID activities and assessments for Fiscal Year (FY) 2019/20.**

C. BUSINESS ITEMS

- C-1 REVIEW OF CONCEPT DESIGN REPORT FOR THE WATER CONVEYANCE FACILITIES PROJECT AND THE GROUNDWATER MODELING TECHNICAL MEMORANDUM FOR THE WATER RECLAMATION FACILITY (WRF); (PUBLIC WORKS)

**RECOMMENDATION: Staff recommends the City Council:**

- 1. Receive the Final Draft Concept Design Report from Water Works Engineers (WWE); and**
- 2. Provide comments and input on the presentation for the Groundwater Modeling Technical Memorandum; and**
- 3. Accept public comment on the WRF Project in anticipation of a July 2019 California Coastal Commission hearing on the WRF Project.**

- C-2 ADOPT RESOLUTION NO. 46-19 ADOPTING THE FISCAL YEAR 2019/20 OPERATING AND CAPITAL BUDGETS AND RESOLUTION NO. 47-19 ADOPTING THE CITY'S SALARY SCHEDULE AND RESOLUTION NO. 48-19 RESCINDING AND REPLACING RESOLUTION NO. 03-16 DEFINING THE MANAGEMENT OF TOURISM PROMOTIONS AND MARKETING; (FINANCE)

**RECOMMENDATION: Staff recommends the City Council:**

- 1. Adopt Resolution No. 46-19, authorizing the Fiscal Year 2019/20 Operating and Capital Budgets, including any amendments approved by the City Council, prior to the adoption of that Resolution; and**
- 2. Adopt Resolution No. 47-19 approving the FY 2019/20 Salary Schedule; and**
- 3. Adopt Resolution No. 48-19 Rescinding and Replacing Resolution No. 03-16 Defining the Management of Tourism Promotions and Marketing to establish a \$60,000 General Fund contribution for FY 2019/20.**

C-3 APPROVAL OF VISITOR CENTER SERVICES CONTRACT & LEASE AGREEMENT FOR CITY-OWNED PROPERTY LOCATED AT 695 HARBOR STREET; (CITY MANGER)

**RECOMMENDATION: City Council approve agreements with the Morro Bay Chamber of Commerce (Chamber) for Visitor Center Services and the renewal of a property lease at 695 Harbor Street.**

C-4 PROPOSED FRAMEWORK FOR ECONOMIC DEVELOPMENT FACILITATION SUPPORT SERVICES PROVIDED TO THE CITY BY THE CHAMBER OF COMMERCE; (CITY MANAGER)

**RECOMMENDATION: City Council provide input and direction to staff.**

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, June 25, 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.**

MINUTES  
MORRO BAY CITY COUNCIL SPECIAL MEETING  
MAY 14, 2019 – 3:30 PM  
MAY 16, 2019 – 4:00 PM  
VETERANS MEMORIAL HALL  
209 SURF STREET

<b>AGENDA NO:</b> A-1
<b>MEETING DATE:</b> June 11, 2019

PRESENT:	John Headding Dawn Addis Robert Davis Jeff Heller Marlys McPherson	Mayor Council Member Council Member Council Member (May 16, 2019) Council Member
ABSENT:	Jeff Heller	Council Member (May 14, 2019)
STAFF:	Scott Collins Dana Swanson Rob Livick Scot Graham Steve Knuckles Eric Endersby Jody Cox Sandra Martin Jennifer Little Kirk Carmichael	City Manager City Clerk Public Works Director Community Development Director Fire Chief Harbor Director Police Chief Budget/Accounting Manager Tourism Manager Recreation Services Manager

**ESTABLISH QUORUM AND CALL TO ORDER**

Mayor Headding established a quorum and called the meeting to order at 3:30 p.m. with all but Council Member Heller present.

**PUBLIC COMMENT FOR ITEMS ON THE AGENDA**

The public comment period was opened; seeing none, the public comment period was closed.

**SPECIAL MEETING AGENDA ITEM:**

- I. **FY 2019/20 BUDGET STUDY SESSION**  
<https://youtu.be/r3WSANF2QJo?t=57>

City Manager Collins and Finance Director Callaway presented a general overview of the FY 2019/20 Operating Budget and responded to Council questions.

The Council discussed policy that determines the amount of General Fund dollars contributed to the Tourism Business Improvement District (TBID) and considered reducing or eliminating the amount which has largely been used for event support. Following discussion, there was Council concurrence to authorize \$60,000 General Fund contribution to the TBID for FY 19/20 with the understanding it would be reviewed again next budget cycle. There was also discussion event funding recommendations made by TBID be brought to Council for final approval.

**MOTION:** Council Member McPherson moved to continue the meeting to Thursday, May 16, 2019, at 4:00 p.m. The motion was seconded by Council Member Davis and carried 4-0-1 with Council Member Heller absent.

The Council reconvened on May 16, 2019 at 4:00 p.m. with all members present.

FLAG SALUTE

SPECIAL MEETING AGENDA ITEM:

- I. FY 2019/20 BUDGET STUDY SESSION  
<https://youtu.be/8lkFPKre7JA?t=82>

Staff presented budget detail for Internal Service Funds, Other Funds, Enterprise Funds and responded to Council questions.

Council Member Addis left the meeting at 5:45 p.m.

Mayor Heading opened public comment; seeing none, the public comment period was closed.

There was consensus to add Phase 2 of the Veterans Hall improvements and Surf Street stairs replacement as unfunded potential capital projects. The Council also discussed Planning Commission's recommendation \$75,000 from the United States Coast Guard project be allocated to a Electric Vehicle Charging Station and directed it be placed in the Harbor Accumulation Fund.

No formal action was taken by the City Council.

ADJOURNMENT

The meeting adjourned at 6:04 p.m.

Recorded by:

Dana Swanson  
City Clerk

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

#### ESTABLISH QUORUM AND CALL TO ORDER

Mayor Headding called the meeting to order at 5:30 p.m., with all but Council Member Heller 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 during Closed Session.

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

<https://youtu.be/8lkFPKre7JA?t=82>

#### CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

<https://youtu.be/upOp-3zQ3pA?t=303>

#### PRESENTATIONS

- Hunger Awareness Day Proclamation Presented to Andrea Keisler, Director of Programs for the Food Bank Coalition of San Luis Obispo County  
<https://youtu.be/upOp-3zQ3pA?t=303>

#### PUBLIC COMMENT PERIOD

<https://youtu.be/upOp-3zQ3pA?t=764>

Certified Massage Therapist, Lynsey Hansen, provided the business spot. She has eight years' experience and has been at her current Morro Bay location at 645 Main Street, Suite F, since December 2018. She offers both in-office and mobile massage services. For more information, call (805) 801-4958 -- online booking is also available at [www.lynseyhansen.massagetherapy.com](http://www.lynseyhansen.massagetherapy.com).

Del Mar Elementary Student Council representatives, Tyler Hixon, Emily Biddles and Ava Katen, announced upcoming events.

Sandy Potter, Del Mar Elementary School Counselor, thanked the students, teachers and parents for their participation, and announced Del Mar Elementary School Principal, Janet Gould, was named District Administrator of the Year.

Mimi Goldberg, Morro Bay, asked the City to provide trash cans at the rock.

A Morro Bay Beautiful Board Member offered potential solutions to prevent overflowing trash from blowing away and spoke in opposition to Item C-1.

Mayor Headding closed public comment.

The Council asked staff to respond to issues raised during public comment.

A. CONSENT AGENDA  
<https://youtu.be/upOp-3zQ3pA?t=2017>

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 APRIL 9, 2019, CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-2 APPROVAL OF MINUTES FOR THE APRIL 23, 2019, CITY COUNCIL SPECIAL  
CLOSED SESSION MEETING; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-3 APPROVAL OF MINUTES FOR THE APRIL 23, 2019, CITY COUNCIL MEETING;  
(ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

A-4 ADOPTION OF RESOLUTION NO. 29-19 APPROVING THE FISCAL YEAR 2019/20  
BUSINESS TAX SCHEDULE; (FINANCE)

**RECOMMENDATION: Council review the Business Tax Schedule and adopt Resolution No. 29-19, setting the Fiscal Year 2019/20 Business Tax Schedule.**

A-5 SET RATES (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 THROUGH APPROVAL OF  
RESOLUTION NO. 30-19; (CITY ATTORNEY)

**RECOMMENDATION: Council approve Resolution No. 30-19 to set rates (collection, penalty and interest) for the Morro Bay commercial cannabis tax.**

A-6 ADOPTION OF RESOLUTION NO. 31-19, WHICH RESCINDS RESOLUTION 37-18  
AND EXTENDS THE ADOPTED FY 2018/19 MASTER FEE SCHEDULE INTO FY  
2019/20 UNTIL THE FEE STUDY IS COMPLETE AND PRESENTED TO COUNCIL;  
(FINANCE)

**RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 31-19, which extends the adopted Fiscal Year (FY) 2018/19 Master Fee Schedule until the pending Fee Study is complete and presented to Council. That Resolution will also rescind Resolution No. 37-18 that adopted the current FY 2018/19 Master Fee Schedule and replaces it in its entirety.**

- A-7 ADOPTION OF RESOLUTION NO. 32-19 APPROVING AMENDMENT #1 TO THE NEW MASTER LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND FLYING DUTCHMAN ENTERPRISES (STAN VAN BEURDEN) FOR LEASE SITE 96/96W, LOCATED AT 945 EMBARCADERO; (HARBOR)

**RECOMMENDATION: City Council adopt Resolution No. 32-19, approving Amendment #1 to the new Master Lease Agreement (“MLA”) for Lease Site 96/96W, as proposed.**

- A-8 PROCLAMATION DECLARING JUNE 7, 2019 AS “HUNGER AWARENESS DAY”; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

The public comment period for the Consent Agenda was opened; seeing none, the public comment period was closed.

Council Member Davis pulled Items A-4 and A-6.

MOTION: Council Member McPherson moved for approval of Items A-1, A-2, A-3, A-5, A-7 and A-8. The motion was seconded by Council Member Davis and carried 4-0-1 by roll call vote with Council Member Heller absent.

- A-4 ADOPTION OF RESOLUTION NO. 29-19 APPROVING THE FISCAL YEAR 2019/20 BUSINESS TAX SCHEDULE; (FINANCE)

- A-6 ADOPTION OF RESOLUTION NO. 31-19, WHICH RESCINDS RESOLUTION 37-18 AND EXTENDS THE ADOPTED FY 2018/19 MASTER FEE SCHEDULE INTO FY 2019/20 UNTIL THE FEE STUDY IS COMPLETE AND PRESENTED TO COUNCIL; (FINANCE)

<https://youtu.be/upOp-3zQ3pA?t=2017>

Council Member Davis asked why two different CPI indexes were used in the Business Tax Schedule and Master Fee Schedule. Finance Director Callaway noted both indexes fluctuate and one is not always higher than the other. While the index used for the Master Fee Schedule could be changed by resolution, the index used to adjust Business Tax rates requires an ordinance change. She also shared using two different indexes does not raise issues for staff.

MOTION: Council Member Davis moved for approval of Items A-4 and A-6. The motion was seconded by Council Member McPherson and carried 4-0-1 with Council Member Heller absent.

## B. PUBLIC HEARINGS

- B-1 ADOPTION OF RESOLUTION NO. 28-19 APPROVING CONCEPT/PRECISE PLAN CONDITIONAL USE PERMIT NO. CUP18-10 FOR US COAST GUARD STATION BUILDING, 1279 EMBARCADERO. (PROJECT INCLUDES 806SF ADDITION TO EXISTING US COAST GUARD BUILDING ON CITY LEASE SITE 141); (COMMUNITY DEVELOPMENT)

Senior Planner Jacinth presented the staff report and responded to Council inquiries.

Mayor Heading opened the Public Hearing and invited the applicant to speak.

Lieutenant Commander Jared England, United States Coast Guard, explained project timeline constraints based on funding and responded to Council inquiries regarding berthing space for female crew members. He also acknowledged the importance of addressing traffic flow and parking during construction.

Mayor Heading opened Public Comment.

Bob Keller, Morro Bay, supports and recommends Council adopt the resolution.

Gerry Luhr, Morro Bay Planning Commissioner, explained the Planning Commission did not want to encumber project to slow the timeline but wanted to earmark funds for a high speed electric vehicle (EV) charging station, which it deemed a critical need for Morro Bay. He added there are no fast charging stations between San Luis Obispo and Monterey and that the Planning Commission voted 5-0 to support this item.

The Public Hearing was closed.

Staff suggested there may be other funding sources for an EV charging station and that could be discussed as part of the budget process.

**MOTION:** Council Member Addis moved the Council adopt Resolution No. 28-19, making the necessary findings for approval of Conditional Use Permit (CUP) No. 18-10 as Concept/Precise Plan approval, for Lease Site 141, located at 1279 Embarcadero and that staff report back to Council in the form of an informational report on the efforts to hire women on Coast Guard at least annually starting after the building construction is complete and through the end of the lease. The motion was seconded by Council Member McPherson for discussion.

**AMENDED MOTION:** Council Member McPherson suggested the motion be amended to read, “efforts to assign women”, rather than “efforts to hire women.” Council Member Addis agreed with the amended motion.

Council Member Davis and Mayor Heading disclosed ex parte conversations with Mark Tognazzini and spoke to the importance of keeping a through lane open during construction at all times (except during material drop off), and to have a single point of contact for local business owners to bring their concerns. Staff assured the Council that would be a project requirement.

The motion carried 4-0-1 with Council Member Heller absent.

**C. BUSINESS ITEMS**

**C-1 REVIEW AND APPROVAL OF BASIS OF DESIGN REPORT (BODR), POTENTIAL CHANGE ORDERS (PCO), AND INCREASE OF THE GUARANTEED MAXIMUM PRICE (GMP) FOR THE WATER RECLAMATION FACILITY; (PUBLIC WORKS)**  
<https://youtu.be/upOp-3zQ3pA?t=4600>

Public Works Director Livick clarified the staff recommendation to authorize the City Manager to approve future change orders would be up to a maximum of \$125,000 in total, not \$125,000 per change order. .

Program Manager Casares presented the report and responded to Council inquiries.

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

Barry Branin, Morro Bay, suggested more review was needed before the report was approved and asked for clarification regarding status of the WIFIA loan.

Lori Lewis, Morro Bay, asked questions and suggested the Council postpone approval of the report to allow time for further review.

Dan Sedley, Morro Bay, suggested Council approval be delayed pending further review by WRFCAC.

Bob Keller, Morro Bay, expressed concern about the change orders and reminded staff to seek additional funding and keep costs down.

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

**MOTION:** Council Member Addis moved the Council approve the Draft Basis of Design Report and approve the potential change orders for the Water Reclamation Facility that increases the Guaranteed Maximum Price for the construction of the WRF from \$67,243,512 to \$69,102,419; and that we authorize the City Manager to approve future changes to the GMP up to approximately 2% of the GMP as a maximum of \$125,000 that will be reported to Council in the regular updates; and that we authorize the City Attorney to prepare and the City Manager to sign an amendment to the design build agreement of the WRF for the DB Agreement to memorialize items 2 and 3 above. The motion was seconded by Council Member McPherson.

The Mayor and staff responded to questions raised during public comment and provided a status update on WIFIA and SRF funding opportunities.

**AMENDED MOTION:** Council Member McPherson requested the motion be amended to authorize the City Manager to approve future changes to the GMP up to a maximum of \$125,000, "when speed is of the essence." Council Member Addis agreed to amend the motion as requested.

The City Clerk requested clarification the motion was to authorize up to .2%, of the GMP, not 2% for City Manager approval.

The motion carried 4-0-1 by roll call vote with Council Member Heller absent.

The Council took a brief recess at 8:12 p.m. The meeting reconvened at 8:20 p.m. with all but Council Member Heller present.

C-2 CITY COUNCIL GOALS AND WORK PLAN FOR 2019 AND 2020; (CITY MANAGER)  
<https://youtu.be/upOp-3zQ3pA?t=9702>

City Manager Collins 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.

The Council discussed and agreed on the following changes and additions:

Goal #1

New Item 13: Complete a detailed review of the CalPERS pension liability / OPEB and health liability and determine specific actions to minimize the financial impact to the City.

Goal #2

Modify Item 3: Complete and bring to Council a Parking Management Plan to address parking issues in the downtown and waterfront areas.

Modify Item 4: HAB to pursue grants for an RFP for marine services facility ("boatyard") feasibility study and bring forward to Council for next steps.

New Item 6: Implement approved CIP's

Goal #3

Modify Item 2 to incorporate Tourism staff in the partnership policy discussion as grant funds are often used for City facility fees.

MOTION: Council Member McPherson moved the Council adopt the 2019 and 2020 City Goals and Work Plan, as amended by the Mayor. The motion was seconded by Council Member Addis and carried 4-0-1 by roll call vote with Council Member Heller absent.

C-3 ADOPTION OF RESOLUTION NO. 33-19 APPROVING THE ENGINEER'S REPORT AND DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE CLOISTERS LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)

<https://youtu.be/upOp-3zQ3pA?t=13541>

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

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

Dawn Beattie, Morro Bay, shared her appreciation for staff resources dedicated to the Cloisters Assessment District and suggested when the assessment by the property owners becomes insufficient, the City should put some skin in the game.

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

MOTION: Council Member Davis moved the Council adopt Resolution No. 33-19 declaring the intent to levy the annual assessment for the maintenance of the Cloisters Park and Open Space for fiscal year 2019/20 and approving the Engineer's Report. The motion was seconded by Council Member McPherson and carried 4-0-1 with Council Member Heller absent.

C-4 ADOPTION OF RESOLUTION NO. 34-19 APPROVING THE ENGINEER'S REPORT AND DECLARING THE INTENT TO LEVY THE ANNUAL ASSESSMENT FOR THE NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)

<https://youtu.be/upOp-3zQ3pA?t=13948>

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

MOTION: Council Member Davis moved the Council adopt Resolution No. 34-19 approving the Engineer's Report and declaring the intent to levy the annual assessment for maintenance of the North Point Natural Area. The motion was seconded by Council Member Addis and carried 4-0-1 by roll call vote with Council Member Heller absent.

C-5 ADOPTION OF ORDINANCE NO. 622 AUTHORIZING AN AMENDMENT TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM CONTRACT TO IMPLEMENT COST SHARING AND ADOPTION OF RESOLUTION NO. 35-19 APPROVING A 1% SALARY INCREASE FOR LOCAL POLICE MEMBERS IN THE MORRO BAY PEACE OFFICERS ASSOCIATION; (ADMINISTRATION)  
<https://youtu.be/upOp-3zQ3pA?t=14153>

The public comment period was opened; seeing none, the public comment period was closed.

MOTION: Council Member Davis moved the Council adopt by title only, with further reading waived, Ordinance No. 622 Authorizing an Amendment to the Contract between the City of Morro Bay and the Board of Administration of the California Public Employees' Retirement System Implementing Section 20516 to provide employee cost sharing of 1% for local police members in the Morro Bay Peace Officers Association (MB POA) for Fiscal Year 2018/19 and authorize the Mayor to execute the contract amendment; and, adopt Resolution No. 35-19 approving a 1% salary increase for those affected employees as agreed in the Successor Memorandum of Understanding with the MB POA for the period July 1, 2018 – June 30, 2020, effective June 15, 2019. The motion was seconded by Council Member McPherson and carried 4-0-1 with Council Member Heller absent.

C-6 OPTIONS TO ENHANCE COMMUNICATION AND ENGAGEMENT WITH THE COMMUNITY; (CITY MANAGER)

Mayor Headding requested the Council consider continuing this item to the next meeting as Council Member Heller, who requested the item, was unable to attend tonight's meeting. There was full support to continue this item to the next Council Meeting.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS  
None

E. ADJOURNMENT

The meeting adjourned at 9:39 p.m.

Recorded by:

Dana Swanson  
City Clerk

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MINUTES - MORRO BAY CITY COUNCIL  
SPECIAL CLOSED SESSION MEETING –  
MAY 29, 2019 – 3:30 P.M.  
CITY HALL CONFERENCE ROOM

AGENDA NO: A-3  
MEETING DATE: June 11, 2019

PRESENT: John Headding Mayor  
Dawn Addis Council Member  
Robert Davis Council Member  
Jeff Heller Council Member  
Marlys McPherson Council Member

STAFF: Scott Collins City Manager  
Chris Neumeyer City Attorney  
Scot Graham Community Development Director

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Headding called the meeting to order at 3:30 p.m. with all members present.

SUMMARY OF CLOSED SESSION ITEMS – The Mayor read a summary of Closed Session items.

CLOSED SESSION PUBLIC COMMENT – Mayor Headding opened public comment for items on the agenda; seeing none, the public comment period was closed.

The City Council moved to Closed Session and heard the following item:

**CS-1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Conduct an employee evaluation of City Manager pursuant to Government Code section 54957

**CS-2 CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9: One Matter

**CS-3 CONFERENCE WITH REAL PROPERTY NEGOTIATOR – GOVERNMENT CODE SECTION 54956.8**

Property: 2783 Coral, Vacant lot at corner of Coral Avenue and San Jacinto; APN: 065-386-015

Property Negotiators: Morro Bay Ventures LLC

Agency Negotiators: Scott Collins, City Manager; Scot Graham, Community Development Director and Chris Neumeyer, City Attorney

Under Negotiation: Price and Terms of Payment

Council Member Heller left the meeting at 5:19 p.m.

RECONVENE IN OPEN SESSION – The City Council reconvened in Open Session and City Attorney reported the following:

1. Item CS-1: Due exclusively to unanticipated time constraints, Item CS-1 was not completed as expected, and therefore to ensure participation by the entire City Council, Item CS-1 was continued to the next Closed Session scheduled on June 11, 2019.
2. Item CS-2: City Council directed City Attorney's Office to commence necessary legal action to abate the public nuisance at 320 Orcas Street, Morro Bay, CA.
3. Items CS-3: No reportable action was taken on Item CS-3.

ADJOURNMENT - The meeting adjourned at 5:25 p.m.

Recorded by:

Heather Goodwin  
Deputy City Clerk

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AGENDA NO: A-4

MEETING DATE: June 11, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** May 31, 2019

**FROM:** Dana Swanson, City Clerk/Risk Manager

**SUBJECT:** Designation of Representative(s) to the California Joint Powers Insurance Authority

### **RECOMMENDATION**

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

### **ALTERNATIVES**

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

### **FISCAL IMPACT**

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

### **DISCUSSION**

On June 23, 2003, the City Council adopted Resolution No. 38-03 approving the City's membership in CJPIA. The rules of CJPIA require each member agency to appoint a member of its governing board to serve as a representative to the CJPIA Board of Directors. The CJPIA also allows for member agency staff to serve as alternates. The full Board of Directors meets once a year in July, to elect officers and review claims history; this year the meeting is being held on Wednesday, July 17<sup>th</sup> at the CJPIA office in La Palma, California. Historically, the City has appointed the Mayor to fulfill the duties as the official representative on the CJPIA Board of Directors.

### **CONCLUSION**

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

### **ATTACHMENT**

1. Resolution No. 38-03

Prepared By: DS

Dept Review: \_\_\_\_\_

City Manager Review: SC

City Attorney Review: CFN

**CITY COUNCIL RESOLUTION NO. 38-03**

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

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

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

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

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

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

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

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

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

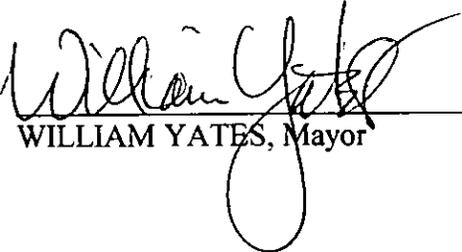
Resolution No. 38-03  
Page Two

**PASSED AND APPROVED** by the City Council of the City of Morro Bay this  
23<sup>rd</sup> day of June 2003 by the following vote:

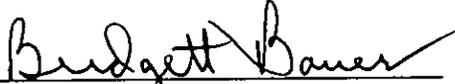
AYES: Elliott, Peirce, Peters, Winholtz, Yates

NOES: None

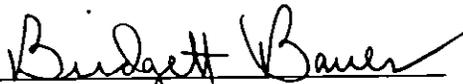
ABSENT: None

  
WILLIAM YATES, Mayor

ATTEST:

  
BRIDGETT BAUER, City Clerk

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

  
BRIDGETT BAUER, City Clerk

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AGENDA NO: A - 5

MEETING DATE: June 11, 2019

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** May 28, 2019

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

**SUBJECT:** Annual Water Report Concerning Allocation and Use in FY 2018/19 of Water Equivalency Units, and Adoption of Resolution No. 42-19 Allocating Water Equivalency Units for FY2019/20

### RECOMMENDATION

Staff recommends the City Council review the 2018 annual water report concerning allocation and use in FY 2018/19 of Water Equivalency Units (WEUs) and the proposed allocation of the FY 2019/20 WEUs, and then adopt Resolution No. 42-19 allocating a total of 115 WEUs for FY2019/20, comprised of a total of 50 WEUs for residential development (30 for Single Family Residences and 20 for Multi-Family Residences) and 65 for commercial development.

### ALTERNATIVES

As an alternative to the proposed allocation of 115 new WEUs for FY 2019/20 development, City Council could modify the allocation of WEUs for FY 2019/20, by increasing or decreasing the total amount allowed by Ordinance 266 or direct staff to bring back an agenda item to consider placing a moratorium on the establishment of any new WEUs for FY 2019/2020.

### FISCAL IMPACT

There are no fiscal impacts directly associated with the proposed allocation of the WEUs. Staff prepares the annual water report and makes the recommendation on the authorization of WEUs as a routine annual task. However, if a moratorium were pursued on new WEUs, or the proposed allocation were reduced, that moratorium or reduction would reasonably reduce the amount of revenue the City receives through building and planning fees, property taxes, sales taxes, and other property related revenues.

### BACKGROUND

Pursuant to Morro Bay Municipal Code (MBMC) Section 13.20, the Annual Water Report was prepared by the Public Works Department and taken to the Public Works Advisory Board on May 29, 2019 and Planning Commission on June 4, 2019 for review. Both bodies recommended to allocate 115 WEUs as recommended by staff, and to add a footnote to Table 1 to clarify the source of the Brackish Water Reverse Osmosis (BWRO) production. Now the report is being brought to the City Council.

Prepared By:    DH   

Dept Review:    RL   

City Manager Review:    SC   

City Attorney Review:    CFN

## **- Summary of FY 2018/19 WEU Activity**

The Council authorized 115 WEUs for FY 2018/19 per Resolution 45-18: thirty WEUs to be used for single-family residences (SFR) and 20 for multiple-family residences (MFR) with 65 allowed for commercial/industrial uses. Those WEUs were allocated on a first-come, first-served basis. The tracking of the WEUs utilized for FY 2018/19 indicates 15.59 of the 115 allowed WEUs have been allocated as follows:

- 0.59 Commercial (Virg's Landing)
- 15 Single-Family Residences ("SFR"), (2 more SFR possible before July 1<sup>st</sup>)
- 0 Multi-Family

## **- Recommendation for FY 2019/20 WEU Allocation**

It is recommended the City Council allocate 115 WEUs for FY 2019/20 as follows: 30 WEUs for SFR, 20 WEUs for MFR. and 65 WEUs for Commercial/Industrial development.

A WEU is defined as a unit of measure for water use equal to the average amount of water used by a single-family residence over the period of one year. Starting in 1977 one WEU was equal to 10,780 cubic feet of water per year. In 2016 City Council adopted Resolution 40-16 and updated a WEU to 8,732 cubic feet of water due to the historical trend of lower water use compared to previous years. The intent of the WEU allocations are to regulate the addition of new water users to the City's water system and to ensure the demand for water shall not exceed available water supply.

In 1984 the citizens adopted Measure F (Codified as Ordinance 266 in MBMC as Chapter 13.20), a "Growth Management System". This measure set a maximum population of 12,200 by the year 2000. To accomplish the housing needs of this population growth, Measure F set a maximum housing unit limit of 70 new units per year with a maximum variation in the number of units in a year that cannot exceed 10 percent or 77 WEUs for residential units. City Council took action on August 27, 2007 to reduce the number of allocated housing units to 50 new housing units. Ordinance No. 266 requires an allocation mix of 60-percent single-family residential (SRF) and 40-percent multifamily residential (MFR). Since housing and population growth has not increased as projected, i.e. the City has yet to reach Measure F population of 12,200, new housing units can still be issued. The population growth estimates in the proposed General Plan predict reaching the Measure F established population in 2040.

## **DISCUSSION**

### **Current Drought Conditions**

For the first time since December 20, 2011, California is drought free as of Mid-March according to the U.S. Drought Monitor with less than 7% of the State remaining abnormally dry. While 2019 started off dry and warm, as of the end of March 2019 the State is above normal with some areas 150-300% of normal and the threat of drought is low.

### **Water Conservation**

#### ***Statewide Conservation Requirements:***

The State lifted the drought Emergency in April of 2017, but the State Water Resources Control Board will continue to require reporting requirements and prohibitions on wasteful practices such as watering during or after rainfall, hosing off sidewalks and irrigating ornamental turf on public street

medians. Former Governor Brown has stated “Conservation must remain a way of life”.

#### *Local Conservation Requirements:*

The current water conservation requirements implemented by the Council are Mandatory Water Conservation Requirements which do not restrict outdoor water use on specific days but does restrict specific times, no outdoor irrigation between the hours of 10am and 4pm. These restrictions also include no excessive gutter runoff and no washing of hardscapes except where necessary to protect the public health and safety. These regulations are in line with the Statewide Conservation Requirements.

#### Water Management Planning

The City’s Water Management Plan is included in the OneWater Plan which was finalized in October 2018. The OneWater concept is to view all the City’s water resources (Potable water, Wastewater and Stormwater) wholistically so the community can understand the complete water resources picture. The OneWater Plan completed a water supply alternatives analysis to identify reliable, drought tolerant water supplies sufficient to provide water to the City through 2050. The OneWater Plan looked at six main alternatives with sub-alternatives identified related to treatment. The OneWater Plan recommends the City move forward with Water Supply Alternative 4A. Alternative 4A would construct the advanced treatment facilities as part of the Water Reclamation Facility (WRF) project to facilitate Indirect Potable Reuse (IPR) within the Morro groundwater basin and utilize the City’s existing facilities for groundwater extraction. This future water supply option was identified as the most reliable, drought tolerant and able to provide sufficient water supply to the City through 2050. The City also currently receives State Water through San Luis Obispo County Flood Control and Water Conservation District and will continue to receive State Water at least through the end of the current contract, 2035.

#### Projected Water Supply FY19/20

In March 2019, the California Department of Water Resources (DWR) informed the State Water Project (SWP) contractors the allocation for 2019 would be 70-percent of the contracted amount. This allocation in combination with the drought buffer is available to make up the difference between delivery requests and demand. Therefore, the City will be receiving 100-percent of the State Water Requested for 2019 (940 ac-ft). State Water allocation is determined every year, therefore should several dry years occur in a row, the City’s allocation could be reduced to a 0-percent allocation. State Water is an interruptible source of water. If there is a line break/repair or an emergency, Morro Bay could be without water from this source. State Water does “shut down” once a year for maintenance, typically in October and/or November and has typically been anywhere from 1-2 weeks to a month. During times of State Water shut down the City supplements the water supply with the Morro Valley wells through the Brackish Water Reverse Osmosis (BWRO) water treatment plant.

#### Potable Water Production Data

As shown in Attachment 1, Water production from 1980-2018, no water was extracted from Chorro and Morro Basins for direct distribution into the water supply, 960 acre-feet were delivered from the State Water Project (SWP), and 92 acre-feet of treated Morro Basin well water from the BWRO treatment plant. Attachment 2 provides an historical record of water production and use from 1960 through 2018. Beginning in 1997, per capita water use has been re-calculated, based upon the amount of water delivered to customers (metered/sold) rather than gross production, to closely reflect actual community consumption practices. Both attachments 1 and 2 show a trend for the City water consumption to be decreasing over time while the City’s population has slightly increased.

**CONCLUSION**

Staff recommends the City Council receive the FY 18/19 Water Report on WEUs and allocate 115 WEUs for FY 2019/20 as follows: 30 WEUs for SFR, 20 WEUs for MFR. and also allocate 65 WEUs for Commercial/Industrial development for a total of 115 WEUs.

**ATTACHMENTS**

1. Table 1: Water Production by source
2. Table 2: Per Capita Water Use
3. Resolution No. 42-19

TABLE 1

WATER PRODUCTION DATA 1980 - 2018  
(Acre Feet - AF)

Year	Chorro Basin	Morro Basin	** BWRO Plan	State Water	TOTAL (AF)
1980	1079	672	*	*	1751
1981	1143	584	*	*	1727
1982	1061	526	*	*	1587
1983	995	537	*	*	1532
1984	1097	572	*	*	1669
1985	1108	582	*	*	1690
1986	1059	552	*	*	1611
1987	1124	531	*	*	1655
1988	1120	528	*	*	1648
1989	1047	512	*	*	1559
1990	963	564	*	*	1527
1991	808	449	*	*	1257
1992	1049	270	*	*	1319
1993	994	397	*	*	1391
1994	954	460	*	*	1414
1995	986	420	*	*	1406
1996	1261	240	*	*	1501
1997	985	249	*	301	1535
1998	38	*	*	1288	1326
1999	34	*	*	1359	1393
2000	4	*	*	1396	1400
2001	11	*	*	1399	1410
2002	1	32	48	1373	1454
2003	1	28	13	1379	1421
2004	49	213	10	1205	1477
2005	204	150	0	1007	1361
2006	257	80	25	1009	1371
2007	276	35	19	1116	1446
2008	184	52	28	1175	1439
2009	235	80	64	1069	1448
2010	74	54	258	873	1259
2011	14	0.5	84	1144	1243
2012	0	3.9	70	1129	1203
2013	0	27	107	1137	1271
2014	0	0	41	1141	1183
2015	0	0	138	952	1088
2016	0	0	36	958	994
2017	0	0	106	925	1031
2018	0	0	93	960	1053

\*\* The source water for the BWRO facility is from the Morro Ground Water Basin

TABLE 2

TOTAL HISTORIC WATER PRODUCTION & RAINFALL  
FOR THE CITY OF MORRO BAY

Year	Rainfall	City Population	Production in acre feet	Production in millions of gallons	Average daily production in millions of gallons	Average use in gallons per capita per day
1960	10.48	5,599	894	291	0.8	142
1961	8.6	*	842	274	0.75	*
1962	17.22	*	999	326	0.89	*
1963	18.52	*	840	274	0.75	*
1964	11.26	*	881	287	0.79	*
1965	16.08	6,400	1000	326	0.89	140
1966	11.24	6,500	1188	387	1.06	163
1967	20.09	6,600	1194	389	1.07	161
1968	9.64	6,750	1298	423	1.16	172
1969	28.74	6,900	1255	409	1.12	162
1970	9.84	7,109	1534	500	1.37	193
1971	14.2	7,450	1533	500	1.37	184
1972	7.41	7,517	1547	504	1.38	184
1973	27.51	7,725	1424	464	1.27	165
1974	22.35	7,942	1482	483	1.38	167
1975	14.43	8,165	1510	492	1.35	165
1976	11.38	8,394	1574	513	1.41	167
1977	8.35	8,525	1249	407	1.12	131
1978	29.68	8,625	1430	466	1.28	148
1979	17.06	9,150	1614	526	1.44	157
1980	20.99	9,064	1651	538	1.47	162
1981	13.11	9,206	1727	563	1.54	168
1982	20.01	9,297	1586	517	1.42	152
1983	35.01	9,435	1534	500	1.37	145
1984	10.08	9,599	1669	544	1.49	155
1985	10.02	9,747	1691	551	1.51	155
1986	17.17	9,881	1614	526	1.44	146
1987	12.29	9,819	1655	539	1.48	150
1988	15.01	9,975	1648	537	1.47	147
1989	10.88	10,133	1559	508	1.39	137
1990	8.78	9,664	1527	498	1.36	139
1991	16.01	9,806	1256	410	1.12	114
1992	19.63	9,736	1319	430	1.18	121
1993	24.21	9,979	1391	452	1.24	124
1994	11.05	10,071	1414	462	1.26	126
1995	40.01	9,518	1418	462	1.27	133
1996	15.47	9,687	1501	462	1.34	138
1997	18.56	9,696	1535	489	1.37	141
1998	18.01	9,845	1326	432	1.18	120
1999	13.11	9,871	1393	454	1.24	126
2000	19.63	10,410	1400	456	1.25	120
2001	16.04	10,486	1410	459	1.26	118
2002	9.36	10,510	1454	474	1.3	123
2003	13.75	10,485	1421	466	1.28	122
2004	9.48	10,522	1477	481	1.32	125
2005	30.19	10,270	1361	444	1.22	118
2006	18.9	10,491	1371	447	1.23	117
2007	7.24	10,436	1446	471	1.29	118
2008	13.34	10,548	1439	469	1.23	122
2009	12.25	10,555	1448	472	1.29	120
2010	17.26	10,608	1259	410	1.12	106
2011	12.99	10,234	1243	405	1.11	108
2012	10.16	10,327	1203	392	1.07	105
2013	4.05	10,370	1349	440	1.21	117

TABLE 2

TOTAL HISTORIC WATER PRODUCTION & RAINFALL  
FOR THE CITY OF MORRO BAY

Year	Rainfall	City Population	Production in acre feet	Production in millions of gallons	Average daily production in millions of gallons	Average use in gallons per capita per day
2014	12.62	10,234	1183	385	1.05	103
2015	8.55	10,544	1088	354	0.97	92
2016	18.79	10,284	994	324	0.88	86
2017	18.73	10,284	1031	336	0.92	89.5
2018	15.1	10,581	1053	342	0.94	88.6

a: [average] determined from metered water sold, not water produced  
Population from US Census estimates

**RESOLUTION NO. 42-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
RECEIVING THE 2018 ANNUAL WATER REPORT AND  
ADOPTING A WATER ALLOCATION PROGRAM FOR FY 2019/2020**

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

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

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

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

**WHEREAS**, in March 2019, the California Department of Water Resources informed the State Water Project contractors the allocations for 2019/20 would be 70-percent of the contracted amount; and

**WHEREAS**, Morro Bay will receive the full allocation of 1,313-acre-foot from State Water deliveries; and

**WHEREAS**, on June 11, 2019, City Council held a public meeting at a regular Council meeting to consider the 2018 Annual Water Report, and the proposed FY 2019/20 Water Equivalency Units (WEU) Water Allocation Program; and

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

**SECTION 1:** A Water Allocation Program for the FY 2019/20 is hereby adopted to contain the following elements:

- A. Rescind Resolution No. 45-18, allocation program for FY 2018/19 Water Equivalency Units (WEUs); and
- B. Allocate 115 WEUs in FY19/20 as follows:
  - a. 50 WEU for residential purposes (comprised of 30 for Single Family Residence and 20 for Multi-Family Residence); and
  - b. 65 for Commercial/Industrial purposes.

**SECTION 2:** Applicability

Each development project that requires an allocation of new Water Equivalency Units shall be subject to this revised allocation program, consistent with Chapter 13.20 of the Morro Bay Municipal Code,

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay, at a regular meeting held on this 11th day of June 2019 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
JOHN HEADING, Mayor

ATTEST:

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

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AGENDA NO: A - 6

MEETING DATE: June 11, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** May 28, 2019

**FROM:** Eric Endersby, Harbor Director

**SUBJECT:** Adoption of Resolution No. 43-19 Approving a New License Agreement with Cal Poly Corporation, Inc. for Dedicated Dockage Space on the North T-Pier for a Floating Research and Educational Dock

## RECOMMENDATION

Staff recommends the City Council adopt resolution No. 43-19 to approve the two-year License Agreement with Cal Poly Corporation, Inc. ("Cal Poly") for dedicated dockage space on the North T-Pier for a floating research and educational dock, to include an option to extend the agreement for one 2-year period.

## ALTERNATIVES

Council may elect not to approve Resolution No. 43-19 for the new License Agreement as-proposed, and direct staff accordingly.

## FISCAL IMPACT

If approved, then there will be an annual revenue increase to the Harbor Department budget of \$487.92/year. The expiring License Agreement with Cal Poly is for \$3832.08/year (\$319.34/month), while the proposed new agreement is for \$4320.00/year (\$360.00/month). As is the existing rate, the new rate is based on the current T-Pier daily rate.

## BACKGROUND

In 2015, a License Agreement with Cal Poly was approved for a dedicated location and the placement of a floating dock at the North T-Pier. That platform provides for college research and educational opportunities such as vessel bottom fouling and bottom paint research.

As authorized by the License Agreement, it has been renewed, with updates as needed, on a biannual basis. The current agreement will expire the end of June, 2019, with no more extensions authorized. The City has had such an agreement with Cal Poly since 2006.

## DISCUSSION:

Cal Poly has determined it wishes to continue utilizing the dock at its present location and have requested to renew the agreement. The dock is on the base leg on the "inside" of the pier; as such, loss of space for commercial or other vessels' use has not been an issue as it is an area of low demand/use.

Staff is proposing a new License Agreement, included at Attachment 1, highlighting the following:

Prepared By: LS

Dept Review: EE

City Manager Review: SC

City Attorney Review: JWP

- Two-year term, with an option for the Harbor Director to administratively extend for one, two-year period (to align with fiscal year cycles).
- Annual rent of \$4,320.00/year (\$360/month) plus annual CPI adjustment(s).
- Licensee will be allowed to exclude transient vessels from tying off to the floating dock.

**CONCLUSION**

Staff believes the new agreement for continued use of dockage space at the North T-Pier for Cal Poly's floating research/educational dock is beneficial to both Cal Poly and the City, and is recommending its approval.

**ATTACHMENTS**

1. Proposed License Agreement
2. Resolution 43-19

TEMPORARY LICENSE AGREEMENT  
FOR USE OF PUBLIC PROPERTY

The City of Morro Bay, a municipal corporation, (“Licensor”) hereby grants to Cal Poly Corporation a California non-profit corporation (“Licensee”) a license (“this License”) for use of the real property located on the City North T-Pier at 1275 Embarcadero, Morro Bay, CA, illustrated on the attached Exhibit A (the “Premises”), subject to all the following terms and conditions:

1. **USE:** Subject to all the provisions of this License and only in recognition of the purpose set forth in this Paragraph, Licensee shall have permission to use of the Premises solely for dockage of a 24’ x 12’ floating dock (the “Floating Dock”) and associated equipment.

Licensee will be allowed to exclude transient vessels from tying off to the Floating Dock. Licensee may tie Licensee owned vessels to floating dock for an additional charge at the rate set forth in the City’s Master Fee Schedule for T-Pier dockage.

No storage of hazardous materials of any sort will be allowed, including, but not limited to, such materials as fuels, chemicals, paints and oils, except for Licensor or emergency vessels.

The foregoing shall be defined as the “Permitted Uses.”

The parties agree Licensee’s use of the Premises for the Permitted Uses shall be exclusive of any other use or user, except that of Licensor, subject to Paragraph 19, below.

2. **LICENSOR REQUIREMENTS:** In connection with the Permitted Uses, Licensee shall comply with all applicable Federal, State and local laws rules and regulations, including payment of local business taxes, if applicable.
3. **EFFECTIVE DATE OF LICENSE:** This License shall be effective on the later of July 1, 2019, or upon the date it is signed on behalf of Licensor, as long as it has also been signed on behalf of Licensee (the “Effective Date”).
4. **TERM:** The term of this License shall be for the period from the Effective Date, through June 30, 2021, (the “Term”) or termination pursuant to Paragraph 16, below.
5. **RENEWAL:** Upon expiration of this License Licensor’s Harbor Director may administratively execute one two-year renewal of this License (the “Extended Term”). The Extended Term shall be effective only if an amendment to this License is signed by Licensor’s Harbor Director, or designee and Licensee. If the Extended Term becomes

effective, then the Extended Term shall expire on June 30, 2023 or termination pursuant to Paragraph 16, below.

6. **FEES:** Licensee shall pay to Licensor a minimum guaranteed annual rental for the use of the Premises, in an initial amount of \$4,320.00 per year payable in advance in equal semiannual installments on January 1 and July 1 each year during the term of the License (the "License Fee").

The Parties agree, commencing July 1, 2020, as of every July 1 following the Effective Date (each, a "CPI Adjustment Date"), except as outlined in section 2.03 hereof, the Annual Minimum Rent shall be adjusted in direct proportion to any upward movement in the Consumer Price Index for January 1, 2019 which is hereby agreed to be 269.468 (Base Index). The percentage adjustment for any given year shall be based on the monthly average Index for the calendar year immediately preceding the CPI Adjustment Date as compared with the Base Index. The Consumer Price Index referred to herein is the Consumer Price Index (all items indexes, all urban consumers) for Los Angeles – Long Beach - Anaheim, California, compiled and published by the United States Department of Labor, Bureau of Labor Statistics, 1982-84 Base Year = 100 (the "Index")

The Annual Minimum Rent shall be adjusted as of each CPI Adjustment Date, and will remain in effect as adjusted until the next CPI Adjustment Date. As an illustration only, if the Base Index (Jan. 1, 1999 CPI) is 166.1 and the monthly average CPI for 2000 is 171.6, then the percentage increase is equal to 3.31%. Therefore, the Annual Minimum Rent would be increased by 3.31% as of July 1, 2001, and would continue at that rate through June 30, 2002.

7. **OPERATION COSTS:** Licensee may use the existing water and electrical services on the pier at no additional charge. If at some future date Licensee desires to install additional services specific to Licensee's vessels, Licensee is responsible for all costs of installation and maintenance of any and all utilities or services required by Licensee on the pier. Licensor shall not be liable for the failure of utilities or services to the pier.
8. **MAINTENANCE:** Licensee shall be responsible to maintain the Premises in a clean and presentable manner and keep the area abutting the Premises free from waste, debris, trash and other rubbish. Upon termination this License for any reason, Licensee shall leave the Premises free from waste, debris, trash, pollution/spills and other rubbish and in a good condition, subject to normal wear and tear.
9. **SIGNS:** Any and all signs installed or used by Licensee that are visible to the public from outside the Premises shall not be installed or used without the prior written approval of Licensor's Harbor Director, and subject to all applicable Licensor zoning laws, rules and regulations and all required land use Licensor approvals and permits shall be obtained.
10. **IMPROVEMENTS:** Licensee shall not make any improvements to the Premises without prior approval from Licensor's Harbor Director. Upon termination of this License for

any reason, any improvements of any kind installed by or on behalf of Licensee and left on Premises shall become the property of Licensor at no cost whatsoever, including any damages for condemnation, inverse condemnation or relocation benefits or loss of goodwill, however, Licensee and Licensor further agree that Licensor has the option and right to require Licensee to remove any improvements of any kind installed by or on behalf of Licensee upon the Premises at the termination of this License, however occurring, providing Licensor gives Licensee notice, in writing, no later than thirty days prior to termination of License. If Licensor exercises such option and Licensee fails to remove such improvements within sixty days after termination of License, Licensor shall have the right to have such improvements removed at expense of Licensee.

11. LICENSEE OBLIGATIONS: Termination of this License shall not terminate Licensee's obligations pursuant to Paragraphs 12, 13, 14, 15, 16, 17 and 18.
12. TAXABLE INTEREST: This License is not intended to create any interest in real property. If it is determined, by a governmental agency dually authorized to make such decision, this License creates any taxable interest, including, but not limited to, a possessory interest, then Licensee shall be solely responsible to pay such taxes to the extent such taxes are required by law to be paid.
13. HOLD HARMLESS: Licensee agrees to and hereby does hold harmless, indemnify and defend Licensor and its officers, agents and employees ("Indemnitees") from any claim, judgment, liability, award, damages, loss or expense, including reasonable attorney's fees and court costs, arising out of or related to the use of the Premises by Licensee, including, but not limited to, any hazardous materials releases; provided, that Licensee's obligation to indemnify and hold harmless shall apply only to the extent Licensee, its officers, employees or agents caused the claim, loss or expense. For purposes of this License, hazardous materials shall mean any materials as defined by State or Federal laws.
14. INSURANCE: Without limiting the obligation set forth in the immediately preceding sentence, during the term of this License Licensee shall provide evidence of insurance as provided in Exhibit B.
15. NO LIENS ON PREMISES: Licensee shall not permit or suffer any mechanic's or materialman's or other lien of any kind or nature to be recorded or enforced against the Premises for any work done or materials furnished thereon at the instance of requirement of or on behalf of Licensee; and Licensee agrees to indemnify and hold harmless Licensor and the Premises against and from any and all liens, claims, demands, costs and expenses of whatsoever nature in any way connected with such work done, labor performed or material furnished in connection with Licensee's use of the Premises.
16. RIGHT TO TERMINATE/NO DISPLACEMENT LIABILITY: Either party shall have the right to terminate this License, with or without cause, upon thirty-days' (30-days') written notice to the non-terminating party. Licensor shall not be liable (i) for any displacement or relocation benefits or expenses experienced by Licensee, (ii) for reimbursement for any improvements installed by Licensee or (iii) for any damages in condemnation, inverse condemnation, loss of goodwill or other legal or equitable bases

resulting, directly or indirectly, from any action or inaction of or on behalf of Licensor that may be in any way connected with any termination of this License for any reason or any relocation of Licensee from the Premises for any reason. Upon termination of this License, Licensee shall no longer be responsible for any fees under this License, as specified in Paragraph 5 of this License.

17. GOVERNING LAW: The terms of this License shall be interpreted according to the laws of the State of California. If arises out of this License, then venue shall be in the Superior Court of San Luis Obispo County.
18. LITIGATION FEES: If either party commences action against the other party arising out of or in connection with this License, then the prevailing party shall be entitled to have and recover from the other party reasonable attorneys' fees and costs of suit.
19. LICENSOR USE OF PREMISES: Licensor may use the Premises for dockage; provided, that such use shall not unreasonably interference with or prevent in any substantial way Licensee's ability to utilize the Premises for the purposed set forth herein; and provided, further, that Licensor shall be responsible for all operation costs and maintenance for the portion of the Premises it or Licensor uses or occupies. In addition, without any implied or expressed limitation on Licensor's authority and right to access and inspect the Premises in its governmental capacity, Licensor shall have the right to access at any time to the Premises for inspections.
20. TRANSFERABILITY AND ASSIGNABILITY: The License is neither transferable nor assignable by Licensee without the written consent of Licensor.
21. NOTICES: All notices given or required to be given pursuant to this License shall be in writing and may be given by personal delivery or by mail. Notice sent by mail shall be addressed as follows:

To Licensor:

City of Morro Bay  
Attn: Harbor Director  
1275 Embarcadero  
Morro Bay, CA 93442

With Copy to:

Chris Neumeyer  
Aleshire & Wynder, LLP  
18881 Von Karman Avenue, Suite 1700  
Irvine, CA 92612

To Licensee:

Amy Velasco  
Sponsored Programs Department  
Cal Poly Corporation  
San Luis Obispo, CA 93407

22. ENTIRE AGREEMENT: This License (i) constitutes the entire agreement of the parties hereto relating to the use, operation and maintenance of the Premises and (ii) shall supersede prospectively from the date it is entered into any and all prior written or oral negotiations or agreements of the parties relating to the Premises. This License shall not be modified in any particular except by a written amendment duly executed by the parties.

LICENSEE

Dated: \_\_\_\_\_

\_\_\_\_\_

Its \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Its \_\_\_\_\_

LICENSOR

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Scott Collins, City Manager

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

By: \_\_\_\_\_

Chris Neumeyer, City Attorney

EXHIBIT A  
AERIAL OF PREMISES

(Immediately behind this page)

Exhibit A

North T-Pier Aerial of Premise



**CITY OF MORRO BAY  
EXHIBIT B**

**INSURANCE REQUIREMENTS**

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

*Licensee 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 Licensee owns no vehicles, then this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Licensee or Licensee’s employees will use personal autos in any way on this project, then Licensee 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, if required.

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 Licensor for injury to employees of Licensee, subcontractors or others involved in the Work. The scope of coverage provided is

subject to approval of Licensor 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.

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

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

1. Licensee agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insureds Licensor, and its officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition prior to 1992. Licensee also agrees to require all Licensees, and subcontractors to do likewise.
2. No liability insurance coverage provided to comply with this Agreement shall prohibit Licensee, or Licensee's employees, or agents, from waiving the right of subrogation prior to a loss. Licensee agrees to waive subrogation rights against Licensor regardless of the applicability of any insurance proceeds, and to require all Licensees and subcontractors to do likewise.
3. All insurance coverage and limits provided by Licensee 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 Licensor 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 Licensor 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 Licensee or subcontractor.
6. All coverage types and limits required are subject to approval, modification and additional requirements by Licensor, as the need arises. Licensee shall not make any reductions in scope of coverage (e.g., elimination of contractual liability or reduction of discovery period) that may affect Licensor's protection without Licensor'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 Licensee's general liability policy, shall be delivered to Licensor 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, Licensor 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 Licensor shall be charged to and promptly paid by Licensee or deducted from sums due Licensee, at Licensor's option.
8. It is acknowledged by the parties of this agreement that all insurance coverage required to be provided by Licensee 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 Licensor.
9. Licensee agrees to ensure that subcontractors, and any other party involved with the project who is brought onto or involved in the project by Licensee, provide the same minimum insurance coverage required of Licensee. Licensee 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. Licensee agrees that upon request, all agreements with subcontractors and others engaged in the project will be submitted to Licensor for review.
10. Licensee 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 Licensee, subcontractor, Architect, Engineer or other entity or person in any way involved in the performance of work on the project contemplated by this agreement to self-insure its obligations to Licensor. If Licensee's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to Licensor. At the time Licensor shall review options with the Licensee, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.
11. Licensor reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving the Licensee ninety (90) days advance written notice of such change. If such change results in substantial additional cost to the Licensee, Licensor will negotiate additional compensation proportional to the increase benefit to Licensor.
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. Licensee acknowledges and agrees that any actual or alleged failure on the part of Licensor to inform Licensee of non-compliance with any insurance requirements in no way

- imposes any additional obligations on Licensor nor does it waive any rights hereunder in this or any other regard.
14. Licensee will renew the required coverage annually as long as Licensor, or its employees or agents face an exposure from operations of any type pursuant to this agreement. This obligation applies whether or not the agreement is canceled or terminated for any reason. Termination of this obligation is not effective until Licensor executes a written statement to that effect.
  15. Licensee 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 Licensee'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 Licensor 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 Licensee under this agreement. Licensee expressly agrees not to use any statutory immunity defenses under such laws with respect to Licensor, 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. Licensee agrees to be responsible for ensuring that no contract used by any party involved in any way with the project reserves the right to charge Licensor or Licensee for the cost of additional insurance coverage required by this agreement. Any such provisions are to be deleted with reference to Licensor. It is not the intent of Licensor to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against Licensor for payment of premiums or other amounts with respect thereto.

21. Licensee agrees to provide immediate notice to Licensor of any claim or loss against Licensee arising out of the work performed under this agreement. Licensor 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 Licensor.

**RESOLUTION NO. 43-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING A LICENSE AGREEMENT WITH THE CAL POLY CORPORATION FOR  
DEDICATED DOCK SPACE ON THE  
NORTH T-PIER FOR A FLOATING RESEARCH AND EDUCATIONAL DOCK**

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

**WHEREAS**, in 2015 the City of Morro Bay entered into a two-year, three-month License Agreement with the Cal Poly Corporation for a dedicated location and the placement of a floating dock at the North T-Pier, and,

**WHEREAS**, the Cal Poly Corporation wishes to continue the use and enter into a new two-year License Agreement, with an option to renew for an additional two years; and,

**WHEREAS**, the Cal Poly Corporation and City have agreed to terms and conditions of a new two-year License Agreement.

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

1. The License Agreement with the Cal Poly Corporation for a two-year term (with authority for one two-year extension) for a dedicated location and the placement of a floating dock at the North T-Pier for research and education is hereby approved; and
2. The Mayor is hereby authorized to execute the License Agreement.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 11th day of June 2019 on the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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John Headding, Mayor

ATTEST:

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Dana Swanson, City Clerk

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AGENDA NO: A - 7

MEETING DATE: June 11, 2019

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** May 30, 2019

**FROM:** Eric Endersby, Harbor Director

**SUBJECT:** Adoption of Resolution No. 44-19 Approving a Lease Agreement between the City of Morro Bay and State of California Department of Fish and Wildlife for Exclusive Tie-Up Space on the North T-Pier for a Patrol Vessel Accommodation Dock

## RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 44-19 to approve a two-year Lease Agreement with the State of California Department of Fish and Wildlife (DFW) for dedicated pier space on the North T-Pier to dock the patrol vessel BLUEFIN.

## ALTERNATIVES

Council may elect not to approve Resolution No. 44-19 for the new lease agreement as-proposed, and direct staff accordingly.

## FISCAL IMPACT

If approved, then there will be an annual revenue increase to the Harbor Department budget of \$438.00/year. The expiring Lease Agreement with the State is for \$6132.00/year (\$511.00/month), while the proposed new agreement is for \$6,570.00/year (\$547.50/month). As was the existing rate, the new rate is based on the current T-Pier daily rate.

## BACKGROUND

In 2001, DFW desired an assigned exclusive berthing location on the North T-Pier for the patrol vessel BLUEFIN. To accommodate that, in 2003 the City and State entered into a Lease Agreement where the State paid rent for a 60-foot portion of the outside face on the north end of the pier.

The current Council-approved two-year agreement expires on June 30, 2019, and DFW wishes to continue with the use and a new agreement.

## DISCUSSION:

Staff is proposing the attached Lease Agreement for Council approval, based on the State's lease agreement template, highlighting the following:

- Two-year term
- Annual rent of \$6570.00
- Agreement allows exclusive DFW use of the DFW-supplied and maintained dock

Prepared By: LS

Dept Review: EE

City Manager Review: SC

City Attorney Review: JWP

**CONCLUSION**

Staff believe the continued use of tie-up space at the North T-Pier for the DFW patrol vessel BLUEFIN dock is beneficial to both the City and State, and is recommending approval of the Resolution and Lease Agreement to allow it.

**ATTACHMENTS**

1. Proposed Lease Agreement
2. Resolution 44-19

<u>LEASE COVERING PREMISES LOCATED AT:</u>
<u>LESSOR'S FEDERAL TAX. I.D.</u> <u>OR SOCIAL SECURITY NUMBER:</u>
<u>TENANT AGENCY:</u> California Department of Fish and Wildlife

**File Number:**

**Project Number:**

**THIS LEASE**, made and entered into this \_\_\_\_ day of \_\_\_\_\_ by and between \_\_\_\_\_ hereinafter called Lessor, and the State of California, by and through its duly appointed, qualified and acting Director of the Department of Fish and Wildlife, hereinafter called State.

**The parties hereto mutually agree as follows:**

**WITNESSETH:**

1. Lessor hereby leases unto State and State hereby hires from Lessor those certain premises situated in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of California, and more particularly described as follows:
  
2. The term of this lease shall commence on \_\_\_\_\_, and shall end on \_\_\_\_\_, with such rights of termination as may be hereinafter expressly set forth.
  
3. State may terminate this lease any time effective on or after \_\_\_\_\_ by giving notice to Lessor at least thirty (30) days prior to the date when such termination shall become effective.
  
4. Rental shall be paid by the State in arrears on the last day of each month during said term as follows:  
 \_\_\_\_\_ (\$ . )  
 From: \_\_\_\_\_ through \_\_\_\_\_

5. All notices herein provided to be given, or which may be given, by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail certified and postage prepaid, and addressed as follows:

To the Lessor at:	Phone: ( )
	Fax: ( )
<b>California Department of Fish and Wildlife</b>	Phone: ( )
PO Box 944209	Fax: ( )
Sacramento, CA 94244	

Nothing herein contained shall preclude the giving of any such written notice by personal service.

**DELEGATED SHORT FORM LEASE**

DFW 578 (REV 12/19/18)

- ~~6. Lessor agrees that, prior to, the leased premises will be made ready for State's occupancy in full compliance with Exhibit "A", consisting of one (1) sheet titled, "Project No. \_\_\_\_\_" dated \_\_\_\_\_, and in accordance with Exhibit "B", consisting of three (3) pages, titled "Project No. \_\_\_\_\_" dated \_\_\_\_\_, which Exhibits "A" and "B" are by this reference incorporated herein.~~
7. Lessor shall furnish to State, during the lease term, at Lessor's sole cost, the following services and utilities:
  - A.
  - B.
  - C.
8. During the lease term, Lessor shall maintain the leased premises together with appurtenances, rights, privileges, and easements belonging or appertaining thereto, in good repair and tenantable condition, except in case of damage arising from the negligence of State's agents, invitees or employees.
9. Lessor reserves the right to enter and inspect the leased premises, at reasonable times, and to make any necessary repairs to the premises.
10. Lessor agrees that State, keeping and performing the covenants and agreements herein contained on the part of State to be kept and performed, shall at all times during the existence of this lease peaceably and quietly, have hold and enjoy the leased premises, without suit, trouble or hindrance from Lessor, or any person claiming under Lessor.
11. In the event the leased premises or any essential part thereof shall be destroyed by fire or other casualty, this lease, shall, in the case of total destruction of the leased premises, immediately terminate. In case of partial destruction or damage State may elect to terminate by giving written notice setting forth the date of termination to the Lessor within fifteen (15) days after such fire or casualty, and no rent shall accrue or be payable to the Lessor after such termination. In the event of any such destruction where the State remains in possession of said premises, whether for the remainder of the term or temporarily pending termination, the rental as herein provided shall be reduced by the ratio of the floor space State is precluded from occupying to the total floor space of the leased premises.
12. Rental payable hereunder for any period of time less than that for which periodic rental is payable shall be determined by prorating the rental due for the applicable period of occupancy.
13. To the extent authorized by any fire and extended coverage insurance issued to Lessor on the herein demised premises, Lessor releases State from liability for loss or damage covered by said insurance and waives subrogation rights of the insurer.
14. During the performance of this lease, the Lessor shall not deny benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age, or sex. Lessor shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.
15. Lessor shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5), and the regulations or standards adopted by the awarding State agency to implement such article.

**DELEGATED SHORT FORM LEASE**

DFW 578 (REV 12/19/18)

- 16. In the event the State remains in possession of the premises after the expiration of the lease term, or any extension thereof, this lease shall be automatically extended on a month-to-month basis, subject to thirty (30) days termination by either party, and otherwise on the terms and conditions herein specified, so far as applicable.
- 17. Lessor hereby warrants and guarantees that the space leased to the State will be operated and maintained free of hazard from Asbestos Containing Constructions Materials.
- 18. Lessor hereby represents and certifies that it has fully complied and covenants to remain in compliance during the term of this lease, with Disabled Veteran Business Enterprise (DVBE) participation goals or has made good faith efforts, as the case may be, as required by Public Contract Code Section 10115 et seq., and further agrees that the State or its designees will have the right to review, obtain, and copy all records pertaining to the contract. Lessor agrees to provide the State or its designee with any relevant information requested and shall permit the State or its designee access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with this requirement. Lessor further agrees to maintain such records for a period of three (3) years after final payment under the contract.
- 19. Upon completion of this lease, Lessor agrees to submit a final report identifying all DVBEs used in providing services or supplies to this lease. Efforts to include DVBEs in this contract do not end with the award of a lease, but continue for as long as the Lessor is purchasing materials and supplies and needs subcontractors in meeting its obligations to State pursuant to this lease.
- 20. Except in emergency situations, the Lessor shall give not less than 24 hours prior notice to State tenants when any pest control, remodeling, renovation, or repair work affecting the State occupied space may result in employee health concerns in the work environment.

— — —

**IN WITNESS WHEREOF**, this lease has been executed by the parties hereto as of the date first above written.

STATE OF CALIFORNIA  
DEPARTMENT OF FISH AND WILDLIFE

By \_\_\_\_\_ Date: \_\_\_\_\_  
**Signature**

**Valinda Roberts**

**Chief, Business Operations Section  
Business Management Branch**

LESSOR

By \_\_\_\_\_ Date: \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

## **INSTRUCTIONS TO BE OBSERVED WHEN EXECUTING DELEGATED LEASE**

1. Fully complete all blanks.
2. Description shall be complete and should include square footage or acreage. State room number and floor, if applicable. When possible, a floor plan with the leased space outlined in red shall be attached.
3. Rental shall be payable in arrears.
4. Utilities and services detailed in paragraph 7 must be verified with Lessor.
5. The term of this lease shall not exceed three (3) years and total annual rental shall not exceed FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00).
6. There shall be no deviation from this form without prior approval of the Department of General Services. Before signing, specific notation of interlineations, deletions, or other alterations shall be entered in the blank space following the last paragraph.
7. A copy of the fully executed lease and any subsequent amendment, extension, or termination, shall be mailed to the:  
    Department of Fish and Wildlife,  
    Business Management Branch: Facilities & Processing Section,  
    1831 9<sup>th</sup> Street  
    Sacramento, CA 95811.
8. (Business Management Branch, Facilities Unit, will mail a copy of the fully executed lease and any subsequent amendment, extension, or termination, to the Department of General Services, Real Estate Services Division, 707 Third Street, MS 505, West Sacramento, CA 95605. Send it to the attention of the Real Estate Officer noted on your Delegation Authority Letter who is assigned to this project.)

**RESOLUTION NO. 44-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING A LEASE AGREEMENT WITH THE STATE OF CALIFORNIA  
DEPARTMENT OF FISH AND WILDLIFE FOR EXCLUSIVE TIE-UP SPACE ON THE  
NORTH T-PIER FOR A PATROL VESSEL  
ACCOMMODATION DOCK**

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

**WHEREAS**, in 2017 the City of Morro Bay entered into a two-year Lease Agreement with the State of California Department of Fish and Wildlife for exclusive tie-up space on the North T-Pier for an accommodation dock for the Department of Fish and Wildlife's patrol vessel BLUEFIN, and,

**WHEREAS**, the California Department of Department of Fish and Wildlife wishes to continue the use and enter into a new two-year Lease Agreement; and,

**WHEREAS**, the California Department of Department of Fish and Wildlife and City have agreed to terms and conditions of a new two-year Lease Agreement.

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

1. The Lease Agreement with the California Department of Department of Fish and Wildlife for a two-year term for exclusive use of space on the North T-Pier for a patrol vessel accommodation dock is hereby approved; and
2. The Mayor is hereby authorized to execute the lease document.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 11th day of June 2019 on the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
John Heading, Mayor

ATTEST:

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

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

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

As of the date of this Staff Report, the City has not received any protest regarding the assessment. At the meeting the City Clerk will announce if any protests were received, and if so, whether they constitute the threshold of hoteliers who will pay 50 percent or more of the proposed assessments.

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

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

The City Council adopted MBMC Chapter 3.60 to provide explicit uses for the funding. MBMC section 3.60.030 provides that the specific services, activities and programs to be provided by the MBTBID are as follows:

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

The MBTBID Advisory Board unanimously recommended approval of the assessment report, as well as the continuation of the 3% assessment for FY 2019/20. At its meeting of May 28, 2019, the City Council unanimously adopted a Resolution of Intention (Resolution No. 41-19), which approved the assessment report, and set the required public hearing for the June 11, 2019, Council meeting.

### **DISCUSSION**

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

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

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

### **CONCLUSION**

Staff recommends the City Council adopt Resolution No. 45-19 continuing the MBTBID activities and assessments for FY 2019/20.

**ATTACHMENTS**

1. Resolution No. 41-19
2. Resolution No. 45-19

**RESOLUTION NO. 41-19**

**RESOLUTION OF THE CITY COUNCIL OF  
THE CITY OF MORRO BAY, CALIFORNIA,  
DECLARING THE INTENTION TO CONTINUE THE PROGRAM AND LEVY  
ASSESSMENTS FOR THE 2019/20 FISCAL YEAR FOR THE  
MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID);  
AND SETTING A DATE FOR A PUBLIC HEARING TO RECEIVE  
PROTESTS TO THAT ASSESSMENT**

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

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

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

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

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

**WHEREAS**, on May 16, 2019, at a duly noticed public meeting, the MBTBID advisory board, formed pursuant to MBMC, section 3.60.100, recommended the renewal of the MBTBID for Fiscal Year (FY) 2019-20 to continue its activities, and the City Council has approved that renewal for the past eight years; and

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

**WHEREAS**, on May 28, 2019, City Council conducted a public meeting where staff presented the annual assessment report, which provides a full and detailed description of the activities to be provided during the FY 2019-20, as provided in the proposed budget for that Fiscal Year, which are attached to this Resolution as Exhibit A and available for review in the City Clerk's office; and

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

**WHEREAS**, it is the intention of the City Council to levy and collect 3% assessments from the hoteliers within the TBID for the FY 2019-20; and

**WHEREAS**, at the public meeting held on May 28, 2019, City Council additionally set

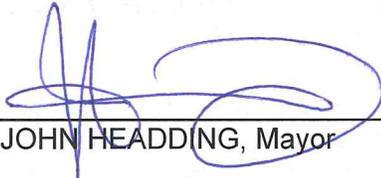
the public hearing, for the intent to levy the MBTBID assessment for Fiscal Year 2019/20, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36534 and 36535.

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

1. The above recitations are true and correct, and incorporated herein by reference.
2. The City Council approves the attached Annual Assessment Report and declares its intention to renew the Morro Bay Tourism Business Improvement District for the 2019/20 Fiscal Year, and to levy and collect 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050.
3. The City Council sets the date of the public hearing to adopt a Resolution to reaffirm the MBTBID, and levy and collect the 3% assessments from hoteliers as Tuesday, June 11, 2019. Before or at this public hearing written protests to the continuation of the MBTBID and the levy of the assessment may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 28th day of May 2019, by the following vote:

AYES: Headding, Addis, Davis, Heller, McPherson  
NOES: None  
ABSENT: None  
ABSTAIN: None

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

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

**RESOLUTION NO. 45-19**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
CONTINUING THE PROGRAM AND LEVYING THE ASSESSMENTS FOR THE  
2019/20 FISCAL YEAR FOR THE MORRO BAY  
TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID)**

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

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

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

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

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

**WHEREAS**, on May 16, 2019, the advisory board requested the renewal of the TBID for the 2019/20 fiscal year to continue its activities, and the City Council has approved that renewal annually since 2010; and

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

**WHEREAS**, on May 28, 2019, staff presented to City Council the annual assessment report for Fiscal Year 2019/20, which provides a full and detailed description of the activities to be provided during the 2019/20 fiscal year, as provided in the proposed budget for that Fiscal Year, which are attached to this Resolution as Exhibit A; and

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

**WHEREAS**, it is the intention of the City Council to levy and collect 3% assessments from the hoteliers within the TBID for the 2019/20 fiscal year; and

**WHEREAS**, Resolution No. 41-19 declaring the intention to continue the program and levy assessments from the hoteliers and notifying them of the June 11, 2019, public hearing was adopted by the Council at the May 28, 2019, meeting and published in the Telegram Tribune on May 31, 2019; and

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

**WHEREAS**, at that public hearing regarding the renewal of the TBID for the 2019/20 fiscal year, affected businesses had the opportunity to protest the TBID renewal, with the following results:

FOR:

AGAINST:

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

1. The above recitations are true and correct, and incorporated herein by reference.
2. The City Council, having affirmed the annual report and proposed budgets at its regular meeting held on May 28, 2019, and considered all testimony, reports and opinions presented at the June 11, 2019 public hearing, hereby declares the renewal of the Morro Bay Tourism Business Improvement District for the 2019/20 fiscal year, and instructs the hoteliers to levy and collect 3% assessments for overnight stays of 30 days or less.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 11<sup>th</sup> day of June 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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

ATTEST:

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

City of Morro Bay

**FY 19-20 Budget Worksheet**

G/L Account Number	Account Description	2017 Actual Amount	2018 Actual Amount	2019 Actual Amount As of 3/5/19	2019 Amended Budget	2020 Level 1	Level 1 Comments
<b>Fund: 007 - MBT-BID</b>							
<b>REVENUES</b>							
<b>Department: 3170 - Promotion &amp; Advertising</b>							
<i>350-Rev Cursvc - Revenues From Current Services</i>							
007-3170 3400	Advertising - Guides and Magazines	300.0000	4,293.5000	0.0000	4,000.0000	6,000.0000	Income from Ad sales
<i>Account Classification Total: 350-Rev Cursvc - Revenues From Current Services</i>		\$300.00	\$4,293.50	\$0.00	\$4,000.00	\$6,000.00	
<i>390-Misc Rev - Miscellaneous Revenues</i>							
007-3170 3990	Other Misc Revenues	70,070.8700	0.0000	0.0000	32,000.0000		
<i>Account Classification Total: 390-Misc Rev - Miscellaneous Revenues</i>		\$70,070.87	\$0.00	\$0.00	\$32,000.00	\$0.00	
<b>Department Total: 3170 - Promotion &amp; Advertising</b>		\$70,370.87	\$4,293.50	\$0.00	\$36,000.00	\$6,000.00	
<b>Department: 3510 - Accounting &amp; Treasury</b>							
<i>300-Rev Taxes - Revenues From Taxes</i>							
007-3510 3064	Transient Occupancy Tax	802,468.2000	802,877.2500	508,268.2700	836,135.0000	823,643.9400	
<i>Account Classification Total: 300-Rev Taxes - Revenues From Taxes</i>		\$802,468.20	\$802,877.25	\$508,268.27	\$836,135.00	\$823,643.94	
<b>Department Total: 3510 - Accounting &amp; Treasury</b>		\$802,468.20	\$802,877.25	\$508,268.27	\$836,135.00	\$823,643.94	
<b>Department: 7710 - Interfund Transactions</b>							
<i>100-Interfund - Interfund Transfers</i>							
007-7710 3801	Transfers In	60,000.0000	125,428.0000	0.0000	154,000.0000	60,000.0000	
<i>Account Classification Total: 100-Interfund - Interfund Transfers</i>		\$60,000.00	\$125,428.00	\$0.00	\$154,000.00	\$60,000.00	
<i>380-Interfund - Interfund Revenue Transfers</i>							
007-7710 3802	Intrafund Revenue Trans.	0.0000	0.0000	0.0000	65,000.0000		
<i>Classification Total: 380-Interfund - Interfund Revenue Transfers</i>		\$0.00	\$0.00	\$0.00	\$65,000.00	\$0.00	
<b>Department Total: 7710 - Interfund Transactions</b>		\$60,000.00	\$125,428.00	\$0.00	\$219,000.00	\$60,000.00	
<b>REVENUES Total</b>		\$932,839.07	\$932,598.75	\$508,268.27	\$1,091,135.00	\$889,643.94	
<b>EXPENSES</b>							
<b>Department: 1111 - Undistributed/Non-Dept.</b>							

## FY 19-20 Budget Worksheet

G/L Account Number	Account Description	2017 Actual Amount	2018 Actual Amount	2019 Actual Amount As of 3/5/19	2019 Amended Budget	2020 Level 1	Level 1 Comments
<i>110-Other - Other Expense</i>							
007-1111 8710	Loss on Investment	119.0000	590.0000	0.0000	0.0000		
<i>Account Classification Total: 110-Other - Other Expense</i>		<b>\$119.00</b>	<b>\$590.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
<b>Department Total: 1111 - Undistributed/Non-Dept.</b>		<b>\$119.00</b>	<b>\$590.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
<b>Department: 3170 - Promotion &amp; Advertising</b>							
<i>10-Personnel - Personnel Services</i>							
007-3170 4110	Regular Pay	82,813.9400	85,268.9000	59,896.0000	91,749.0000	95,451.0000	
007-3170 4310	Part-Time Pay	44,200.6000	50,270.5700	29,903.8500	55,027.0000	69,136.6000	
007-3170 4599	Other Pay	1,250.1500	0.0000	326.4800	5,000.0000	1,500.0000	
007-3170 4910	Employer Paid Benefits	31,023.2300	37,955.8800	20,818.8000	22,112.8600	27,413.5823	
007-3170 4911	Pension Normal Cost	0.0000	0.0000	3,943.6300	6,098.1400	6,667.2524	
007-3170 4912	PERS Unfunded Accrued Liability	0.0000	0.0000	14,600.4900	15,827.0000	18,918.3882	
<i>Account Classification Total: 10-Personnel - Personnel Services</i>		<b>\$159,287.92</b>	<b>\$173,495.35</b>	<b>\$129,489.25</b>	<b>\$195,814.00</b>	<b>\$219,086.82</b>	
<i>60-Supplies - Supplies</i>							
007-3170 5108	Communication Supplies	17,323.7300	0.0000	0.0000	0.0000		
007-3170 5201	Other Expense	4,737.6800	1,255.8800	0.0000	0.0000		
007-3170 5301	General Office Supplies	4,591.4800	3,974.1000	2,848.7800	3,500.0000	3,000.0000	
007-3170 5305	Forms Printing	1,928.7600	0.0000	203.5400	2,000.0000	500.0000	
<i>Account Classification Total: 60-Supplies - Supplies</i>		<b>\$28,581.65</b>	<b>\$5,229.98</b>	<b>\$3,052.32</b>	<b>\$5,500.00</b>	<b>\$3,500.00</b>	
<i>70-Services - Services</i>							
007-3170 6105	Consulting Services	7,388.7500	18,130.1900	5,750.1000	15,000.0000	11,600.0000	SEO contract \$550/mo, Freelance Design 5000
007-3170 6106	Contractual Services	57,395.8800	193,013.5900	142,470.6500	230,000.0000	165,000.0000	Mental Mktg
007-3170 6107	Promotion & Advertising	292,651.1900	229,265.0500	50.0000	8,000.0000	12,000.0000	Printing of Visitors Guides
007-3170 6108	Marketing Consulting	1,020.0000	15,870.4800	42,887.4100	29,000.0000		
007-3170 6112	TV Ads - Other Region	1,221.0000	0.0000	0.0000	0.0000	0.0000	
007-3170 6113	Print Ads - So. Region	1,203.7400	0.0000	0.0000	0.0000	4,500.0000	

## FY 19-20 Budget Worksheet

G/L Account Number	Account Description	2017 Actual Amount	2018 Actual Amount	2019 Actual Amount As of 3/5/19	2019 Amended Budget	2020 Level 1	Level 1 Comments
007-3170 6114	Community Event Support	0.0000	85,547.5800	96,485.2600	100,000.0000	50,000.0000	Grants at TBID \$
007-3170 6116	Print Ads - Other Regions	45,119.9600	3,650.0000	0.0000	0.0000	0.0000	
007-3170 6118	Promotion - Media	98,634.6400	81,982.4000	12,323.3300	18,000.0000	8,000.0000	2 passports 5k, Calendars
007-3170 6119	Promotion - Other	173,572.2400	17,603.1300	8,003.4000	15,000.0000	13,000.0000	Oct Wine Promo, utility bill inserts, banners, promo materials, bags, canopy, July free trolley, MidStateFair misc
007-3170 6120	Trade Shows - Space Rent	14,302.9200	6,654.4000	3,725.0000	4,000.0000	7,600.0000	GoWest 2600, IPW 5000
007-3170 6121	Trade Shows - Trans.	2,345.1500	3,203.0000	0.0000	1,500.0000	500.0000	
007-3170 6124	Advertising Sponsorships	0.0000	30,827.0000	21,157.5000	15,000.0000	13,000.0000	Co-op's with VCA, SLOCAL, CCTC
007-3170 6125	Professional Development	646.4800	0.0000	0.0000	1,500.0000	500.0000	
007-3170 6127	Digital Media	0.0000	0.0000	172,080.4900	270,000.0000	272,000.0000	Digital media buy & social media buy (60k GF)
007-3170 6128	Out of Home Media	0.0000	0.0000	7,800.0000	13,000.0000	6,600.0000	Highway 1 outdoor (\$550/mo \$6600)
007-3170 6129	Digital Services	0.0000	340.9800	18,465.9900	40,000.0000	45,000.0000	Constant Contact 225/mo, google 30/mo, simpleview 2190/mo iackrahhit 1200/mo 7 misc: droughx surfline
007-3170 6130	Digital Assets	0.0000	49.0000	2,331.9900	15,000.0000	0.0000	Still photos & Video production
007-3170 6132	Promotion - Visiting Journalist	0.0000	2,349.4500	15,696.3700	25,000.0000	10,000.0000	estimate 1000/per journalist
007-3170 6199	Other Professional Services	705.0000	14,799.0000	0.0000	2,000.0000	500.0000	hold
007-3170 6201	Telephone	0.0000	89.7100	1,248.5100	0.0000		
007-3170 6220	Postage	1,722.7400	3,867.6400	282.3800	4,000.0000	700.0000	
007-3170 6300	Utilities	1,293.2100	1,747.9100	0.0000	0.0000		
007-3170 6308	Internet/Cable TV	0.0000	0.0000	111.9700	0.0000	2,000.0000	Charter, OMMO, cell
007-3170 6451	Workers Comp Insurance	0.0000	0.0000	0.0000	1,191.0000	1,200.0000	
007-3170 6461	Unemployment Insurance	0.0000	0.0000	0.0000	814.0000	900.0000	
007-3170 6510	Meetings & Conferences	4,007.1000	2,870.4300	1,399.9900	2,500.0000	2,000.0000	CCTC meetings, grant committee meetings, annual hotel mtg, SLOCAL symposium, VCA
007-3170 6511	Mileage Reimbursement	623.9200	19.5500	0.0000	500.0000	500.0000	
007-3170 6513	Meals & Lodging	5,716.2700	3,722.9500	586.7100	4,500.0000	4,500.0000	For travel trade shows
007-3170 6514	Travel Expense	2,039.1300	1,232.7300	281.8000	2,000.0000	2,000.0000	Flights, car, etc

## FY 19-20 Budget Worksheet

G/L Account Number	Account Description	2017 Actual Amount	2018 Actual Amount	2019 Actual Amount As of 3/5/19	2019 Amended Budget	2020 Level 1 Level 1 Comments
007-3170 6519	Association Membership	1,509.0000	2,226.6700	1,195.0000	1,500.0000	1,500.0000 BAW, CCTC, CalTravel, DMAWest
<i>Account Classification Total: 70-Services - Services</i>		\$713,118.32	\$719,062.84	\$554,333.85	\$819,005.00	\$635,100.00
<b>Department Total: 3170 - Promotion &amp; Advertising</b>		\$900,987.89	\$897,788.17	\$686,875.42	\$1,020,319.00	\$857,686.82
<b>Department: 7710 - Interfund Transactions</b>						
<i>100-Interfund - Interfund Transfers</i>						
007-7710 8410	Intrafund Expense Trans.	0.0000	0.0000	0.0000	21,653.0000	
007-7710 8501	Transfers Out	15,957.2400	19,482.5400	285,600.0500	293,684.0000	31,394.0000
<i>Account Classification Total: 100-Interfund - Interfund Transfers</i>		\$15,957.24	\$19,482.54	\$285,600.05	\$315,337.00	\$31,394.00
<b>Department Total: 7710 - Interfund Transactions</b>		\$15,957.24	\$19,482.54	\$285,600.05	\$315,337.00	\$31,394.00
<b>EXPENSES Total</b>		\$917,064.13	\$917,860.71	\$972,475.47	\$1,335,656.00	\$889,080.82
<b>Fund REVENUE Total: 007 - MBT-BID</b>		\$932,839.07	\$932,598.75	\$508,268.27	\$1,091,135.00	\$889,643.94
<b>Fund EXPENSE Total: 007 - MBT-BID</b>		\$917,064.13	\$917,860.71	\$972,475.47	\$1,335,656.00	\$889,080.82
<b>Fund Total: 007 - MBT-BID</b>		\$15,774.94	\$14,738.04	(\$464,207.20)	(\$244,521.00)	\$563.12
<b>REVENUE GRAND Totals:</b>		\$932,839.07	\$932,598.75	\$508,268.27	\$1,094,135.00	\$840,135.00
<b>EXPENSE GRAND Totals:</b>		\$917,064.13	\$917,860.71	\$972,475.47	\$1,335,656.00	\$0.00
<b>Grand Totals:</b>		\$15,774.94	\$14,738.04	(\$464,207.20)	(\$241,521.00)	\$840,135.00

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AGENDA NO: C-1

MEETING DATE: June 11, 2019

# Staff Report

**TO:** Honorable Mayor & City Council

**DATE:** June 5, 2019

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

**SUBJECT:** Review of Concept Design Report for the Water Conveyance Facilities Project and the Groundwater Modeling Technical Memorandum for the Water Reclamation Facility (WRF)

## RECOMMENDATION

Staff recommends the City Council:

1. Receive the Final Draft Concept Design Report from Water Works Engineers (WWE); and
2. Provide comments and input on the presentation for the Groundwater Modeling Technical Memorandum; and
3. Accept public comment on the WRF Project in anticipation of a July 2019 California Coastal Commission hearing on the WRF Project

## ALTERNATIVES

No alternatives are recommended.

## FISCAL IMPACT

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

## DISCUSSION - CONVEYANCE FACILITIES CONCEPT DESIGN REPORT

The WRF Project includes the construction of a new treatment facility with advanced treatment at the South Bay Boulevard site, conveyance facilities consisting of a lift station(s) and pipelines to connect the new treatment facility to the outfall infrastructure of the existing wastewater treatment plant (WWTP), and offsite recycled water facilities necessary to inject purified water into the Lower Morro Groundwater Basin (i.e., indirect potable reuse [IPR]).

In November 2018, WWE submitted an internal working draft of the Concept Design Report (CDR) for the Conveyance Facilities Project. The overall objectives of the Concept Design Report include identifying, developing, assessing, and recommending the following:

- Siting, design criteria, and project constraints for the WRF lift station(s)
- Alignment, design criteria, and project constraints for the offsite pipelines (sewer forcemains, brine/effluent line, and communication conduit), as well as the IPR line

On December 17, 2018, WWE presented the alignment and pump station alternatives developed as part of the CDR to WRFCAC. Those alternatives included:

- Pipeline alignments
  - West Alignment

Prepared By: EC/RL

Dept Review: RL

City Manager: SC

City Attorney: JWP

- East Alignment
- Embarcadero Alignment
- Hills Alignment (Little Morro Creek)
- Hills Alignment (Radcliff St)
- Pump station alternatives:
  - Scenario 1: Single Pump Station (PS)
  - Scenario 2: Secondary Stormwater PS-B
  - Scenario 3: Full-Time PS-B

The recommendation from City staff was to move forward with the West Alignment and the inclusion of a second pump station that would be used at all times located on City property at Main Street and Highway 1 (i.e., Full-Time PS-B alternative).

Following the December 2018 WRFCAC meeting, City staff and the Program Manager made a similar presentation to City Council on January 22, 2019. At that meeting, the City Council agreed with staff's recommendation of the West Alignment and Full-Time PS-B. At City Council's request, the recommendation was brought back at the February 13, 2019 City Council meeting so the Members could formally approve staff's recommendation.

Since the WRFCAC and City Council meetings held in late 2018/early 2019, WWE has continued to develop the final design for the recommended pipeline alignment and pump station configuration approved by the City Council. Per the its professional services contract, WWE has been working to prepare the 60 percent design submittal and update the CDR originally submitted to staff in November 2018. Per the latest schedule from WWE, the 60 percent design submittal will be submitted to City staff on August 30, 2019. Few changes have been made to the internal draft CDR since it was originally reviewed by City staff and the presentations were made to WRFCAC and the City Council. Those changes include:

- Modifications to the included design and construction schedule
  - Due to the issues with access to the Vistra and PG&E properties (noted in the WRF Project Quarterly Report for March 2019 and the Monthly Report for April 2019), which have delayed completion of the topographic surveying and geotechnical investigations, the schedule for substantial completion of the construction of the Conveyance Facilities project has been delayed to November 2021. Those access issues have been remedied. The previous schedule provided with the CDR and reflected in the current WRF Project Baseline Schedule is September 2021.

The Final Draft CDR has been attached to this report. The Final CDR will be submitted to the City by WWE concurrently with the submission of the 60 percent design submittal. WWE will then complete the 90 percent design submittal, 100 percent design submittal, and final design submittal before the project can go to bid. Key dates for the Conveyance Facilities Project include:

<b>Milestone</b>	<b>Date</b>
60 Percent Design Submittal	August 30, 2019
90 Percent Design Submittal	December 20, 2019
100 Percent Design Submittal	February 28, 2020
Final Design Submittal	April 22, 2020
Bid Advertisement	May 06, 2020
Bid Opening	June 17, 2020
Contractor Notice to Proceed	July 22, 2020
Construction Substantial Completion	November 26, 2021

The Final Draft CDR was presented to WRFCAC on June 4th. The majority of the input received from WRFCAC was related to detailed design components that are not yet included in the 30-percent design drawings provided with the CDR, but will be included in future submittals (i.e., 60-percent). These include:

- Isolations valves in the various pipelines
- Minimum cover requirements for pipelines located in the Caltrans right of way
- Traffic impacts associated with the decision to open-cut the pipelines under the Highway 1 overpass at South Bay Boulevard versus a trenchless crossing
- Pressure testing methods and requirements for plastic pipe (i.e., FPVC and HDPE)

### **DISCUSSION - GROUNDWATER MODELING TECHNICAL MEMORANDUM**

In September 2018, the City awarded a contract for hydrogeological services to GSI Water Solutions (GSI). GSI had previously provided hydrogeological services for the WRF Project in 2017 with completion of a screening-level groundwater flow model of the Lower Morro Groundwater Basin, which assessed the feasibility of using injection and subsequent recovery of recycled water (indirect potable reuse) to augment the City's water supply. That work was documented in the May 16, 2017, report titled Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility. Two possible injection and extraction well layouts were evaluated. The analysis from the report concluded:

- It is likely feasible for the aquifer to accept the recycled water available for injection;
- A minimum of four injection wells would likely be needed to achieve the desired recycled water injection capacity;
- Depending on the injection well locations, up to approximately 1,200 acre-feet-per year (AFY) of groundwater could potentially be produced for potable water supply without the model indicating seawater intrusion would occur (the City currently uses between 900 and 1000 AFY of potable water); and
- The 2-month minimum subsurface recycled water response retention time required under Title 22 will likely be met.

GSI's current work, which began in the fall of 2018, includes the first two of a total of three phases required to complete the final design of the injection wells that will inject purified water into the Lower Morro Groundwater Basin (i.e., IPR). These include:

- Phase 1 (Groundwater Modeling of Lower Morro Groundwater Basin)
  - Investigate pumping of the City's full permitted allotment of 581 AFY without contribution of recycled water
  - Analysis of possible groundwater nitrate levels under different injection scenarios
  - Analysis of potential changes in groundwater chemistry due to potential saltwater intrusion
- Phase 2 (Pilot Injection Testing)
  - Prepare test well design and permitting
  - Evaluate two potential injection well locations and recommend preferred area for testing
  - Secure permitting for injection testing
  - Conduct pilot injection testing
  - Update groundwater model
  - Perform travel time analysis and clogging analysis
  - Perform seawater intrusion monitoring
  - Perform groundwater level monitoring

Phase 3 of the hydrogeological work (not yet contracted) includes development of the design criteria for the full-scale injection wells.

GSI completed the Phase 1 analysis in April 2019 (attached Draft Groundwater Modeling Technical Memorandum). On May 10, 2019, the report was uploaded to the City's website under the "Hot Topics" section for review by the WRFCAC and community:

<http://www.morrobayca.gov/DocumentCenter/View/13251/Draft-Phase-1-Hydrogeology-Report--4-19-19-Draft?bidId>.

City staff and the Program Manager had originally planned to present the Technical Memorandum to WRFCAC in May 2019. However, due to the schedule impacts associated with the timely consideration of the potential change orders (PCOs) for the WRF by WRFCAC in May 2019, the decision was made to move that topic to June 2019.

A summary of the objectives for the Technical Memorandum include:

- An evaluation of the ability of the City to pump the full groundwater allotment of 581 AFY without inducing sea water intrusion from the coast;
- An evaluation of the impact of injection into the aquifer proposed as part of the IPR project on the concentrations of nitrates that migrate from upgradient to the groundwater in City wells; and
- An evaluation of the impact on the water quality in City wells from the injection into the aquifer proposed as part of the IPR project on the concentrations of total dissolved solids (TDS) that migrate from the coast.

Based on the analysis, the Technical Memorandum concludes:

- Sustained pumping of the Lower Morro Groundwater Basin at the City's permitted allotment in the absence of injection (IPR) would make the City wells susceptible to degradation of water quality due to sea water intrusion
- Groundwater injection results in significant reductions in nitrate concentrations at the Highway 1 well field (below the primary drinking water maximum contaminant level [MCL])
- Sustained pumping of the Lower Morro Groundwater Basin at the City's permitted allotment with injection (IPR) would prevent sea water intrusion

The City currently treats the limited amount of groundwater that is utilized on an annual basis during periods of high demand (in excess of imported water capacity) or during periods when imported water from the State Water Project (SWP) is not available. Water extracted from the City's Morro well field is treated at the City's existing WWTP consisting of a brackish water reverse osmosis (BWRO) process used to remove nitrates. Based on the results present in GSI technical memorandum, it can be inferred implementation of IPR for the Lower Morro Groundwater Basin would eliminate the need for the continued treatment of groundwater following completion of the WRF Project. Water extracted by the City wells would be pumped directly into the potable water distribution system.

The results of the TM were presented to WRFCAC on June 4th. Few comments were received, but there was discussion about the source of nitrate contamination in the Lower Morro Groundwater Basin and the risk that the City could again see high nitrogen concentrations as a result of intensified agricultural activities upstream of the City's potable wells.

### **Consolidated California Coastal Development Permitting Approach**

The City has been working with County planning staff since 2016 regarding a CCC CDP for the WRF Project located at the South Bay Boulevard site. The WRF -site, which will be located on 27.6 acres of

an approximately 400-acre parcel owned by Tri-W, is located outside the City's corporate boundaries within the area regulated by the County. While the City intends to annex the WRF-site into the City limits before the WRF Project is completed, the annexation will not, and does not need to be completed prior to the completion of the land use permitting process or the anticipated start of construction for the WRF.

The nature of the City's discharge to the jointly-owned ocean outfall will also be changing in the future. Since average flows to the new WRF will undergo advanced treatment and be injected into the Lower Morro Groundwater Basin, the City's contribution to the outfall will be approximately 0.23 million gallons per day (mgd) (compared to the total average flow of 0.97 mgd for the City). The dry weather discharges will be limited to the reverse osmosis concentrate resulting from the advanced treatment process. The environmental impact report prepared for the construction of the CSD new wastewater facility also included consideration of a new outfall to dispose of the CSD's treated effluent. With those changes to the flows in the outfall, minor modifications to the outfall's diffuser operation may be required. The City is planning to complete a study analyzing the future operation of the outfall following completion of the WRF Project in the next several months. The outfall is located within the CCC's original jurisdiction.

The City anticipated acquiring the CDP for the facility component of the WRF Project through the County. However, considering the WRF Project lies within three separate permitting jurisdictions, and after a number of discussions with the County and CCC staff, the City is pursuing a consolidated permit through the CCC that will cover all aspects of the WRF Project, including the advanced treatment facility, conveyance facilities, and recycled water facilities. That approach was presented to the City

Council on January 22, 2019. Council provided staff with direction to pursue a consolidated CDP. On April 23, 2019, the County Board of Supervisors (BOS) also took action and supported consolidation. Due to the WRF Project being a public facility to be owned and operated by the City and based on the law of comity between public agencies, the City does not need any land use entitlements or building permits from the County.

Since January 2019, City staff and the WRF Program Manager have been preparing the CDP permit application. Application components are currently being reviewed by CCC staff and the City has been in regular contact with CCC staff over the last several months to answer questions and provide additional information necessary for preparation of the CCC staff report. Based on the recommendation of CCC staff, the City included a business item at the March 26th City Council meeting to allow the community to provide input on the WRF Project. A member of CC staff was in attendance at that meeting. Following the decision to postpone the CCC hearing until July 2019, CCC staff recommended a second public input session be put on the agenda. The result is the holding of this public input opportunity to allow for community and City Council input into the CDP process. While the City has provided numerous opportunities for community input throughout the development of the WRF Project, preparation of the environmental document and the Proposition 218 process, this public input opportunity will allow for further public comment on the WRF Project. Information gathered at the public hearing will be used to help develop CCC staff's report and ultimately the conditions of the City's CDP for the WRF Project.

CCC staff plans to agendize the permit for the July 2019 CCC meeting. If the item is placed on the CCC July agenda, the permit hearing will be held between May 10th and 12th in San Luis Obispo.

**ATTACHMENT LINKS (No Hard Copies will be Printed)**

1. [Final Draft Concept Design Report for the Conveyance Facilities Project \(WWE, May 2019\)](#)
  - a. Appendix A: [West Align](#)
  - b. Appendix B: [Right of Way Map](#)
  - c. Appendix C: [Preliminary Geotechnical Report](#)
  - d. Appendix D: [Preliminary Offsite Pipeline Alignment Figures](#)
  - e. Appendix E: [Offsite Pipelines Costs](#)
  - f. Appendix F: [Pump Station Costs](#)
2. [Groundwater Modeling Technical Memorandum \(GSI, April 2019\)](#)
3. CDP Application Support Materials
  - a. [CDP Application-Main](#)
  - b. [Geotechnical Report - Nov 2017](#)
  - c. [MOU Tri W Fully Executed 201610251534](#)
  - d. [City Council Resolution 61-18 WRF EIR](#)
  - e. [WRF Draft EIR - March 2018](#)
  - f. [WRF Final EIR - June 2018](#)
  - g. [WRF Final EIR Appendices](#)
  - h. [Biological Resources Assessment - Apr 2017](#)
  - i. [Morro Bay Water Reclamation Facility Project Questions](#)



AGENDA NO: C - 2

MEETING DATE: June 11, 2019

## Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** June 5, 2019

**FROM:** Jennifer Callaway, Finance Director

**SUBJECT:** Adopt Resolution No. 46-19 Adopting the Fiscal Year 2019/20 Operating and Capital Budgets and Resolution No. 47-19 Adopting the City's Salary Schedule and Resolution No. 48-19 Rescinding and Replacing Resolution No. 03-16 Defining the Management of Tourism Promotions and Marketing

### **RECOMMENDATION**

Staff recommends the City Council:

1. Adopt Resolution No. 46-19, authorizing the Fiscal Year 2019/20 Operating and Capital Budgets, including any amendments approved by the City Council, prior to the adoption of that Resolution; and
2. Adopt Resolution No. 47-19 approving the FY 2019/20 Salary Schedule; and
3. Adopt Resolution No. 48-19 Rescinding and Replacing Resolution No. 03-16 Defining the Management of Tourism Promotions and Marketing to establish a \$60,000 General Fund contribution for FY 2019/20.

### **FISCAL IMPACT**

The fiscal impact is presented in the summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budgets for FY 2019/20 (page B-1). The FY 2019/20 budget is a balanced budget with total City Expenditures totaling \$94 million (inclusive of capital projects and transfers), a significant increase over prior year's budget notably due to the planned progression of the Water Reclamation Facility project.

### **BACKGROUND/DISCUSSION**

The City Council conducted three budget study sessions, May 14, 16, and 28, 2019. During these discussions, the Council directed staff to expand on the Veterans Hall Renovation capital budget and add a capital project page for the Surf Street Stairs project. The City's Accomplishments for FY 2018/19 and Goals for FY 2019/20-2020/21 were added, as well as a budgetary highlights section and the City's adopted Financial policies.

Staff also made other minor edits and corrections to the proposed budget presented to Council for consideration. The Proposed FY 2019/20 Operating and Capital Budgets can be found on the City's website at [http://morrobayca.gov/DocumentCenter/View/13404/Proposed-FY-2019\\_20-Operating-and-Capital-Budget-for-Adoption](http://morrobayca.gov/DocumentCenter/View/13404/Proposed-FY-2019_20-Operating-and-Capital-Budget-for-Adoption)

Prepared By:   JC  

Dept Review: \_\_\_\_\_

City Manager Review:   SC  

City Attorney Review:   CFN

## **Investment Policy**

As per Council direction, staff incorporated language into the City's Investment Policy (which is approved with approval of the FY 2019/20 budget) to address socially responsible investment priority when safety, yield and liquidity are not impacted. Staff incorporated the following new section into the updated investment policy (pg. J-15 of the proposed budget) for Council consideration:

### ***Social Responsibility***

*Priority will be given to investments that are in compliance with socially responsible goals, to the extent that such investments achieve equivalent safety, liquidity and yield compared to other investments that do not meet the City's socially responsible goals. When not impacting yield, safety and liquidity, priority will be given to investments that support community well-being through safe, environmentally sound, practices and fair labor practices. Investments are encouraged in entities that support combatting climate change and equality of rights regardless of race, sex, religion, age, national or ethnic origin, sexual orientation, or disability.*

## **Salary Schedule**

During previous labor negotiations, the City entered into agreement with SEIU, the Morro Bay Firefighters Association (MBFFA), Morro Bay Police Officer's Association (MBPOA), confidential employees and by extension the Management, Department Heads and the City Manager for a 2% COLA increase, effective July 1, 2019, if certain economic triggers were met. These triggers were outlined in the respective Memorandums of Understanding (MOUs) and are defined below:

- Total major General Fund Revenues (property tax, sales tax, and Transient Occupancy Tax) meet or exceed the combined forecasted amount of \$9,395,906 with a contingency shortfall of \$71,000 below the forecast (matches 10-year forecast and FY 2017/18 budget adopted by Council).
- The CALPERS discount rate for FY18-19 does not drop below the rate announced in December 2016.
- The City does not become responsible for any significant unplanned General Fund expenditure(s) of more than \$300,000 in a fiscal year.

The MOU language also stipulates the timing of the 2019 COLA, stating that "If the City determines, based on revenues received as of June 1, 2019, that it is reasonable to assume the combined receipts will meet or exceed the General Fund revenue threshold, then the COLA will be effective July 1, 2019.

As of early June 2018, staff updated FY 2018/19 revenue estimates, forecasting fiscal year end major general fund revenues to exceed the target amount of \$9,395,906. Therefore, staff has determined that it is reasonable to expect that the revenue triggers will be met for fiscal year 2018/19 and the agreed upon 2% COLA should be effective July 1, 2019. Attachment 2 contains the updated Combined Salary Schedule with the 2% COLA for all impacted employees, members of SEIU, MBFFA, MBPOA, Confidential, Management, Department Directors and the City Manager.

## **TBID**

In addition, the City recommends adopting Resolution No. 48-19, rescinding and replacing Resolution No. 03-16 which defines the management of Tourism promotions and marketing. The changes include modifying the General Fund contribution to \$60,000 and some clean up language that reflects the current approach to managing Tourism in the City. The modifications are in track change form in the attachment (Resolution No. 48-19).

## **CONCLUSION**

Pending further Council discussion, staff is recommending adoption of Resolution No. 46-19, which authorizes the Fiscal Year 2019/20 Operating and Capital Budgets and related Resolutions 47-19 and 48-19. Any amendments made during the Council meeting will be incorporated into the final budget document.

## **ATTACHMENTS**

1. Resolution No. 46-19 Adopting the Fiscal Year 2019/20 Operating and Capital Budgets.
  - a. Proposed FY 2019/20 City of Morro Bay Operating and Capital Budgets.  
[http://morrobayca.gov/DocumentCenter/View/13404/Proposed-FY-2019\\_20-Operating-and-Capital-Budget-for-Adoption](http://morrobayca.gov/DocumentCenter/View/13404/Proposed-FY-2019_20-Operating-and-Capital-Budget-for-Adoption)
2. Resolution No. 47-19 Adopting the City's Salary Schedule.
  - a. City's Salary Schedule
3. Resolution No. 48-19 Rescinding and Replacing Resolution No. 03-16 Defining the Management of Tourism Promotions and Marketing

**RESOLUTION NO. 46-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
ADOPTING THE FY 2019/20 FISCAL YEAR OPERATING AND CAPITAL BUDGETS**

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

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

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

**WHEREAS**, the City Council recognizes Capital Improvement Projects, authorized and approved in the current and prior fiscal years, may not be completed by June 11, 2019; and

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

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

1. The Fiscal Year 2019/20 Operating and Capital Budgets, including any amendments made during the City Council meeting dated June 11, 2019, are adopted and incorporated herein by reference; and
2. Staff is directed to prepare and publish a final budget document, with approved amendments; and
3. Subject to paragraph 4, below, the City Manager is authorized to transfer appropriations within the adopted budget, including from and to capital projects or capital outlay items, so long as those changes do not significantly and negatively prevent implementation of any City Council direction or policy, and total appropriations are not exceeded; and
4. City Council approval is required to transfer appropriations between funds and may approve amendments to adopted budget by adoption of one or more resolutions; and
5. City Council authorizes and directs the transfer of balances for capital projects, approved in the current and prior fiscal years, but not completed by June 30, 2019, to the Capital Improvement Project Fund(s) for the FY 2019/20 fiscal year; and
6. City Council approval is required for any proposed increase to the number of CalPERS benefited, budgeted positions, hired; and
7. In the FY 09/10, the City Council deferred Management Employees' 3% COLA. The Management Employees thank the City Council for returning ½% of that deferral in FY 2013/14. In FY 2014/15, the Management Employees agreed to waive 1 ½% of the deferral, retaining 1% for future City Council consideration. For FY 2019/20, Management and Confidential Employees will receive a 2% COLA; and
8. Per City Council minute order May 24, 2004, any expenditures, in excess of the assessments received for the Cloister Assessment District, will be subsidized by the General Fund, without additional request made to the City Council; and
9. The City Council is committed to supporting Tourism and Marketing efforts within the City, and will continue to do so with the FY 2019/20 budget, per Resolution No. 48-19 adopted by the City Council on the same date as this resolution.

**PASSED AND ADOPTED**, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 11<sup>th</sup> day of June 2019, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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

ATTEST:

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

**RESOLUTION NO. 47-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
APPROVING THE FISCAL YEAR 2019-2020 SALARY SCHEDULE**

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

**WHEREAS**, the California Public Employees' Retirement System (CalPERS), has requested all CalPERS employers list their compensation levels on one document, approved and adopted by the governing body, in accordance with 2 California Code of Regulations (CCR), section 570.5, and meeting all of the following requirements thereof:

1. Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
2. Identifies the position title for every employee position;
3. Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
4. Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
5. Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
6. Indicates an effective date and date of any revisions;
7. Is retained by the employer and available for public inspection for not less than five years; and
8. Does not reference another document in lieu of disclosing the pay rate; and

**WHEREAS**, the formal approval of the pay schedules requires that they are duly approved and adopted by the City Council, and the 2 CCR 570.5 regulation requires the adoption of the Salary Schedule for Fiscal Year 2019-20, attached as Exhibit A and incorporated herein by reference.

**NOW, THEREFORE, BE IT RESOLVED** the City Council of the City of Morro Bay does hereby approve the Salary Schedules attached hereto as Exhibit A.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 11<sup>th</sup> day of June, 2019, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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

ATTEST:

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

**CITY OF MORRO BAY  
COMBINED SALARY SCHEDULE  
FISCAL YEAR 2019-20**

TITLE	GROUP	STEP 1 Annual	STEP 2 Annual	STEP 3 Annual	STEP 4 Annual	STEP 5 Annual	STEP 6 Annual
ACCOUNT CLERK IN-TRAINING	S	32,460	34,084	35,788	37,577	39,456	
ACCOUNT CLERK I	S	39,243	41,206	43,266	45,429	47,701	
CONSOLIDATED MAINTENANCE WRK I	S	39,243	41,206	43,266	45,429	47,701	
OFFICE ASST. III	S	39,243	41,206	43,266	45,429	47,701	
OFFICE ASST. IV	S	42,428	44,550	46,777	49,116	51,572	
ACCOUNT CLERK II	S	44,079	46,283	48,598	51,027	53,579	
CONSOLIDATED MAINTENANCE WRK II	S	44,079	46,283	48,598	51,027	53,579	
PERMIT TECHNICIAN	S	45,143	47,400	49,770	52,258	54,871	
ACCOUNT CLERK III	S	47,210	49,570	52,049	54,651	57,384	
CONSOLIDATED MAINTENANCE WRK III	S	47,210	49,570	52,049	54,651	57,384	
ADMINISTRATIVE TECHNICIAN	S	48,044	50,446	52,969	55,617	58,398	
PERMIT TECHNICIAN - CERTIFIED	S	48,044	50,446	52,969	55,617	58,398	
SUPPORT SERVICES TECHNICIAN	S	48,044	50,446	52,969	55,617	58,398	
PROPERTY EVIDENCE CLERK	S	48,044	50,446	52,969	55,617	58,398	
MECHANIC	S	49,581	52,060	54,663	57,396	60,266	
RECREATION COORDINATOR	S	49,581	52,060	54,663	57,396	60,266	
HUMAN RESOURCES ANALYST I	C	54,690	57,425	60,296	63,311	66,477	
SUPPORT SERVICES COORDINATOR	C	54,690	57,425	60,296	63,311	66,477	
HARBOR PATROL OFFICER	S	54,777	57,516	60,392	63,412	66,582	
CONSOLIDATED MAINT LW	S	54,936	57,682	60,566	63,595	66,775	
ENGINEERING TECHNICIAN III	S	56,158	58,966	61,914	65,010	68,260	
RECREATION SUPERVISOR	S	56,158	58,966	61,914	65,010	68,260	
UTILITY OPERATOR	S	56,245	59,057	62,010	65,110	68,366	
ASSISTANT PLANNER	S	56,508	59,334	62,300	65,415	68,686	
BUILDING INSPECTOR	S	58,765	61,704	64,789	68,028	71,430	
EXECUTIVE ASSISTANT/DEPUTY CLERK	C	58,765	61,704	64,789	68,028	71,430	

FIREFIGHTER	F	59,065	62,018	65,119	68,375	71,794	
UTILITY OPERATOR MC (MULTIPLE CERT)	S	60,182	63,191	66,351	69,668	73,152	
SENIOR ACCOUNTING TECHNICIAN	C	61,087	64,142	67,349	70,716	74,252	
POLICE SUPPORT SERVICES MANAGER	M	61,087	64,142	67,349	70,716	74,252	
HARBOR BUSINESS COORD	S	61,169	64,228	67,439	70,811	74,351	
POLICE OFFICER	P	64,507	67,732	71,119	74,675	78,409	82,329
HARBOR PATROL SUPERVISOR	S	64,523	67,749	71,136	74,693	78,428	
FIRE ENGINEER	F	64,573	67,802	71,192	74,752	78,489	
ENGINEERING TECHNICIAN IV	S	65,765	69,053	72,506	76,131	79,938	
ASSISTANT ENGINEER	S	65,765	69,053	72,506	76,131	79,938	
ASSOCIATE PLANNER	S	65,765	69,053	72,506	76,131	79,938	
BUILDING INSPECTOR/PLANS EXAMINER	S	65,765	69,053	72,506	76,131	79,938	
CONSOLIDATED MAINT FIELD SUPV	S	65,765	69,053	72,506	76,131	79,938	
HUMAN RESOURCES ANALYST II	C	65,765	69,053	72,506	76,131	79,938	
LEAD UTILITY OPERATOR	S	67,080	70,434	73,955	77,653	81,536	
MANAGEMENT ANALYST	M	67,153	70,510	74,036	77,738	81,624	
POLICE DETECTIVE	P	67,733	71,119	74,675	78,409	82,329	86,446
POLICE SCHOOL RESOURCE OFFICER	P	67,733	71,119	74,675	78,409	82,329	86,446
POLICE SENIOR OFFICER	P	67,733	71,119	74,675	78,409	82,329	86,446
POLICE CORPORAL	P	68,361	71,779	75,368	79,136	83,093	87,248
FIRE CAPTAIN	F	74,227	77,939	81,836	85,927	90,224	
ASSOCIATE CIVIL ENGINEER	S	75,629	79,411	83,381	87,550	91,928	
WASTEWATER SYSTEMS SUPV	S	75,629	79,411	83,381	87,550	91,928	
BUDGET/ACCOUNTING MANAGER	M	78,532	82,458	86,581	90,910	95,456	
CONSOLIDATED MAINTENANCE SUPT	M	78,532	82,458	86,581	90,910	95,456	
ENVIRONMENTAL PROGRAMS MANAGER	M	78,532	82,458	86,581	90,910	95,456	
INFORMATION SERVICES TECHNICIAN	M	78,532	82,458	86,581	90,910	95,456	
RECREATION SERVICES MANAGER	M	78,532	82,458	86,581	90,910	95,456	
SENIOR PLANNER	M	78,532	82,458	86,581	90,910	95,456	
TOURISM MANAGER	M	78,532	82,458	86,581	90,910	95,456	
POLICE SERGEANT	P	80,447	84,470	88,693	93,128	97,784	102,673
PLANNING MANAGER	M	86,387	90,706	95,241	100,003	105,003	
SENIOR CIVIL ENGINEER	M	86,387	90,706	95,241	100,003	105,003	

FIRE MARSHAL	F	88,114	92,520	97,146	102,003	107,103	
CITY CLERK/HR MANAGER	M	100,603	105,633	110,914	116,460	122,283	
COMMUNITY DEVELOPMENT MANAGER	M	101,808	106,898	112,243	117,856	123,748	
UTILITY DIVISION MANAGER	M	101,808	106,898	112,243	117,856	123,748	
POLICE COMMANDER	M	114,300	120,015	126,015	132,316	138,932	
DEPUTY CITY MANAGER	E	124,785	131,025	137,576	144,455	151,677	
COMMUNITY DEVELOPMENT DIRECTOR	E	124,785	131,025	137,576	144,455	151,677	
FINANCE DIRECTOR	E	124,785	131,025	137,576	144,455	151,677	
PUBLIC WORKS DIRECTOR	E	129,439	135,911	142,706	149,842	157,334	
ADMINISTRATIVE SERVICES DIRECTOR	E	129,439	135,911	142,706	149,842	157,334	
HARBOR DIRECTOR	E	131,853	138,446	145,368	152,636	160,268	sworn
FIRE CHIEF	E	131,853	138,446	145,368	152,636	160,268	sworn
POLICE CHIEF	E	131,853	138,446	145,368	152,636	160,268	sworn
ASSISTANT CITY MANAGER	E	134,551	141,278	148,342	155,759	163,547	
CITY MANAGER	E	174,465	178,826	183,297	187,879	192,576	

Updated 6/5/19

**RESOLUTION NO. 48-19**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
RESCINDING AND REPLACING RESOLUTION NO. 03-16  
DEFINING THE MANAGEMENT OF  
TOURISM PROMOTIONS AND MARKETING**

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

**WHEREAS**, the City Council adopted the Tourism Business Improvement District (“TBID”) Law – Chapter 3.6 MBMC – via Ordinance 546 in 2009; and

**WHEREAS**, pursuant to MBMC 3.60.030, creation of the TBID is intended to provide a stream of revenue to the City to defray the costs of services, activities and programs promoting tourism which will benefit the operators of hotels in the district through the promotion of scenic, recreational, cultural and other attractions in the district as a tourist destination; and

**WHEREAS**, the City has managed its tourism promotions and marketing operations both internally in the past, though with no specific tourism staff, as well as contracted for said services with the Morro Bay Tourism Bureau (“MBTB”); and

**WHEREAS**, since the inception of the TBID assessment, tourism has increased tremendously in the City, and Transient Occupancy Taxes collected from hotel stays has increased by more than \$1 Million annually; and

**WHEREAS**, the City has greatly enhanced its focus on communitywide economic development, which includes tourism as Morro Bay’s major economic engine; and

**WHEREAS**, it is imperative the City strategically align all economic development operations to ensure efficiency, strong coordination, and enhanced long-term operations; and

**WHEREAS**, the City recognizes the important commitment to the hotelier stakeholder community when managing the community’s TBID assessment funds; and

**WHEREAS**, on January 12, 2016, the City Council adopted Resolution No. 03-16 defining the structure for management of tourism promotions and marketing; and

**WHEREAS**, on May 14, 2019, the City Council directed the General Fund contribution to the TBID for FY 2019/20 be reduced to \$60,000 and that the ongoing contribution amount be revisited during future budget discussions.

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

The City Council continues to find it appropriate for the City to manage its tourism promotions and marketing directly. To that end, the structure for management of the community’s TBID assessment funds shall be as follows:

- 1) The City shall directly manage its tourism promotions and marketing, including expenditure of the community's TBID assessment funds. Expenditures shall be made pursuant to City and State law. A State-required annual report and work plan, recommended by the TBID Advisory Board and approved by the City Council, shall guide the expenditure of these funds.

Expert tourism professionals, reporting to the City Manager or his/her designee, will manage the City's tourism promotions and marketing.

- 3) The TBID Advisory Board shall participate in the annual review of the City's tourism manager and will assist in setting goals and metrics to measure the success of the community's tourism promotions and marketing undertaken by this contracted professional. The Advisory Board shall review and make recommendations for the selection of any future tourism manager.
- 4) The TBID Advisory Board shall have enhanced duties that include, not only the general tourism marketing and promotions, but any efforts to enhance the destination of Morro Bay as it relates to tourism. That can include Citywide brand management, destination-promoting community event management or review, and more. The Advisory Board shall assist staff in developing the overall duties of the Board, and will make a recommendation to City Council in order to update the Advisory Body's bylaws as appropriate.

The City shall commit \$60,000 in Transient Occupancy Taxes to the City's tourism operations in FY 2019/20. Future General Fund contributions will be established by the City Council during budget discussions.

- 5) The City's professional tourism professionals shall be provided office space in a City facility.
- 6) In order to focus as much of the TBID assessment as possible on directly promoting and marketing Morro Bay, the City shall provide for accounting, legal advice, IT support, as well as the aforementioned office space.
- 7) The City shall support any efforts within the local business community on the formation of an additional Business Improvement District that could include retail and restaurant businesses for the purposes of enhanced marketing of those businesses that help make Morro Bay the destination it is.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on this 11<sup>th</sup> day of June, 2019 on the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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

ATTEST:

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



## **DISCUSSION**

The terms of the renewed Visitor Services agreement are substantially the same as the current year agreement, including a provision that allows the parties to agree to a renewal for an additional year at the same City contribution. The term also includes the City's payment to the Chamber of \$50,000 for the services the Chamber provides. The \$50,000 expenditure has been recommended for approval by staff for FY 2019/20 Budget.

In addition, City and Chamber staff have renegotiated a new lease for the Chamber to continue to be located at 695 Harbor Street. The new lease tracks the provisions of the current lease. The new lease is only for one year, due to the Chamber's desire for flexibility regarding future funding issues.

Should City Council modify the proposed agreements, the Chamber Board will have the opportunity to review them at their June 25, 2019 meeting for final approval.

The basics of the contract include requirements for the Visitor Center to:

- Be open to the public all days with the exception of Thanksgiving Day, Christmas Day, and New Year's Day;
- Be open daily at least 7 hours specifically for Visitor Center services, and host visitors during times outside of Visitor Center hours when the Chamber is open to the public;
- Include at least one ADA-accessible unisex restroom facility for public use, or one must be available for public use within 150 feet of the Visitor Center;
- Be within walking distance of the Morro Bay Transit Center;
- Include one phone line dedicated to Visitor Center purposes;
- Have only City-approved signage posted onsite. Major signage on the facility will be City-approved and be at the expense of the City. Any other signage will be City-approved and at the expense of the Chamber;
- Include on-site wireless Internet access for visitors at all times the Visitor Center is open to the public;
- Include an Internet-enabled computer terminal accessible to visitors at all times the Visitor Center is open to the public;
- Have some form of limited visitor information on the exterior of the Visitor Center available to the public who may not want to enter the Visitor Center, or when the Visitor Center is otherwise closed to the public; and
- The visitor's guide produced by Morro Bay Tourism will be provided at the Visitor Center.

The Chamber is required to submit quarterly reports related to the activities of the Visitor Center, track referrals to hotels and other facilities and vendors, provide stellar customer service and be subject to financial inspection, review and audit.

Chamber representatives and tourism stakeholders, including Councilmembers and City staff, engaged in several formal and informal discussions about the optimal location/services of the Visitor Center this fiscal year (2018/19). Those discussions were prompted by the City Council's consideration of using a soon to be retired trolley as a mobile visitor center. Though that proposal was ultimately not pursued, it did raise the issue of whether the existing Visitor Center is ideally located. The number of drop-in visits to the Visitor Center have declined significantly since it was moved from a location closer to the main visitor serving area of the City to its current location on Harbor Street.

Discussions looked at both short-term and long-term options to improve circulation to the Visitor Center. After considering timing to make a change to a location, the focus turned toward short-term solutions ahead of the upcoming peak season (Summer 2019). Through those discussions, the Chamber is proposing to modify a section of the Visitor Center operation agreement to form street teams that will go out to businesses in each economic center of town distributing flyers and notices for upcoming events and visitor center material such as maps or guides. In the process, they will also engage with visitors and help answer their questions. This will be in addition to staffing the physical Visitor Center as outlined in the agreement. In order to make this work, they will not provide kiosk services at the Main Street Market, as in years past. This "street team" pursuit is a trial service for FY 2019/20, and is connected to the strategy within the Tourism Strategic Plan that encourages all visitor service businesses to think of their location and themselves as an extension of the Visitor Center.

Conversations about long-term solution, in terms of location of the Visitor Center, will continue into next fiscal year. Staff will bring forward an item for Council discussion if a viable solution is discovered.

Finally, the Chamber has also requested that the City review signage to the Visitor Center and make improvements where possible in FY 2019/20. Staff will conduct that review and make improvements and incorporate Visitor Center signage into the Wayfinding program where feasible.

### **CONCLUSION**

Staff believes the Chamber of Commerce has managed the Visitor Center well and has created strong partnerships, better synchronization, and control of efforts related to business retention and expansion, business recruitment, and tourism. Staff recommends Council approval of the agreements.

### **ATTACHMENTS**

1. Letter Requesting Visitor Center Agreement Extension
2. Visitor Center Services Agreement
3. 695 Harbor Street Lease Agreement

APR 24 2019

City of Morro Bay  
Scott Collins, City Manager  
595 Harbor Street  
Morro Bay, CA 93442

City Clerk

Morro Bay Chamber of Commerce  
Erica Crawford, President/CEO  
695 Harbor Street  
Morro Bay, CA 93442

Dear Mr. Collins:

I'm submitting this letter to you on direction from the Morro Bay Chamber of Commerce Board of Directors to indicate the Chamber's interest in extending our current agreement with City for Visitor Center operations.

Chamber staff enjoys facilitating the welcoming and hospitality of visitors to the City in a way that celebrates our unique character, eclectic small business mix, and wondrous natural scenery. The Chamber stands firmly behind the ethos that a thriving business community is the essential component to a strong community. Our professional staff takes care to direct incoming traffic not only to the abundant nature in our city, but also the myriad businesses in each of our City's four distinct economic centers ready to serve, shelter, entertain, and forge connections with visitors that will call them back to Morro Bay again and again.

Visitor Center foot traffic has been on a decline since relocation to its current location at 695 Harbor Street in 2016. As you know, this spring at the direction of the Chamber Board, I convened a group of City Staff Department heads and representatives from their respective Advisory Boards for a discussion on the "ideal state" of Morro Bay's Visitor Center. A smaller, self-selected group of attendees convened a second time for a focused discussion on kiosk or roving Visitor Center services. These meetings occurred after a small focus group of visitor-serving businesses in late winter indicated that there was a desire in the business community for Visitor Center services to include an outreach function that would support their role as tourism ambassadors providing informed customer service at the point of sale.

I have incorporated the feedback from all three of those meetings into this letter in the form of requesting slight alterations to our current agreement. Specifically:

- Covenant/Condition 5) f. states that City shall be responsible for all offsite signage directing the public to the location of the Visitor Center. The Chamber respectfully requests that City increase the volume of directional signage to the Visitor Center from the current two flag pole banners. Chamber has recommendations on ideal sites for new temporary signs based on SLOCOG traffic

patterns from Highway 1 at the roundabout and the Beach ST/Main ST off ramp. The Chamber would like to better capture motorists coming into town directly off of Highway 1. Chamber also recommends including the Visitor Center location into the more permanent Wayfinding Signage process currently underway in partnership with Community Development.

- Covenant/Condition 6) states the Chamber shall provide Visitor Center kiosk services at the Main Street Market during summer months. We're suggesting that our professional staff instead form "street teams" that will go out to businesses in each economic center distributing flyers and notices for upcoming events and visitor information material such as maps or guides.

The Chamber looks forward to continuing its dialogue with City decision makers and advisory board members on developing a Visitor Center that both meets the needs of the modern visitor and supports the daily efforts of business owners, operators, and employees in customer retention through exceptional and informed customer service.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erica Crawford', written in a cursive style.

Erica Crawford  
President/CEO  
Morro Bay Chamber of Commerce  
Submitted: April 24, 2019

## **Morro Bay Visitor Center Agreement**

This Agreement is made and entered into this \_\_\_\_\_ day of June, 2019 by and between the City of Morro Bay, a California municipal corporation, hereinafter referred to as "the City" and the Morro Bay Chamber of Commerce, a California non-profit corporation, hereinafter referred to as "the Chamber."

**WHEREAS**, the City recognizes continued development of the community is vital, and therefore, wishes to provide for a coordinated effort to encourage, promote, and foster the economic advantages as a vibrant tourist and recreational center; and

**WHEREAS**, a Morro Bay Visitor Center (the "Center" and/or the "Visitor Center") is the welcoming face to Morro Bay visitors, and it is crucial the Center be the cheerleader for the entire destination that is Morro Bay; and

**WHEREAS**, the Chamber has experience, together with available facilities, to provide Visitor Center services, necessary to enhance the economic development and vitality for the City; and

**WHEREAS**, it is in the interest of the community for the Chamber to provide and perform services to facilitate the welcoming and hospitality of visitors to the City, in a manner designed to promote the unique character, heritage and special attributes of the community and enhance the economic vitality of the City; and

**WHEREAS**, the City and the Chamber agree those goals can best be accomplished through the operation of a Visitor Center by the Chamber, under the terms and conditions outlined hereinafter, making use of funds provided, pursuant to this Agreement, by the City for operations of the Visitor Center.

Now, therefore, in consideration of the covenants and conditions stated herein, and in consideration of the mutual benefits that will accrue to each of the parties hereto, as well as to the public good of all the citizens of Morro Bay, the parties have agreed, and do hereby agree, as follows:

- 1) The foregoing recitals are true and correct, and constitute accurate statements of the facts herein.
- 2) The term of this Agreement shall commence on July 1, 2019 and terminate on June 30, 2020 (the "Term"). The City and the Chamber may, by mutual written agreement no later than 60 days prior to expiration of the Term, extend this Agreement for one additional year beyond the Term.
- 3) The maximum amount due and payable during the Term is \$50,000. The City shall pay said amounts to the Chamber in monthly increments, in advance, for each contract month. Such funds are to be expended only under the terms, conditions and restrictions, and for the purposes specifically set forth in this Agreement. If this Agreement is extended pursuant to Section 2, above, then the City shall pay an additional \$50,000, for that additional year and incrementally as stated herein.

- 4) The Chamber shall provide qualified and competent staff, for the successful implementation of this Agreement.
- 5) The Chamber shall maintain a Visitor Center at 695 Harbor Street suitable for the conduct of visitor information services. The Center must:
  - a. Be open to the public every day with the exception of Thanksgiving Day, Christmas Day, and New Year's Day, or those times when the City faces an emergency or disaster warranting closure of the Center,
  - b. Be open to the public at least 7 hours every day specifically for Visitor Center services, normally 10am to 5pm, yet also for the extended hours provided in Section 6 below, and will also host visitors during times outside of Visitor Center hours when the Chamber is open to the public,
  - c. Include at least one ADA-accessible unisex restroom facility for public use or one must be available for public use within 150 feet of the Visitor Center,
  - d. Be within walking distance of the Morro Bay Transit Center,
  - e. Include one phone line dedicated to Visitor Center purposes,
  - f. Have only City-approved signage posted onsite. Main signage on the facility will be City-approved and be at the expense of the City. Any other on-site signage will be City-approved and at the expense of the Chamber. The City shall be responsible for all offsite signage directing the public to the location of the Visitor Center,
  - g. Include on-site wireless Internet access for visitors at all times the Visitor Center is open to the public,
  - h. Include an Internet-enabled computer terminal accessible to visitors at all times the Visitor Center is open to the public,
  - i. Have some form of limited visitor information on the exterior of the Visitor Center available to the public who may not want to enter the Visitor Center, or when the Visitor Center is otherwise closed to the public, and
  - j. Upon reasonable request of the City, promptly facilitate contact with news media representatives, and promptly disseminate news releases and promotions information, in a professional manner, for various media, general public, and visitor information needs, based on information provided by the City and/or the Morro Bay Tourism Business Improvement District, with City approval
- 6) The Chamber shall provide extended hours for tourist peak season from May to September with the Visitor Center being open to the public from 9 am to 5 pm during tourist peak season; and, during this tourist peak season, the Chamber shall provide "street team" services to businesses in each economic center in the City both distributing Visitor Center materials and notices about upcoming events, as well as engaging with visitors and helping answer questions. The Chamber shall evaluate and upgrade technology as needed at the Visitor Center and continue to regularly improve the mobile functions of the Chamber website sufficient to provide visitors with quick access to pertinent information.
- 7) The Chamber shall respond promptly to all requests, including during high volume periods, of information requests including telephone calls and E-mails. The Chamber shall maintain a voicemail system during closed office hours to receive messages for visitor information requests.
- 8) The Chamber shall coordinate services for prospective visitor groups, to include referrals to

motels, rental facilities, caterers, entertainment and other services. Said referrals will be tracked and recorded. The Chamber shall provide promotional publication materials for visitors that specify recreational opportunities, campgrounds, art galleries and other services. The visitor's guide produced by the Morro Bay Tourism Bureau will be provided at the Visitor Center.

- 9) The Chamber shall ensure no funds provided by the City will be used to support activities not directly related to the Visitor Center. Nothing in this contract, however, shall prevent the City from specifically funding new projects as proposed by the Chamber.
- 10) The Chamber shall submit written and oral quarterly reports to the City Manager or his/her designee regarding visitor information and promotional activities, and quarterly reports of the same to the City Council, excluding monthly expenditures and invoice information, which will be managed by administrative staff. Those reports need not be lengthy, but should be specific as to the following to the full satisfaction of the City:
  - a. Number of visitors to the Visitor Center.
  - b. The type and quantity of materials dispensed from the Visitor Center.
  - c. Summary of telephone and email information requests received.
  - d. The type and quantity of any special materials distributed to groups.
  - e. The number of visitor site referrals made.
  - f. Detailed report of Visitor Center monthly expenditures.
  - g. Copies of invoices to support charges.
- 11) Failure to provide such quarterly reports expressly constitutes sufficient grounds for termination by the City of this Agreement, at the discretion of the City.
- 12) The Chamber agrees to make all Visitor Center books and financial records, or any other books and financial records concerning the funds expended under this Agreement, available to the City for inspection, review and audit. The Chamber will, at no expense to the City, provide an annual report and accounting of expenditures of the funds covered by this Agreement. The Finance Director shall work with the Chamber to perform a detailed financial review at the end of each City-Fiscal Year, which will be presented to the City Manager.
- 13) The Chamber agrees all persons working for the Chamber under this Agreement shall in no way be considered employees of the City; and any liability, which might arise under the Worker's Compensation Law of the State of California due to any injury of any employee of the Chamber, shall be the sole liability of the Chamber. The Chamber shall, throughout the period of this Agreement, maintain in full force and effect, a policy of worker's compensation insurance meeting statutory limits of Labor Code covering all its employees and volunteers. Said policy shall include a waiver of subrogation against City, its officers, agents, employees and volunteers.
- 14) The Chamber shall not use any monies received under this Agreement for the endorsement, opposition or participation in any political or lobbying activity involved in the support or opposition to any candidate for public office or proposed ballot measure.
- 15) The Chamber agrees to indemnify, defend and hold harmless City, and its officers, employees, and agents, from any and all claims, suits, demands and causes of action and costs, including reasonable attorney's fees and court costs ("Damages"), resulting from this

Agreement; provided, that the obligation to indemnify and hold harmless shall only be to the extent Damages are caused by the Chamber or any of its officers, employees, agents or contractors.

- 16) The Chamber shall obtain and maintain, in full force and effect during the term of the Agreement, a \$1,000,000 general liability insurance policy written on a per occurrence basis specifically naming City as primary additional insured against claims and demands resulting from any act or omission by the Chamber or any of its officers, employees, agents or contractors related to this Agreement. Said insurance policy shall provide for thirty-days' notice of cancellation to the City. Within ten days after the date of execution of this Agreement by both parties, the Chamber shall submit to the City evidence of such insurance.
- 17) Notwithstanding any other representation, oral or written, between the parties, including any and all agents or representatives thereof, the Chamber is at all times during the term of this Agreement acting as a free and independent contractor, and shall not be an employee or an agent of the City.
- 18) Except as the City may authorize in writing, the Chamber shall have no authority, express or implied, to act on behalf of the City in any capacity whatsoever as an agent. The Chamber shall have no authority, express or implied, pursuant to this Agreement, to bind City to any obligations whatsoever.
- 19) The Chamber shall not enter into any contract or agreement that will create a conflict of interest with its duties to the City under this Agreement. No member, official or employee of the City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this Agreement which affects his/her personal interests or the interests of any corporation, partnership, or association in which he is directly or indirectly interested. The Chamber warrants it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement.
- 20) The Chamber represents and warrants to City the Chamber has, and shall maintain at all time during the term of this Agreement, at its sole cost and expense, all business licenses, permits, qualifications and approvals of whatsoever nature which are legally required for the Chamber to provide the service hereunder.
- 21) The Chamber shall perform all services required pursuant to this Agreement in a manner and according to the standards observed by a competent practitioner of the profession in which the Chamber is engaged. All products and services of any nature which the Chamber provides to the City and to visitors to the Visitor Center shall conform to the standards of a quality normally observed by licensed, competent organizations practicing in the Chamber's profession.
- 22) The Chamber shall devote such time to the performance of services as may be reasonably necessary for the satisfactory performance of the Chamber's obligations pursuant to this Agreement. Neither party shall be considered in default of this Agreement to the extent performances are prevented or delayed by any cause, present or future, which is beyond the reasonable control of the non-performing party. The Chamber agrees to assign only competent personnel according to the reasonable and customary standards of training and experience in the

relevant field to perform services pursuant to this Agreement.

- 23) During the term of this Agreement if the Chamber is dissolved, disbanded, or otherwise ceases to function in a manner described in this Agreement, then all funds attributable to the City and equipment purchased out of funds provided by the City shall revert to ownership of the City. For the purpose of this provision, the Chamber shall maintain a written record of, and include as part of each annual report, a listing of capital equipment that has been purchased with the funds provided by the City.
- 24) No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligations pursuant to this Agreement shall be void and of no effect.
- 25) The Chamber agrees to comply with all fair employment practice laws of the State and Federal government. The Chamber covenants and agrees for itself, its successors, its assigns and every successor in interest, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, medical condition, disability, marital status, ancestry or national origin in the provision of any services to be provided by the Chamber hereunder, nor shall the Chamber of any person claiming under or through the Chamber establish or permit any such practice or practices of discrimination or segregation in the provision of any services to be provided by the Chamber hereunder.
- 26) The failure of either party to abide by any term of this Agreement shall constitute a default under this Agreement. If either party fails to cure any such default within five (5) days after receiving notice from the other party of such default, then this Agreement may be terminated by giving ten-days' written notice of such termination. Upon any such termination, the final monthly payment to be paid under Section 3, above, shall be adjusted on a pro rata basis, based on a 30-day month, to the date of such termination, and if applicable, the Chamber shall immediately return to the City any amounts previously paid by the City for any period subsequent to the date of such termination.
- 27) In addition to termination pursuant to Section 29, above, this Agreement may be terminated in whole or in part at any time by either party hereto upon thirty-days' written notice to the other as identified below. In the event of any termination of this Agreement, all rights and obligations of both parties hereto, except for Sections 9, 12, 14, 15, 18, 30 and 31, and including without limitation the monthly payment from City to the Chamber hereunder, shall terminate as of the date of such termination (and the final monthly payment shall be adjusted on a pro rata basis to the date of such termination).
- 28) This document represents the entire understanding between the parties and supersedes all prior negotiations, representations or agreements, either written or oral regarding the subject matter hereof. This Agreement may only be amended in writing signed by both parties.
- 29) If any provision of this Agreement is deemed to be legally void or unenforceable, then all remaining provisions shall survive and be enforceable. This Agreement shall in all respects be governed by the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of San Luis Obispo, State of California. In the event of litigation in a U.S. District

Court, venue shall lie exclusively in the Central District of California, in the County of San Luis Obispo, State of California.

30) If either party to this Agreement is required to initiate or defend or made a party to any action or proceeding in any way connected with this Agreement, the prevailing party in such action or proceeding, in addition to any other relief which any be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees, whether or not the matter proceeds to judgment.

31) No officer or employee of the City shall be personally liable to the Chamber, or any successor in interest, in the event of any default or breach by the Chamber or for any amount, which may become due to the Chamber or to its successor, or for breach of any obligation of the terms of this Agreement.

32) The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

33) This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

In Witness Whereof, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CITY OF MORRO BAY

MORRO BAY CHAMBER OF COMMERCE

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

By: \_\_\_\_\_  
Erica Crawford  
Director of Operations

By: \_\_\_\_\_  
Michael Samaniego  
Chamber Board President

Attest:

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

Approved As To Form:

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

## **Lease Agreement**

### AGREEMENT

This lease agreement (“Lease”) is made and entered by and between the CITY OF MORRO BAY, a California municipal corporation, and hereinafter referred to as “LESSOR” and/or “City,” and THE MORRO BAY CHAMBER OF COMMERCE, a California non-profit corporation, hereinafter referred to as “LESSEE” and/or “Chamber.”

### RECITALS

WHEREAS, LESSOR is the owner of certain real property located at 695 Harbor Street, Morro Bay, CA (the “Leased Premises”); and

WHEREAS, LESSEE is organized to encourage a strong local economy and quality of life by promoting commerce, sound government, and an informed membership and community; and

WHEREAS, comprised of local business leaders, LESSEE has special knowledge and experience to promote economic and business development, including business attraction and retention programs, for the benefit of LESSOR; and

WHEREAS, LESSOR and LESSEE have mutual interests in enhancing the economic growth and vitality of the community; and

WHEREAS, LESSOR and LESSEE previously entered into a lease agreement for LESSEE to lease the Leased Premises from LESSOR, and that prior lease agreement by its terms will terminate on June 30, 2019; and

WHEREAS, LESSOR and LESSEE desire to enter into a new lease agreement for a portion of the Leased Premises.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS;

1. **LEASE:** LESSOR hereby leases to LESSEE and LESSEE agrees to accept from LESSOR the lease of the portions of the Leased Premises as described in Section 4, below.
2. **RENT:** During the term on this Lease, LESSEE agrees to pay on or before January 1, 2020 the sum of \$1.00, payable in advance per fiscal year as rent for the use of the Leased Premises.
3. **TERM:** The term of this Lease shall commence on July 1, 2019 and terminate without notice on June 30, 2020, unless sooner terminated as a herein provided term (the “Term”). Any holdover of possession of the Leased Premises by LESSEE beyond the Term shall constitute a month-to-month tenancy on the same terms and conditions of

this Lease and LESSEE agrees to vacate the Leased Premises upon thirty-days' (30-days') prior written notice from LESSOR.

4. **LEASED PREMISES:** The Leased Premises for purpose of this Lease shall include only those portions of Leased Premises that include the office used (as known and understood by LESSOR), as of the effective date of this Lease, by LESSOR'S director, the office used (as known and understood by LESSOR), as of the effective date of this Lease, by the Chamber's accountant and administrative assistant, and the front foyer space. In addition, LESSEE shall have access to and use of, but not control of, common areas including both bathrooms, the conference room, hallways, entranceways and the kitchen.
5. **USE OF LEASED PREMISES:** LESSEE shall use the Leased Premises solely for the purpose of operation of Chamber-business, including, but not limited to, (i) promoting all businesses and services in the City on behalf of the community, regardless if said business is a member of the Chamber and (ii) providing qualified and competent staff, for the successful implementation of this Agreement. In addition, LESSEE shall operate the City of Morro Bay Visitor Center (the "Visitor Center"), as outlined in that separate Visitor Center agreement.
6. **FIXTURES AND ALTERATIONS:** LESSEE shall not make, or cause to be made, any alterations, additions or improvements, of a substantial nature, or make any structural changes in the building (the "Improvements") without first notifying LESSOR and obtaining prior written approval from LESSOR for the Improvements. In the event the Improvements include any structural change, LESSEE shall supply to LESSOR plans and specifications for such work, and obtain prior written approval. LESSEE shall be responsible for all costs associated with any of the Improvements. All permits necessary for the Improvements, excluding improvements related to Visitor Center services, shall be at LESSEE'S expense and obtained prior to any work on any of the Improvements.
7. **ITEMS INSTALLED BY LESSEE:** All decorations and additions and any of the Improvements in the Lease Premises, except for structural changes, made by LESSEE shall remain the property of LESSEE for the term of this Lease or any extension or renewal thereof. Upon expiration of this Lease, or any renewal term thereof, LESSEE shall remove all decorations and additions and those portions of the Improvements that are LESSEE property, and restore the Leased Premises, ordinary wear and tear excepted, to its condition at the time of original occupancy, unless written approval is obtained by LESSOR to allow such decorations, additions or the Improvements to remain.
8. **SECURITY:** LESSOR agrees to provide locks on doors of the Leased Premises to be used exclusively by LESSEE for its use and for Visitor Center services, and to provide keys for access to Leased Premises. LESSOR shall also provide new access to the Leased Premises at the rear entrance for others to access the Leased Premises without access to Leased Premises.

9. MAINTENANCE: LESSOR shall be responsible for the overall interior and exterior maintenance of the Leased Premises, except that LESSOR shall have no duty, obligation, or liability whatever to care for or maintain or rebuild the Leased Premises or surrounding grounds except at its sole discretion. LESSEE shall be responsible for routine janitorial and maintenance of the Leased Premises.
10. SURRENDER OF LEASED PREMISES: At the expiration of the tenancy hereby created, LESSEE shall surrender the Leased Premises in the same condition as the Leased Premises were upon delivery of possession thereto under this Lease, reasonable wear and tear excepted, and damage by unavoidable casualty not within the reasonable control of LESSEE excepted, and shall surrender all keys for the Leased Premises to LESSOR. LESSEE shall thereupon remove all its fixtures, and any alterations or improvements as provided above before surrendering the Leased Premises and shall repair any damage to the Leased Premises caused thereby. LESSEE's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease.
11. INSURANCE: LESSEE shall, during the full term of this Lease, keep in full force and effect an appropriate policy of liability and property damage insurance with respect to the Leased Premises in the minimum amounts of \$1,000,000 each. The policies shall name LESSOR and its officers, employees and representatives as additional insureds and shall contain a clause the insurer will not cancel or change the insurance without first giving LESSOR 10-days' prior written notice. LESSEE shall exhibit to LESSOR, at any time upon demand, a certificate of insurance, or other evidence of insurance, and shall keep such policies in effect during the full term of this Lease or any extensions thereof.
12. FIRE, EXTENDED COVERAGE: LESSEE agrees to purchase and maintain, during the full term of this Lease or any extensions thereof, a policy of fire, extended coverage, insurance, which policy shall not be less than 100% of the replacement value of the Leased Premises. The cost of such insurance shall be at the sole cost of LESSEE.
13. INDEMNIFICATION: LESSEE agrees to indemnify, defend and hold harmless LESSOR, its officers, directors and agents, from and against any and all claims, actions, damages, liability, expenses, costs and reasonable attorney's fees resulting or related to any loss of life, personal injury or damage to property, or any other liability, arising out of any occurrence related to the Leased Premises or the occupancy or use by LESSEE of the Leased Premises or any part thereof, occasioned wholly or in part by any act or omission of LESSEE, its agents, contractors, employees, servants, lessees or concessionaires, or for any act or omission by LESSOR in furtherance of the interests of LESSEE for any reason in connection with this Lease.
14. UTILITIES & TAXES: LESSEE shall be responsible for and promptly pay 30 percent of all charges for heat, water, gas, electricity or any other utility used or consumed on the Leased Premises, including any deposits demanded by any utility, based on the previous Fiscal Year average monthly cost for all identified utilities. LESSEE shall pay the

aforementioned rate plus an annual Cost of Living Adjustment based on the July CPI-U from the Los Angeles-Riverside-Orange County area beginning with the City's FY 19-20 Budget Year. LESSEE agrees to pay, at its sole cost and expense, any possessory interest tax that may be assessed as a result of this Lease.

15. ASSIGNMENT AND SUB-LETTING: LESSEE will not assign this Lease, in whole or in part, nor sub-let all or any part of the Leased Premises.
16. GOVERNMENTAL REGULATIONS: LESSEE shall at LESSEE's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable government authorities, now in force, or which may hereafter be in force, pertaining to the Leased Premises, and shall faithfully observe in the use of the Leased Premises all municipal and county ordinances, and all state and federal statutes now, or which may hereafter be, in force.
17. DESTRUCTION OF LEASED PREMISES: If the Leased Premises shall be damaged or destroyed by fire, the elements, unavoidable accidents or other casualty, then all insurance proceeds payable by reason thereof shall be applied to the repair, reconstruction and renovation of Leased Premises.
18. CONDEMNATION: In the event any or all of the Leased Premises are taken, in whole or in part, through the exercise of any power of eminent domain exercised by any state, federal or local municipality (including LESSOR) having the power thereof, any sums paid by such condemning authority shall be paid to LESSOR.
19. DEFAULT: In the event of any failure of LESSEE to perform any of the terms, conditions or covenants of this Lease to be observed or performed by LESSEE for more than 30 days after written notice of such default shall have been given to LESSEE, or if LESSEE shall abandon the Leased Premises, then LESSOR, besides other rights or remedies it may have, shall have the immediate right of reentry and may remove all persons and properties from the Leased Premises without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.
20. ENTIRE AGREEMENT: This Lease, and any exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understanding between the parties concerning the Leased Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them, other than or herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon either party unless reduced to writing and signed by both.
21. NOTICE: Any notice, demand, request or other instrument which may be required to be given under this Lease shall be deemed delivered when sent by ordinary United States

Mail, postage prepaid, addressed to LESSOR care of its City Manager, or LESSEE care of its then acting President.

22. **PARTIAL INVALIDITY:** If any term, covenant or condition of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those to which it is held invalid, or unenforceable, shall not be affected thereby; and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law. If the length, term or duration of this Lease, in any way is in violation of any statute, law or Constitution or is invalid for any reason whatsoever, then this Lease shall be deemed a Lease from year to year, and all other provisions hereunder shall remain the same.
23. **CALIFORNIA LAW:** This Lease shall be interpreted, construed and governed both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Lease shall be instituted in the Superior Court of the County of San Luis Obispo, State of California. In the event of litigation in a U.S. District Court, venue shall lie exclusively in the Central District of California, in the County of San Luis Obispo, State of California.
24. **ATTORNEYS' FEES:** If either party to this Lease is required to initiate or defend or made a party to any action or proceeding in any way connected with this Lease, the prevailing party in such action or proceeding, in addition to any other relief which any be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees, whether or not the matter proceeds to judgment.
25. **NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES:** No officer or employee of the City shall be personally liable to the LESSEE, or any successor in interest, in the event of any default or breach by the LESSOR or for any amount, which may become due to the LESSEE or to its successor, or for breach of any obligation of the terms of this Lease.
26. **INTERPRETATION:** The terms of this Lease shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Lease or any other rule of construction which might otherwise apply.
27. **COUNTERPARTS:** This Lease may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

[Signatures on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this \_\_\_\_ day of \_\_\_\_\_ 2019, at Morro Bay, California

CITY OF MORRO BAY

MORRO BAY CHAMBER OF COMMERCE

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

By: \_\_\_\_\_  
Erica Crawford  
Director of Operations

By: \_\_\_\_\_  
Michael Samaniego  
Chamber Board President

Attest:

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

Approved As To Form:

\_\_\_\_\_  
CHRIS F. NEUMEYER  
City Attorney

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AGENDA NO: C-4

MEETING DATE: June 11, 2019

## Staff Report

**TO:** Honorable Mayor and City Council **DATE:** June 6, 2019  
**FROM:** Scott Collins, City Manager  
**SUBJECT:** Proposed Framework for Economic Development Facilitation Support Services Provided to the City by the Chamber of Commerce

### **RECOMMENDATION**

City Council provide input and direction to staff.

### **ALTERNATIVES**

Council could elect to not pursue a partnership with the Chamber of Commerce and provide direction for an alternative economic development service delivery model accordingly.

### **FISCAL IMPACT**

There is no immediate fiscal impact related to the recommendation. However, the City Council has budgeted \$62,000 for FY 2019/20 to support a partnership to deliver economic development services to the City. If a partnership is pursued, the fiscal impact would be up to that amount.

### **BACKGROUND**

The City Council approved the [Economic Development Strategic Roadmap](#) (Strategic Plan) in March, 2017 to serve as a roadmap to guide economic development initiatives and actions to improve the local economy in the wake of the Morro Bay Power Plant closure. A key recommendation from the Strategic Plan included the need to appoint an ombudsmen/point person in the City ranks to help implement the Plan. At that time, the City had a Deputy City Manager position primed to fulfill those duties. However, the City defunded that position mid-year of Fiscal Year 2017/18 as a needed budget savings measure. Since that time, the City has utilized a team approach and partnered with the Chamber of Commerce to meet some immediate goals of the Strategic Plan.

That effort in part led to the formation of the Chamber – City 4MB project that was launched in FY 2018/19. 4MB was geared towards business outreach and support, as the Chamber and City engaged with businesses in each of the four major economic centers in Morro Bay (downtown, waterfront, North Main Street and Quintana) through business walks, forums and trainings. In return for Chamber leadership and facilitation services on the 4MB project, the City provided a \$30,000/year payment to the Chamber. By in large that pilot effort has been successful, with the City receiving feedback about Downtown tree lighting and citywide Wayfinding and the Chamber has experienced growth in local business participation in their training offerings.

However, through the 4MB effort, it has become clear that certain important economic development needs for the City and community continue to go unmet. Key among the deficiencies is the fact that

Prepared By: SC

Dept Review: SC

City Manager Review: SC

City Attorney Review: CFN

the City does not have the necessary staffing to effectively engage with businesses/business groups outside the City and region who may be interested in relocating to Morro Bay.

## **DISCUSSION**

City Council has made achieving fiscal and economic sustainability its top priority for 2019 and 2020, as established through the goals and objectives process. Through that process, Council and staff concurred that the City should consider contracting with an outside agency/firm/organization to provide economic development support to help drive key initiatives under the economic sustainability goal.

In reviewing the 4MB effort in FY 2018/19 and considering Council interest in partnering with an outside entity to provide economic development services on behalf of the City, staff is recommending that the City contract with the Morro Bay Chamber of Commerce for that role. Staff has met with the Chamber CEO to discuss potential services they can provide, and the Chamber Board has recently discussed and recommended support for a partnership with the City as well. By way of context setting, the City of Paso Robles has engaged with their Chamber on a similar partnership to provide economic development services for the City.

Staff is seeking City Council direction on this item, prior to developing an agreement with the Chamber. In particular, staff is recommending City Council to review the basic tenets of an agreement listed below and provide feedback and direction. Based upon that direction, City staff will work with the Chamber CEO to develop an agreement for formal review by the City Council and Chamber Board toward the end of June 2019.

### **Proposed basic tenets of the agreement:**

#### **Services to be provided by Chamber**

1. Business Support – The goal of this service is to continue efforts launched with the 4MB program.

##### Key Deliverables:

- a. The Chamber will provide monthly business and entrepreneurship trainings in partnership with Women’s Business Center, SCORE and the Cal Poly CIE Business Development Center.
  - b. Monthly business walks – focus on developing working groups in economic centers to address branding.
  - c. Page on Chamber website plus trainings on “talking to the City” and “starting your business.”
  - d. “Roadmap to Success” – assisting new businesses in their launch, so that they are aware of and plan for key challenges that new businesses experience.
2. “New Day in the Bay” – This effort is about marketing Morro Bay to the region and beyond as a place to do business. The Chamber representative will connect with opportunity site owners, establish connections with commercial brokers in the region, and engage appropriate City representatives in those discussions.

##### Key Deliverables:

- a. Video spot
- b. Relocation Guide

- c. Developer Roundtables
  - d. Investment Roundtables
  - e. Economic Development website
3. Permit Process Review – There are two components to this proposed service. The first is for the Chamber representative to assist businesses with pre-planning and the other is to assist the City in reviewing and making improvements to the permitting process for commercial/business development.

Key Deliverables:

- a. Pre-planning/Concept project review for interested businesses, at no cost.
- b. Review of permit process for commercial development

Communication, Structure and Performance Reporting

The City Manager will meet with the Chamber CEO on a bi-weekly basis at minimum to discuss opportunities and challenges. In addition, it is recommended that the City and Chamber form an oversight committee, consisting of member(s) of the Chamber Board, City Council, City staff and Chamber staff to review outcomes on a quarterly basis.

It is recommended that the Chamber track the following performance measures initially:

- Number of contacts made,
- meetings held,
- presentations hosted,
- permits stamped complete,
- training attendance,
- completion of marketing materials and distribution,
- live microsite (economic development website) launch and update webpages.

Further, it is proposed the Committee track real world stories, reporting out of process issues, resolution of problems with quality of plans being submitted, letters of advocacy where and when needed, and reporting out work on boards and regional committees focused on economic development. The performance measures are primarily output measures, not outcome measures. That is in recognition of the fact that an effort like this will take several years to deliver notable changes in terms of new business starts and other desired outcomes.

Lastly, the Chamber and the City will maintain their independence, and Chamber representative(s) who assist the City in this endeavor will not be an employee(s) of the City, nor will they be supervised by the City Manager or any other City staff member.

Staff will take Council direction from this item and convene with Chamber staff to develop an agreement. Staff will bring back a draft agreement for City Council review at the June 25, 2019 Council meeting, and the Chamber CEO will take the draft agreement to the Chamber Board for review that same day.

**ATTACHMENT**

Link to [Economic Development Strategic Plan Roadmap](#)