



CITY OF MORRO BAY CITY COUNCIL AGENDA

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

Regular Meeting – Tuesday, February 25, 2020 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

- Friends of the Morro Bay Fire Department Scholarship and Donation Presentation

PUBLIC COMMENT PERIOD

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

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

- Those desiring to speak are asked to complete a speaker slip, which are located at the entrance, and submit it to the City Clerk. However, speaker slips are not required to provide public comment.
- When recognized by the Mayor, please come forward to the podium to speak. Though not required, it is helpful if you state your name, city of residence and whether you represent a business or group. Unless otherwise established by the Mayor, comments are to be limited to three minutes.
- All remarks should be addressed to Council, as a whole, and not to any individual member thereof.
- The Council respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commission and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the City Council to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in City Council meetings is welcome and your courtesy will be appreciated.
- The Council in turn agrees to abide by its best practices of civility and civil discourse according to Resolution No. 07-19.

A. CONSENT AGENDA

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

- A-1 APPROVAL OF MINUTES FOR THE JANUARY 28, 2020, CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-2 APPROVAL OF MINUTES FOR THE FEBRUARY 11, 2020, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-3 REVIEW AND RECEIVE WATER RECLAMATION FACILITY (WRF) CAPITAL PROJECT MONTHLY UPDATE REPORT AND PROVIDE DIRECTION, IF ANY, DEEMED APPROPRIATE; (PUBLIC WORKS)

RECOMMENDATION: Council receive WRF Capital Project Monthly Update Report and provide direction, if any, deemed appropriate.

- A-4 DISCUSSION OF AGENDA FOR THE CALIFORNIA MARINE AFFAIRS AND NAVIGATION CONFERENCE (C-MANC) ANNUAL "WASHINGTON WEEK" MEETINGS IN WASHINGTON, D.C.; (HARBOR)

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

- A-5 ADOPTION OF THE SHORT RANGE TRANSIT PLAN; (PUBLIC WORKS)

RECOMMENDATION: Staff and the Public Works Advisory Board recommend the City Council adopt the Short Range Transit Plan (SRTP).

- A-6 ADOPTION OF RESOLUTION NO. 15-20 AUTHORIZING SUBMISSION OF SB 1 STATE OF GOOD REPAIR GRANT APPLICATION AND EXECUTION OF RELATED DOCUMENTS UPON AWARD; (PUBLIC WORKS)

RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 15-20 authorizing the submission of SB 1 State of Good Repair Grant Application and execution of related documents upon award.

- A-7 ADOPTION OF RESOLUTION NO. 16-20 AUTHORIZING SUBMISSION OF RURAL TRANSIT FUND GRANT APPLICATION AND EXECUTION OF RELATED DOCUMENTS UPON AWARD; (PUBLIC WORKS)

RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 16-20 authorizing submission of Rural Transit Fund Grant Application and execution of related documents upon award.

- A-8 ADOPTION OF RESOLUTION NO. 17-20 APPROVING THE ASSIGNMENT TO AND ASSUMPTION BY CIHAN CORPORATION AND CONDITIONALLY AUTHORIZING THE MAYOR TO EXECUTE DOCUMENTS NECESSARY FOR THAT ASSIGNMENT AND ASSUMPTION, A NEW LOAN FOR THE LEASE AGREEMENT AT LEASE SITE 91-92/91W-92W AND ACCEPTING A DEED OF TRUST RELATED THERETO (ANDERSON INN, 897 EMBARCADERO); (HARBOR)

RECOMMENDATION: Staff recommend the City Council adopt Resolution No. 17-20 allowing the Mayor to authorize the assignment and assumption, and authorizing the Mayor to execute documents necessary for a new loan and accepting a deed of trust related thereto secured by the leasehold interest of Lease Site 91-92/91W-92W, with documents subject to approval of the City Attorney.

- A-9 ADOPTION OF RESOLUTION NO. 18-20 APPROVING THE ASSIGNMENT TO AND ASSUMPTION BY SMITH LIVESTOCK, LLC, AND CONDITIONALLY AUTHORIZING THE MAYOR TO EXECUTE DOCUMENTS NECESSARY FOR THAT ASSIGNMENT AND ASSUMPTION, A NEW LOAN FOR THE LEASE AGREEMENT AT LEASE SITE 90/90W AND ACCEPTING A DEED OF TRUST RELATED THERETO (PORT HOUSE RESTAURANT, 885 EMBARCADERO); (HARBOR)

RECOMMENDATION: Staff recommend the City Council adopt Resolution No. 18-20 allowing the Mayor to authorize the assignment and assumption, and authorizing the Mayor to execute documents necessary for a new loan and accepting a deed of trust related thereto regarding secured by the leasehold interest at Lease Site 90/90W, with documents subject to approval of the City Attorney.

- A-10 SECOND QUARTER INVESTMENT REPORT (PERIOD ENDING DECEMBER 31, 2019) FOR FISCAL YEAR 2019/20; (FINANCE)

RECOMMENDATION: Receive the attached Second Quarter Investment Report (period ending December 31, 2019) for Fiscal Year 2019/20.

- B. PUBLIC HEARINGS - NONE

- C. BUSINESS ITEMS

- C-1 FISCAL YEAR 2019/20 MID-YEAR BUDGET PERFORMANCE AND STATUS REPORT – SIX MONTHS ENDING DECEMBER 31, 2019; A) RECEIVE FY 2019/20 MID-YEAR BUDGET PERFORMANCE AND STATUS REPORT AND AUTHORIZE BUDGET ADJUSTMENTS AS RECOMMENDED IN THE ATTACHED SECOND QUARTER BUDGET PERFORMANCE REPORT; B) ADOPT RESOLUTION NO 19-20 AUTHORIZING STAFF TO PROCEED WITH THE SECOND-QUARTER BUDGET ADJUSTMENTS; C) RECEIVE THE FY 2019/20 CAPITAL IMPROVEMENT PLAN MID-YEAR UPDATE; AND D) CONSIDER RESOLUTION NO. 20-20 APPROPRIATING CASTLE WIND COMMUNITY BENEFIT FUNDS TOTALING \$250,000 TO THE NORTH AND SOUTH T-PIER CAPITAL PROJECTS; (FINANCE)

RECOMMENDATION: Staff recommends that the City Council:

- A. Receive FY 2019/20 Mid-Year Budget Performance and Status Report and authorize budget adjustments as recommended in the attached Second Quarter Budget Performance Report, and
- B. Adopt Resolution No. 19-20 authorizing staff to proceed with the second-quarter budget adjustments, and
- C. Receive the FY 2019/20 Capital Improvement Plan Mid-Year Update, and
- D. Consider Resolution No. 20-20 appropriating Castle Wind Community Benefit Funds totaling \$250,000 to the North and South T-Pier capital projects.

C-2 MORRO BAY VISITOR CENTER LOCATION AND OPERATIONAL PLAN UPDATE AND RECOMMENDATIONS; (CITY MANAGER/TOURISM)

RECOMMENDATION: The Tourism Business Improvement District (“TBID”) Advisory Board recommends to the City Council to request the Chamber conduct a study on visitor centers to include:

- reviewing visitor center best practices,
- identify visitor center performance measures specific to tourism,
- develop recommendations regarding funding proportionality, and
- evaluate a small sampling of what other like size coastal communities (10K population) are doing in terms visitor centers

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, March 10, 2020 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 805-772-6205 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, CALIFORNIA DURING NORMAL BUSINESS HOURS.

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

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

ABSENT: None

STAFF: Scott Collins City Manager
Chris Neumeyer City Attorney
Dana Swanson City Clerk
Jennifer Callaway Finance Director
Rob Livick Public Works Director
Scot Graham Community Development Director
Jody Cox Police Chief
Eric Endersby Harbor Director
Matt Vierra Fire Marshal
Eric Casares WRF Program Manager
Jennifer Little Tourism Manager

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Headding called the meeting to order at 5:30 p.m., with all members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION – None

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

MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

https://youtu.be/DYKlckmcp_g?t=88

CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

https://youtu.be/DYKlckmcp_g?t=398

PRESENTATIONS

- Presentation of Government Finance Officers Association (GFOA) Distinguished Budget Award and California Society of Municipal Finance Officers (CSFMO) Budget Excellence Award

https://youtu.be/DYKlckmcp_g?t=430

PUBLIC COMMENT

https://youtu.be/DYKlckmcp_g?t=753

Pamela Arsenault from Morro Bay Jewelers, located at 898 Main Street, Suite A, provided the business spot.

Cindy Betonte, Morro Bay resident and volunteer with League of Women Voters, shared non-partisan information regarding ballot issues and candidates for the upcoming election can be found on www.votersedge.org/ca.

Patricia Dale, Morro Bay resident and member of League of Women Voters, announced upcoming events celebrating the 100th anniversary of the League of Women Voters and passage of the 19th Amendment granting women the right to vote.

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

Linda Winters, Morro Bay, shared her goals for 2020 and continued efforts to assist and support mobile home park residents.

John Weiss, Morro Bay resident and business owner, announced an upcoming Maritime Museum event.

Mimi Goldberg, Morro Bay, addressed the need for a warming center in Morro Bay.

Betty Winholtz, Morro Bay, commented on the 100th anniversary of Women's Right to Vote and read a letter submitted to The Tribune expressing concern about Council Member Addis's run for State legislature.

Dan Sedley, Morro Bay, raised concerns regarding Agenda Item A-7, a revised Memorandum of Understanding involving Chevron property.

Melanie Williams Mahan, Morro Bay, spoke regarding the Water Reclamation Facility.

Jeff Bacon, Morro Bay, shared information regarding a competition featuring self-portraits by San Luis Obispo County high school seniors and encouraged residents to visit SLOMA.org for more information.

Mayor Headding closed public comment.

The Council responded to issues raised during public comment.

A. CONSENT AGENDA
https://youtu.be/DYKlckmgrp_g?t=2444

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 NOVEMBER 12, 2019, CITY COUNCIL MEETING;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE DECEMBER 10, 2019, CITY COUNCIL MEETING;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE JANUARY 14, 2020, CITY COUNCIL SPECIAL
CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-4 ADOPTION OF RESOLUTION NO. 05-20 TO ADOPTING THE DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NON-PAYMENT POLICY PURSUANT TO SENATE BILL 998; (FINANCE)

RECOMMENDATION Staff recommends Council adopt Resolution No. 05-20, adopting the City of Morro Bay's Discontinuation of Residential Water Service for Non-Payment Policy pursuant to Senate Bill 998.

A-5 ARBOR DAY PROCLAMATION; (PUBLIC WORKS)

RECOMMENDATION: Staff recommends City Council approve the proposed proclamation in support of Arbor Day and being a Tree City USA community.

A-6 ADOPTION OF RESOLUTION NO. 06-20 ADOPTING THE 2020 BAIL SCHEDULE; (FINANCE)

RECOMMENDATION Staff recommends that the City Council Adopt Resolution No. 06-20 Adopting the 2020 Bail Schedule.

A-7 CITY MANAGER AUTHORIZATION TO SIGN A REVISED NON-BINDING MEMORANDUM OF UNDERSTANDING (MOU), BETWEEN THE CAYUCOS SANITARY DISTRICT, TRUST FOR PUBLIC LANDS, CHEVRON AND THE CITY OF MORRO BAY, FOR CONSERVATION OF LOTS 6SW AND 6NW, MORE COMMONLY KNOWN AS "DOG BEACH"; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Council authorize City Manager signature of the revised non-binding MOU between the City of Morro Bay, Cayucos Sanitary District, Trust for Public Lands and Chevron for conservation and City ownership of Lots 6SW and 6NW (Dog Beach) as shown on Attachment A of the MOU.

A-8 CITIZEN'S FINANCE ADVISORY COMMITTEE MEETING SCHEDULE; (FINANCE)

RECOMMENDATION: Staff recommends that the City Council adopt Resolution No. 07-20 approving the Citizen's Finance Advisory Committee's request to meet seven times per year.

Mayor Headding opened public comment for the Consent Agenda.

Betty Winholtz, Morro Bay, raised questions and concerns regarding Items A-4, A-5 & A-7.

The public comment period was closed.

Mayor Headding pulled Items A-4 and A-7.

MOTION: Council Member McPherson moved approval of Items A-1, A-2, A-3, A-5, A-6 and A-8 on the Consent Agenda. The motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

A-4 ADOPTION OF RESOLUTION NO. 05-20 TO ADOPTING THE DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NON-PAYMENT POLICY PURSUANT TO SENATE BILL 998; (FINANCE)
https://youtu.be/DYKlckmcp_g?t=2684

Finance Director Callaway responded to questions raised during public comment, noting a timeline will be provided with mailed notices.

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

- A-7 CITY MANAGER AUTHORIZATION TO SIGN A REVISED NON-BINDING MEMORANDUM OF UNDERSTANDING (MOU), BETWEEN THE CAYUCOS SANITARY DISTRICT, TRUST FOR PUBLIC LANDS, CHEVRON AND THE CITY OF MORRO BAY, FOR CONSERVATION OF LOTS 6SW AND 6NW, MORE COMMONLY KNOWN AS “DOG BEACH”; (COMMUNITY DEVELOPMENT)

https://youtu.be/DYKlckmqp_g?t=2877

Community Development Director Graham responded to questions raised during public comment, noting the City is not paying any monies for the property and that other agenda items will come before the Council at a future meeting.

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

B. PUBLIC HEARINGS - NONE

C. BUSINESS ITEMS

- C-1 REVIEW WRF CAPITAL PROJECT QUARTERLY UPDATE REPORT AND POTENTIAL MODIFICATION TO THE REPORT, REVIEW ROLES OF THE PUBLIC WORKS ADVISORY BOARD (PWAB) AND CITIZENS FINANCE ADVISORY COMMITTEE (CFAC) REGARDING THE WRF, AND ADOPT RESOLUTION NO. 08-20 AUTHORIZING A BUDGET ADJUSTMENT FOR TEMPORARY PART-TIME STAFFING TO ASSIST WITH RECORDS MANAGEMENT FOR THE PROJECT; (PUBLIC WORKS)

https://youtu.be/DYKlckmqp_g?t=3140

Water Reclamation Facility Program Manager Casares and City Manager Collins provided the report and responded to Council inquires.

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

John Weiss, Morro Bay, posed several questions including whether the past Proposition 218 procedures provide sufficient funding for the project being discussed, and if funds had been budgeted for demolition of the existing plant.

Betty Winholtz, Morro Bay, raised several questions regarding the report and was concerned PWAB may not be able to fulfill WRFAC responsibilities.

Dan Sedley, Morro Bay, expressed concern about deep well infusion testing.

Linda Donnelly, Morro Bay, questioned differences between November – December reporting and raised concern the City failed to meet timelines established by the Regional Water Quality Control Board.

An unnamed individual stated his support for Council Member Heller and urged the Council to stay on top of this project.

Melanie Williams Mahan, Morro Bay, opposed the request for additional staffing.

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

Staff responded to questions raised during public comment.

MOTION: Council Member Addis moved to receive and file the WRF Quarterly Update Report. The motion was seconded by Council Member Davis for discussion.

Following discussion, the motion carried 5-0 by roll call vote.

MOTION: Council Member Addis moved to approve modifying the WRF Quarterly report by adding the table shown on page 93 of the agenda packet. The motion was seconded by Council Member Davis for discussion.

Council Member McPherson requested a simple graphic that showed how each decision affects user rates. Following individual comments, the motion carried 5-0 by roll call vote.

Following discussion, there was Council consensus regarding the role of the CFAC with regard to review of financial aspects of the WRF project and recommendations to Council be revised to include the following:

- review of global project expenditures vs. budget variances,
- review of debt service recommendations from staff, including use of cash or other funding sources, such as WIFIA or SRF, and the impacts on rate payers (appropriate use of funds review),
- review cash flow performance to maximize use of funds available vs. the time use of money,
- monitor compliance with drawdown requirements of WIFIA and SRF, or other funding sources, as appropriate.

With regard to PWAB review, a majority of the Council agreed with staff recommendation the Board should receive general project updates at each meeting and review major technical decisions that necessitate a recommendation to the City Council. Council Member Heller restated his position the WRFCAC had the knowledge and expertise for financial and technical review of the project.

MOTION: Mayor Headding moved that the direction regarding CFAC role include: 1) review of global project expenditures vs. budget, 2) review debt service recommendations from staff including use of cash vs. other funding sources and analysis of impacts on rates, 3) review cash flow performance to ensure we maximize the use of funds (time use of money), 4) monitor compliance with drawdown requirements for WIFIA / SRF funding; and that the PWAB responsibilities include those recommended by staff on page 48 of the agenda packet. The motion was seconded by Council Member Addis and carried 4-1 by roll call vote with Council Member Heller opposed.

MOTION: Council Member Davis moved adoption of Resolution No. 08-20 authorizing a budget adjustment for temporary part-time staffing to assist with records management for the Project. The motion was seconded by Council Member McPherson and carried 5-0 by roll call vote.

The Council agreed Council Member Heller's request regarding the cost of the WRF Quarterly Report and consideration of a graphic showing rate payer impacts would be vetted through the WRF Council sub-committee.

The Council took a brief recess at 8:17 p.m. The meeting reconvened at 8:26 p.m. with all members present.

- C-2 APPROVAL OF AMENDMENT NO. 2 TO FAR WESTERN'S CONTRACT AND AUTHORIZATION FOR THE PUBLIC WORKS DIRECTOR TO SIGN THE AGREEMENT; (PUBLIC WORKS)
https://youtu.be/DYKlckmmp_g?t=10063

Public Works Director Livick provided the report and, along with Mr. Casares, responded to Council inquires.

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

MOTION: Council Member McPherson moved approve, and authorize the Public Works Director to sign, Amendment No. 2 to the existing amended agreement with Far Western Anthropological Research Group, Inc. (Far Western), dated December 1, 2019, for continued archeological support of the Water Reclamation Facility (WRF) Project in an increased amount of \$130,809 and for an extended term through April 30, 2020. The motion was seconded by Council Member Addis and carried 5-0 by roll call vote.

- C-3 VISITOR CENTER RELOCATION OPPORTUNITY; (CITY MANAGER)
https://youtu.be/DYKlckmmp_g?t=10328

City Manager Collins provided the report and, along with Tourism Manager Little, responded to Council inquires.

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

Erica Crawford, Morro Bay Chamber of Commerce, stated the Chamber was generally supportive of pursuing the opportunity and has a small group studying the matter in order to make a recommendation to the Board of Directors.

John Weiss, Morro Bay, spoke in support of staff recommendation, stating the proposed location is better than current.

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

The Council was supportive of staff recommendation to review the opportunity in more detail and bring back additional information in late February.

The Council did not take any formal action on this item.

- C-4 ADOPTION OF RESOLUTION NO. 09-20 AUTHORIZING SUBMITTAL OF AN APPLICATION FOR, AND RECEIPT OF, ALTERNATIVE FUEL AND ELECTRIC VEHICLE INFRASTRUCTURE GRANT (AB 617) THROUGH THE SAN LUIS OBISPO (SLO) COUNTY AIR POLLUTION CONTROL DISTRICT (APCD) FOR THE INSTALLATION OF SIX ELECTRIC VEHICLE CHARGING PORTS, AND RESOLUTION NO. 10-20 AUTHORIZING SUBMITTAL OF AN APPLICATION FOR, AND RECEIPT OF, A LOCAL ROAD SAFETY PLAN (LRSP) GRANT THROUGH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS), DISTRICT 5; (PUBLIC WORKS)
https://youtu.be/DYKlckmmp_g?t=11505

Public Works Director Livick provided the report and responded to Council inquires.

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

MOTION: Council Member Heller moved to adopt Resolution No. 09-20 authorizing staff to submit a completed grant application(s) for the amounts of \$13,000 and \$8,200, for Alternative Fuel and Electric Vehicle Infrastructure improvements, administered through the San Luis Obispo (SLO) County Air Pollution Control District (APCD), and authorizing staff to implement installation of such infrastructure through the grant funding; and adopt Resolution No. 10-20 authorizing staff to submit a completed grant application(s) for an amount up to \$72,000 (or 90 percent of the total cost) for the preparation of a Local Road Safety Plan (LRSP) through the California Department of Transportation (CalTrans), District 5, upon funding implement preparation of an LRSP, and expend \$8,000 in City matching funds. The motion was seconded by Council Member Davis and carried 5-0 by roll call vote.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

https://youtu.be/DYKlckmcp_g?t=11505

None

E. ADJOURNMENT

The meeting adjourned at 9:07 p.m.

Recorded by:

Dana Swanson
City Clerk

This Page Intentionally Left Blank

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL CLOSED SESSION MEETING –
FEBRUARY 11, 2020 – 3:30 P.M.
CITY HALL CONFERENCE ROOM.

AGENDA NO: A-2
MEETING DATE: February 25, 2020

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
 Rob Livick Public Works Director
 Eric Endersby Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Headding called the meeting to order at 3:30 p.m. with all Council 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 CONFERENCE WITH REAL PROPERTY NEGOTIATOR – GOVERNMENT CODE SECTION 54956.8

Property: Assessor Parcel No. 066-331-046
Property Negotiators: Vistra Energy
Agency Negotiators: Scott Collins, City Manager; Rob Livick, Public Works Director; Eric Casares, WRF
 Program Manager and Chris Neumeyer, City Attorney
Under Negotiation: Price and Terms of Payment – Easement Acquisition

CS-2 CONFERENCE WITH REAL PROPERTY NEGOTIATOR – GOVERNMENT CODE SECTION 54956.8

Property: Lease Site 75-77/75W-77W, 699 Embarcadero
Property Negotiators: Stann Trapp, Morro Bay Marina LLC
Agency Negotiators: Scott Collins, City Manager; Eric Endersby, Harbor Director and Chris Neumeyer, City
 Attorney
Under Negotiation: Price and Terms of Payment

RECONVENE IN OPEN SESSION – The City Council reconvened in Open Session. The Council did not take any reportable action in accordance with the Brown Act.

ADJOURNMENT - The meeting adjourned at 4:42 p.m.

Recorded by:

Dana Swanson
City Clerk

This Page Intentionally Left Blank



AGENDA NO: A-3

MEETING DATE: February 20, 2020

Staff Report

TO: Honorable Mayor & City Council **DATE:** February 20, 2020

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

SUBJECT: Review and Receive Water Reclamation Facility (WRF) Capital Project Monthly Update Report and Provide Direction, if any, Deemed Appropriate

RECOMMENDATION

Council receive WRF Capital Project Monthly Update Report and provide direction, if any, deemed appropriate.

DISCUSSION

Provided as Attachment 1 is the Monthly WRF Project Report for January 2020 for Council and public review.

ATTACHMENT

1. City of Morro Bay Water Reclamation Facility Project Monthly Report January 2020

Prepared By: _____ Dept Review: _____
City Manager Review: ___SC___ City Attorney Review: _____



MORRO BAY
OUR WATER
RELIABLE. CLEAN. FOR LIFE.

City of Morro Bay
Water Reclamation Facility Project

MONTHLY REPORT JANUARY 2020

FINAL | February 2020





City of Morro Bay
Water Reclamation Facility Project

MONTHLY REPORT JANUARY 2020

FINAL | February 2020

This document is released for the
purpose of information exchange review
and planning only under the authority of
Eric T. Casares
February 2020
State of California, P.E. 73351

Contents

Section 1	1
PROJECT OVERVIEW	1
1.1 General Project Status Update	1
1.1.1 Funding Agency Coordination	1
1.1.2 Environmental Checklist	1
1.2 Water Reclamation Facility	2
1.3 Conveyance Facilities	2
1.4 Recycled Water Facilities	3
1.5 Funding	3
1.6 Quarterly Budget Revision	7
Section 2	11
KEY PERFORMANCE MEASURES	11
2.1 Performance Measures	11
Section 3	15
PROJECT COSTS	15
3.1 Project Budget	15
3.2 Project Cash Flow	16
Section 4	19
PROJECT SCHEDULE	19
4.1 Project Milestones	19

Tables

Table 1	Project Accomplishments and Challenges	5
Table 2	Budget Revision Summary	8
Table 3	Estimates at Completion	9
Table 4	WRF Project Performance Measures	13
Table 5	WRF Project Overall Budget Status (thru January 2020)	15
Table 6	Project Construction Milestones	19
Table 7	Expanded Milestone Schedule	23

Figures

Figure 1	Project Cash Flow Projections and Actual Expenditures	17
Figure 2	Project Milestone Summary	21

Abbreviations

APE	Area of Potential Effect
BDR	Basis of Design Report
BOD	Biochemical Oxygen Demand
CCC	California Coastal Commission
CDP	Coastal Development Permit
CDR	Concept Design Report
CEQA	California Environmental Quality Act
CPT	Cone Penetration Test
CWSRF	Clean Water State Revolving Fund
DDW	Division of Drinking Water
EPA	Environmental Protection Agency
ESCP	Enhanced Source Control Program
FEIR	Final Environmental Impact Report
GMP	Guaranteed Maximum Price
IPR	Indirect Potable Reuse
IUP	Intended Use Plan
IWS	Industrial Waste Survey
KPI	Key Performance Indicator
MBPFC	Morro Bay Public Facilities Corporation
MBR	Membrane Bioreactor
NEPA	National Environmental Policy Act
NOI	Notice of Intent
NPDES	National Pollution Discharge Elimination System
PCO	Potential Change Order
PPP	Pollution Prevention Program
RO	Reverse Osmosis
RWQCB	Regional Water Quality Control Board
SHPO	State Historic Preservation Office
SPI	Schedule Performance Index
TSO	Time Schedule Order
TSS	Total Suspended Solids
USACE	United States Army Corps of Engineers
USBR	United States Bureau of Reclamation
USFW	United States Fish and Wildlife
UVAOP	Ultraviolet Advanced Oxidation Process
WIFIA	Water Infrastructure Finance and Innovation and Act

WRF Water Reclamation Facility
WRFCAC Water Reclamation Facility Citizens Advisory Committee
WWE Water Works Engineers

Section 1

PROJECT OVERVIEW

1.1 General Project Status Update

Elements of all components of the Water Reclamation Facility Project (Project) are currently in progress. City staff and the Program Manager (Carollo) are actively working with the design-build team (DB team) and the pipeline designer to advance the design of the Water Reclamation Facility (WRF) and Conveyance Facilities project components, respectively. In January 2020, City staff and the Program Manager continued to focus on moving the WRF component of the Project into construction. In order to start construction, the following activities must be completed:

- Funding Agency Coordination.
 - Negotiate and sign the final loan agreement for the Environmental Protection Agency's (EPA's) Water Infrastructure Finance and Innovation and Act (WIFIA)
 - Facilitate completion of the Clean Water State Revolving Fund's (CWSRF's) Environmental Checklist

A status update for these specific activities related to the start of construction is provided below. Brief updates on the status of each Project component are also provided.

1.1.1 Funding Agency Coordination

City staff and the Program Manager have been working with the City Attorney and EPA staff for the last several months to finalize the terms and specific language of the WIFIA loan agreement, and the City achieved several major milestones in January 2020. At the January 14, 2020 meeting of the Morro Bay Public Finance Corporation (MBPFC), the corporation approved Resolution No. PFC 01-20 which will allow the City to finance the Project with proceeds from the EPA's WIFIA Program. At the January 14, 2019 City Council meeting, the council approved Resolution No. 04-20 to complement Resolution No. PFC 01-20. The MPPFC was formed in 2019 to allow the City to undertake financing related to the Project. The WIFIA agreement authorizes the City to be reimbursed for eligible Project costs of up to \$61.7 million, which equates to 49 percent of the projected total costs of the Project (i.e., \$126 million). The low-interest loan from WIFIA will save rate payers upwards of \$28 million in debt savings compared to a conventional loan.

The City is ready to sign the WIFIA loan agreement. However, the environmental review processes for both WIFA and CWSRF must first be completed.

1.1.2 Environmental Checklist

Since July 2019, the City staff and the Program Manager have been working through EPA to complete Section 7 consultation with the United States Fish and Wildlife Service (USFWS). In December 2019, the decision was made by the EPA to pursue formal consultation with USFWS for the California Red Legged Frog (CRLF). While this formal consultation process requires additional time to complete, it will protect the City from potential schedule delays that would

occur during construction as a result of CRLF take. The EPA requested the USFWS to expedite the formal consultation and issue their Biological Opinion by the end of January 2020. The USFWS indicated in December that they would make every effort to honor this request. However, the BO has not yet been received. Based on the latest information from EPA, the final BO will be received by March 05, 2020. The EPA has committed to completing their environmental review/checklist within a week after receipt of the final BO. This will allow the City to sign the WIFIA loan agreement and issue the construction notice to proceed (NTP) for the WRF in mid-March 2020.

1.2 Water Reclamation Facility

The design of the WRF has been progressing since the agreement with the DB team was signed in October 2018. The 90 percent design submittal has been delayed over the last few months as the City has been working with the DB team to develop a number of potential change orders (PCOs) that will be reflected in the submittal. These PCOs are necessary for a number of reasons including:

- Process changes initiated by the City necessary to improve the future operability of the facility
- Avoidance measures for the CRLF that have been identified through the Section 7 consultation with the USFWS
- Process changes required to accommodate different water quality conditions identified as a result of additional sampling that was completed in 2019

City staff and the Program Manager are currently planning to bring these PCOs to the Public Works Advisory Board (PWAB) for review on March 18, 2020 and to the City Council for approval on March 24, 2020.

Based on the current schedule, the 90 percent design submittal will be delivered to City staff and the Program Manager for review by the end of March 2020.

1.3 Conveyance Facilities

The design has continued to progress since the City completed extensive utility investigations in December 2019/January 2020 (i.e., potholing) and the City received the 90 percent design submittal on February 10, 2020. The 90 percent design submittal is currently under review by City staff and the Program Manager.

In addition to advancing the design, the City has continued property acquisition efforts in January 2020. Both permanent and temporary construction easements are required from PG&E and Vistra Energy (Vistra) to complete construction of the pipelines and injection wells that will link the current wastewater treatment facility (WWTF) and the WRF and allow the City to inject purified water into the Lower Morro Valley Groundwater Basin for indirect potable reuse (IPR), respectively. In order to acquire these easements, the City is taking advantage of all mechanisms at their disposal. Through discussions with PG&E, they have recommended the City utilize eminent domain through the California Public Utilities Commission (CPUC). This is the most expedient way to acquire the easements from PG&E at this time. The City has been actively working with Vistra to acquire additional easements along the bike path without using eminent domain. While these negotiations continue, the City has not dismissed the possibility of eminent domain, which may be necessary to keep the Project on schedule. At the February 11, 2019 City Council meeting, the council approved Resolution No. 13-20 and 14-20 authorizing eminent

domains actions for Vistra and PG&E, respectively. These resolutions of necessity are an important first step in the eminent domain process.

1.4 Recycled Water Facilities

While design of the Recycled Water Facilities has not yet been started, City staff and the Program Manager have continued to advance the necessary hydrogeological work being done by the City's hydrogeologist, GSI Water Solutions (GSI). The next step in the hydrogeology work includes completion of Phase 2 or improved characterization at the west injection area. Completion of this component of the work has been contingent upon accessing the Vistra property to use an existing Morro Bay Mutual Water Company (MBMWC) well to conduct the pumping and injection tests. Pump testing for this well was completed in early February 2020. GSI is now updating the groundwater model and will be making a recommendation for the preferred injection location (i.e., either west of Highway 1 in Vistra property or east of Highway 1 near Silver City) by the end of March 2020. Pump testing for the MBMWC was promising and GSI will be starting injection testing as soon as March 2020.

1.5 Funding

City staff and the Program Manager have been working with the United States Bureau of Reclamation (USBR) Title XVI grant program since 2018. The City was unable to get the previous crosswalk document approved by USBR prior to last year's funding opportunity was announced. A crosswalk document is used to adapt a report that has been previously developed to the USBR Title XVI Project Report requirements. In this case, the crosswalk document was developed for the Draft Master Reclamation Plan developed by MKN in 2017. After several rounds of review by USBR staff in 2019, it was determined that the best course of action would be to develop a new project report specifically for Title XVI in order to make the Project eligible for funding in 2020. On February 03, 2020, City staff and the Program Manager submitted a Title XVI Project Report to USBR staff for review. The City anticipates having an approved project report before the funding opportunity for 2020 is announced in spring 2020. Title XVI provides grant funding for up to 25 percent of the total eligible project costs.

Table 2 summarizes some of the key accomplishments and critical challenges identified for the Project in January 2020.

Table 1 Project Accomplishments and Challenges

Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Delivery of the Draft Title XVI Project Report to USBR.			
Water Reclamation Facility	Continued development of the 90-percent design deliverable			
		As design has continued, additional PCOs have been identified that are being evaluated by the City.	In order to minimize the impacts of future PCOs, the City needs to critically evaluate the need for PCOs and identify cost-saving measures to offset cost increases.	The overall impact of the PCOs will lead to an increase in the Guaranteed Maximum Price (GMP), but costs will be maintained with the contingency identified for the WRF component of the Project.
		Missing the 12-month construction Notice to Proceed (NTP) milestone.	Complete the consultation with United States Fish and Wildlife (USFW) as expeditiously as possible.	Missing the 12-month NTP milestone in October 2019 will result in increases to the DB team's GMP as a result of delay and escalation costs.
Conveyance Facilities	Continued development of the 90-percent design deliverable.			
		Schedule recovery due to issues surrounding access to Vistra and PG&E property. This issue have been resolved at this time.	Work with WWE to expedite the final design schedule including elimination of the 100 percent design deliverables (i.e., transition from 90 percent submittal to bid submittal)	Without expediting the schedule, delayed construction completion could impact the schedule for start-up of the WRF (final completion of the Conveyance Facilities component of the Project is not currently on the critical path).
		Receipt of easements necessary to construct the pipelines in the City's existing bike path.	Work closely with Vistra, PG&E, and California Public Utilities Commission (CPUC) to obtain the easements. Pursue eminent domain if necessary.	Delayed receipt of the easements could complicate or delay construction of the Conveyance Facilities, and depending on severity of delay could impact compliance with the Time Schedule Order (TSO).
Recycled Water Facilities	Completion of pump testing at the west injection location.			
			Schedule recovery due to issues surrounding access to Vistra and PG&E property.	Work with GSI to expedite the completion of the Phase 2 hydrogeology work.

1.6 Quarterly Budget Revision

The original \$126 million baseline budget was developed in June 2018 (Q4 Fiscal Year 2017/2018) and was used as the basis for the rate study prepared by Bartle Wells Associates (Bartle Wells). At the beginning of each fiscal year, the budget is updated and used as the measure of performance for the Project during that upcoming fiscal year. The budget is then reviewed and reconciled on a quarterly basis so it can be compared to both the current fiscal year and baseline budgets. The next budget reconciliation will occur at the end of Q3 Fiscal Year 2019/2020 (March 31, 2020). A summary of the baseline, reconciled quarterly, and fiscal year budgets are summarized in Table 2. Subsequent budget reconciliations (quarterly) and fiscal year budgets (annual) will also be presented in this table for reference.

Changes to the Project budget since the completion of the fiscal year budget reconciliation in Q1 Fiscal Year 2018/2019 can be attributed to the following:

- Addition of biological monitoring and mitigation to the Conveyance Facilities and Recycled Water Facilities components of the Project associated with avoidance of the CRLF
- Addition of pre-construction archeological investigations outlined in the PA for the Conveyance Facilities and Recycled Water Facilities components of the Project
- Addition of archeological and tribal representative monitoring for the Conveyance Facilities and Recycled Water Facilities components of the Project

Table 2 Budget Revision Summary

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Current Fiscal Year (Q4 FY 18/19)	Quarterly Reconciliation (Q1 FY 19/20)	Quarterly Reconciliation (Q2 FY 19/20)
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000	\$72,598,000	\$72,231,000
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000	\$28,524,000	\$29,224,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000	\$5,212,000	\$5,353,000
General Program	\$24,403,000	\$11,614,000	\$11,801,000	\$11,625,000	\$11,701,000
Construction Contingency	\$9,444,000	\$6,450,000	\$7,132,000	\$7,131,000	\$7,364,000
Total	\$125,941,000	124,597,000	\$125,938,000	\$125,090,000	\$125,873,000

Notes:

(1) Breakdown of the current contingency (\$7,131,000) is as follows: WRF = \$4,373,000; Conveyance Facilities = \$2,458,000; and Recycled Water Facilities = \$300,000

Table 3 summarizes the positions and estimates at completion (EACs) for the major elements of the Project through the end of Q2 FY 19/20 when the last budget reconciliation was completed.

Table 3 Estimates at Completion

Project Component	Original Estimates	Initial Contract Value	Current Contract Value	Expenditures to Date	Estimate at Completion
General Project	\$24,403,000			\$3,009,125	\$13,449,336
City Costs ⁽²⁾				\$1,244,011	\$3,622,563
Program Management ⁽³⁾ (Carollo Engineers)		\$293,000	\$4,280,916	\$1,765,115	\$9,826,774
Water Reclamation Facility	\$62,414,000			\$6,205,848	\$68,870,572
Design/Build (Filanc/Black & Veatch)		\$67,234,512	\$68,870,572	\$6,205,848	\$68,870,572
Conveyance Facilities	\$21,087,000			\$1,018,474	\$26,118,387
Design (Water Works Engineers)		\$1,360,565	\$2,052,387	\$1,018,474	\$2,102,387
Construction				-	\$24,016,000
Recycled Water Facilities	\$8,593,000			-	\$3,575,000
Design				-	\$450,000
Construction				-	\$3,125,000
Contingency	\$9,444,000				\$7,363,149
Water Reclamation Facility					\$4,605,273
Conveyance Facilities					\$2,457,876
Recycled Water Facilities					\$300,000
Other Contracts⁽⁴⁾				\$5,243,156	\$6,496,556
Total	\$125,941,000			\$15,476,603	\$125,873,000

Notes:

- (1) Total expenditures and EAC are based on the budget reconciliation completed for Q2 FY 19/20.
- (2) City costs include staff salaries and benefits, legal services, land acquisition, supplies and equipment, etc.
- (3) Includes total program management costs including public outreach and construction oversight/management
- (4) Other Contracts includes previous consultants including MKN and Black & Veatch and current consultants including Far Western, ESA, Kestrel, GSI, Bartle Wells Associates, etc.

Section 2

KEY PERFORMANCE MEASURES

2.1 Performance Measures

A set of five (5) Key Performance Indicators (KPIs) were established to readily measure the progress of the Project. These KPIs represent various success factors associated with the WRF project management and delivery that were established by the Program Manager and City staff and are summarized as Table 4. The Project's performance is also illustrated graphically in Figures 1 and Figure 2.

Table 4 WRF Project Performance Measures

Performance Measure	Data	Baseline (Q4FY 18/19)	Current (Q1 FY 19/20)	Delta	Status	Ⓞ	Ⓢ	Ⓡ
1: Total Project Costs	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$125.9 M	\$125.9 M	0.0%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.1: WRF Costs	On Site WRF Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$77.3 M	\$76.8 M	-0.6%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.2: Conveyance Facilities Costs	Conveyance Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$31.3 M	\$31.7 M	1.3%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.3: Recycled Water Facilities Costs	Off Site Injection Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$5.6 M	\$5.7 M	1.8%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.4: General Project Costs	General Project Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$11.7 M	\$11.7 M	0.0%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
2: Program Manager Earned Value	Ratio of Program Manager Earned Value to Actual Invoiced Cost-to-Date (as of 01/31/20)	1.00	1.19	0.19	Ⓞ	>= 1.00	0.99 to 0.90	< 0.90
3: Schedule Performance Index⁽¹⁾	Ratio of Planned Percent Complete to Actual Percent Complete (as of 01/31/20)	1.00	0.92	-0.08	Ⓢ	>=1.00	0.99 to 0.80	<0.80
4: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (as of 01/31/20)	18,500 LF	0.0 LF	0.0%	Ⓞ	<= 5%	> 5% and <=7.5%	> 7.5%
5: Compliance Date Countdown	Days Remaining to Compliance Date (as of 01/31/19)	1,124 days	836 days	-288 days	Ⓢ	<= 365 days	364 days and 180 days	> 179 days

Section 3

PROJECT COSTS

3.1 Project Budget

The overall budget status for the Project is summarized in Table 5. The top half of the table provides a summary of total estimated Project costs, including original and current estimated costs for the entire Project. The bottom half of Table 5 shows the total amount of work currently under contract and provides a summary of total charges.

Table 5 WRF Project Overall Budget Status (thru January 2020)

Summary of Total WRF Project Cost	
Original Baseline WRF Project Budget ⁽¹⁾	\$125,941,000
Current Fiscal Year WRF Project Budget (as of 6/30/19) ⁽²⁾	\$125,884,000
Current WRF Project Budget (as of 12/31/19) ⁽³⁾	\$125,873,000
Budget Percent Change (Current versus Fiscal Year)	0.0%
Total Expenditures for January 2020 ⁽⁴⁾	\$717,082
Total Expenditures to Date (thru 01/31/20 invoices)	\$16,193,686
Percent of Current WRF Project Budget Expended	12.87%
Summary of Contracted Work	
Total Contracted Amount	\$80,124,640
Percent of Current WRF Project Budget Contracted	63.7%
Total Contracted Amount Expended	\$13,859,354
Percent of Contracted Amount Expended	17.3%
Remaining WRF Project Contracted Amount	\$66,265,286

Notes:

- (1) Developed in June 2018 as the basis of the approved rate surcharge that took effect in July 2019.
- (2) The budget for the Project is reviewed on an annual basis at the end of each fiscal year (June 30th) and is used as the basis of performance for the Project for the upcoming fiscal year.
- (3) The Project budget is reconciled on a quarterly basis and compared to the current fiscal year budget (i.e., September 30th, December 31st, and March 31st)
- (4) Monthly expenditure is significantly less than expected due to the timing of the preparation of this report. Monthly expenditures do not include invoices from the design-build team (Overland Contracting) or Program Manager (Carollo Engineers).

3.2 Project Cash Flow

Figure 1 presents the projected and actual expenditures for the Project through January 2020 compared to the Fiscal Year 2019/2020 budget developed at the end of Q4 Fiscal Year 2018/2019. The line graph shows the cumulative values for the Project and the bars show the discrete monthly values. Actual and budgeted expenditures from 2013 to the end of Fiscal Year 2018/2019 have been combined to improve readability. Milestones have been added to the cumulative fiscal year budget and cumulative forecasted expenditures to show changes in the Project schedule that have occurred between development of the fiscal year budget from June 2019 and the current, reconciled budget developed at the end of September 2019. The milestone corresponds to the substantial completion of the WRF, which coincides with the City being in compliance with the TSO issued by the Regional Water Quality Control Board (RWQCB) in June 2018. It should be noted that the cash flow in Figure 1 reflects the latest schedule revisions as a result of delays in completion of the hydrogeological work due to issues with access to the Vistra property and delays in receipt of the CDP.

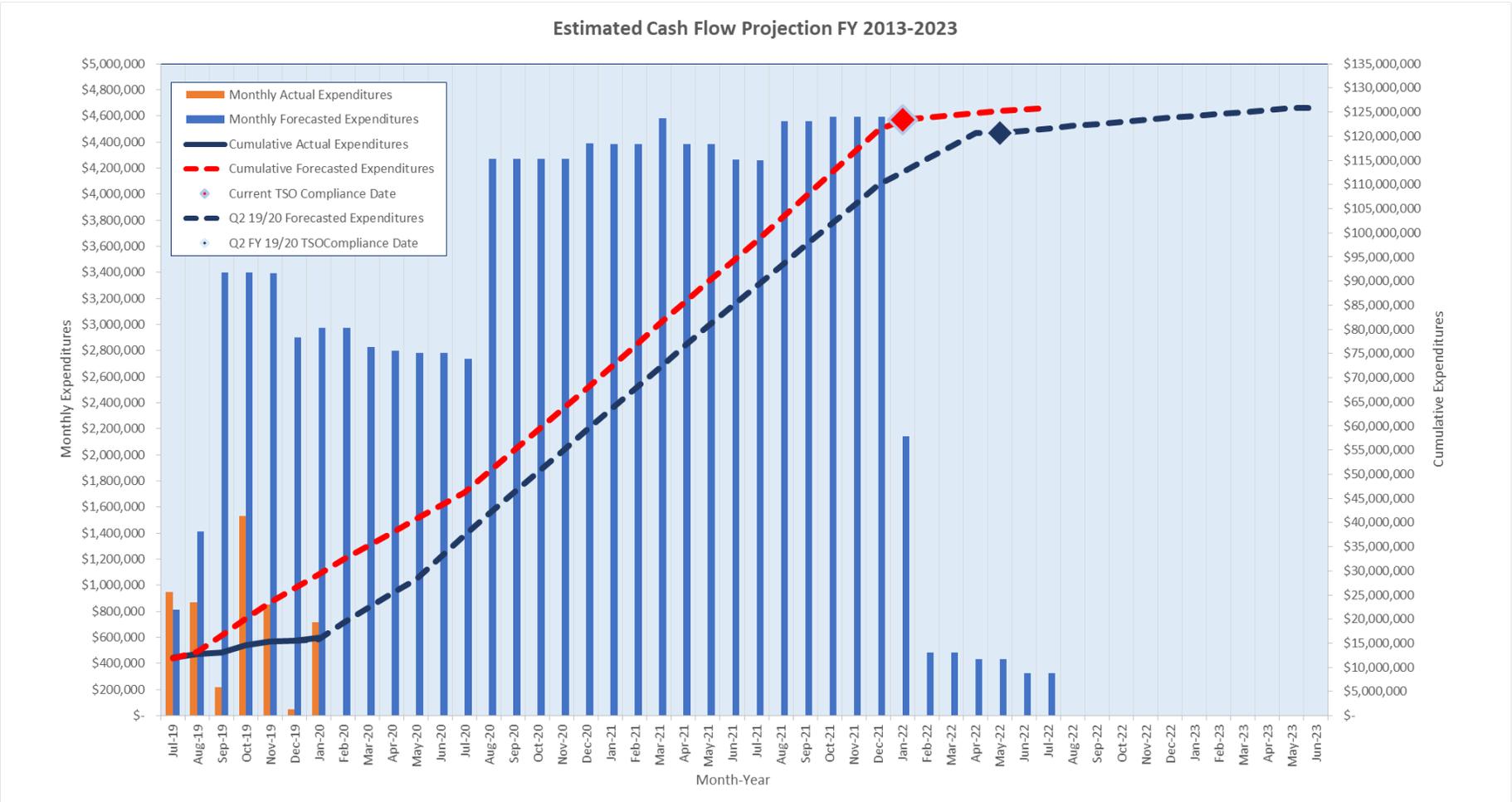


Figure 1 Project Cash Flow Projections and Actual Expenditures



Section 4

PROJECT SCHEDULE

A summary of the Project schedule is presented in Figure 2. The light blue bars for each major task represent the planned progress based on the baseline schedule. The dark blue bars represent the current actual progress as of January 2020. For each major line item, the schedule performance index (SPI) has been provided as well as an overall SPI for the entire Project. The SPI is a ratio of the planned percent complete versus the current actual percent complete. A SPI of greater than 1.00 indicates that the Project is on or ahead of schedule and a SPI of less than 1.00 indicates the Project is running behind the planned schedule.

4.1 Project Milestones

In June 2018, the City received a TSO from the RWQCB. The TSO requires the City to comply with a time schedule that will, within five years of adoption, allow the City to achieve full compliance with biochemical oxygen demand (BOD) and total suspended solids (TSS) final effluent limitations established in Order No. R3-2017-0050. In addition to the final compliance date, a number of intermediate milestones are provided in Table 4 (Compliance Schedule) of the TSO. Table 6 below provides a summary of the milestones in the TSO.

Table 6 Project Construction Milestones

Required Actions	Compliance Due Date	Planned Compliance Date	Actual Compliance Date
Release of Public Draft EIR	March 30, 2018	-	March 30, 2018
Release of Updated Rate Study	June 30, 2018	-	July 05, 2018
Proposition 218 Hearing	August 30, 2018	-	September 11, 2018
Certification of Final EIR	June 30, 2018	-	August 14, 2018
Award of Contract for WRF	September 30, 2018	-	October 23, 2018
Develop, Implement, and Submit Pollution Prevention Plan (PPP) for BOD and TSS	December 01, 2018	TBD ⁽¹⁾	-
Award of Contract for Construction of Conveyance Facilities	November 30, 2019	July 09, 2020	-
Completion of WRF Improvements with Completion Report	December 30, 2022	May 16, 2022	-
Full compliance with final effluent limitations	February 29, 2023	May 16, 2022	-

Notes:

- (1) The City and Program Manager have noted this requirement in the previous quarterly progress reports sent to the RWQCB (as required by the TSO). The City has requested that the Enhanced Source Control Program (ESCP) required as part of the Title 22 Engineer's Report be considered acceptable for this requirement in lieu of the PPP identified in the TSO.

An expanded milestone schedule has also been developed for outstanding Project activities.

Table 7 Expanded Milestone Schedule

Milestone	Baseline Schedule due Date	Planned Completion Date
<u>General Project</u>		
Compliance with the TSO ⁽¹⁾	November 11, 2021	May 16, 2022
<u>Water Reclamation Facility</u>		
Begin Construction	August 08, 2019	May 09, 2020
Deliver 90 Percent Design	October 24, 2019	March 31, 2020
Substantial Completion	November 11, 2021	May 16, 2022
Final Completion	June 09, 2022	December 01, 2022
<u>Conveyance Facilities</u>		
Deliver 90 Percent Design	October 15, 2019	February 10, 2020
Deliver 100 Percent Design	December 17, 2019	April 20, 2020
Bid Advertisement	February 21, 2020	April 23, 2020
Award Construction Contract	May 08, 2020	July 09, 2020
Substantial Completion	September 17, 2021	November 15, 2021
Final Completion	November 19, 2021	January 17, 2022
<u>Recycled Water Facilities</u>		
Select Preferred Injection Area	May 28, 2019	March 20, 2020
Deliver 30 Percent Design	August 04, 2020	July 30, 2021
Deliver 60 Percent Design	November 10, 2020	November 05, 2021
Deliver 90 Percent Design	February 16, 2021	February 11, 2022
Deliver 100 Percent Design	April 27, 2021	April 22, 2022
Award Construction Contract	July 21, 2021	July 18, 2022
Substantial Completion	April 21, 2022	May 19, 2023
Final Completion	June 21, 2022	July 14, 2023
Notes:		
(1) The TSO requires compliance with full secondary treatment by February 28, 2023		



AGENDA NO: A-4

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor & City Council

DATE: February 11, 2020

FROM: Eric Endersby, Harbor Director

SUBJECT: Discussion of Agenda for the California Marine Affairs and Navigation Conference (C-MANC) Annual "Washington Week" Meetings in Washington, D.C.

RECOMMENDATION

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

ALTERNATIVES

Not applicable.

FISCAL IMPACT

As previously brought before the Council, the total costs for airfare, hotel, meals, local transportation and monetary contribution to the Golden State Reception for the California Marine Affairs and Navigation Conference (C-MANC) "Washington Week" meetings are estimated at \$7,000-\$8,000 for the two-person delegation of the Mayor and Harbor Director, not including approximately \$2,000 in staff time, meeting attendance, grant preparation, and travel/meeting logistics. Last year's direct costs were ~\$7,800.

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

BACKGROUND

C-MANC annually hosts "Washington Week" meetings, where representatives of California Ports and Harbors have the opportunity to remind Congress and various other agencies of the importance of dredging projects, commercial fishing, ocean and coastal management and other coastal-related issues in California such as the current efforts to site an offshore wind power generation facility off our coast.

The City is a founding member of C-MANC, which was created in 1965/1966 when the Northern California Marine Affairs Conference and the California Navigation Conference (CNC) merged. Prior

to that merger, San Luis Obispo County and the City were members of CNC. For over 25 years, the City has sent representatives to the “Washington Week” meetings. Attachment 1 to this report is last year’s C-MANC DC agenda.

On January 14, 2020, the City Council authorized the Mayor and Harbor Director as this year’s Morro Bay delegation. This year’s C-MANC proceedings are March 2-4, and staff will be attending Morro Bay-specific meetings both before and after the official C-MANC proceedings in order to take full advantage of the time in Washington.

From an Army Corps of Engineers (Corps) priority standpoint, Morro Bay is considered a small or “subsistence” harbor. In terms of commerce, although we do generate approximately \$8 Million in ex-vessel value out of approximately 3.5 million pounds in commercial fishing landings per year, we are quite low on the totem pole compared to powerhouses like Los Angeles/Long Beach and Oakland. Because of our relative isolation, however, “harbor of safe refuge” status, United States Coast Guard presence and periodically dangerous harbor entrance, Morro Bay’s rank in priority for funding is elevated above a “subsistence” harbor, and we have been successful in having our dredging needs met.

The City could not afford to dredge our harbor without the Corps, as annually the Corps spends \$2.5-\$3 Million to dredge our entrance, and \$7-\$8 Million every 6-8 years to dredge the remainder of our inner channels. Continued dredging of ours and others’ Federally-authorized harbor entrance and channels remains a top priority of C-MANC, and our work with the Corps and our Washington DC visits remain a vital component to secure the necessary funding that will ensure our harbor remains not only safe for passage, but fully navigable from a commerce and operational standpoint.

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

DISCUSSION

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

In addition to the C-MANC organized meetings where all members generally attend *en masse*, we separately set-up private Morro Bay-only meetings with key legislators and others, including the Corps, to discuss specific Morro Bay and Central Coast regional issues. Attachment 2 to this report is 2019’s Morro Bay private meetings agenda. Our legislative advocate in DC, Julie Minerva with Carpi and Clay, is currently working on our draft DC agenda for this year. Primary topics this year, for which we will be writing “leave-behind” white papers for our Congressional delegation, include:

Dredging. This federal fiscal year (FY20) the Corps is funded for \$2.75 Million to dredge Morro Bay’s harbor entrance with the Corps dredge ship *Yaquina*, tentatively due in late April. In the just-released President’s draft FY21 federal budget, \$2.75 Million is again included for Morro Bay entrance dredging. For the remainder of the channels in the harbor, it is not anticipated that

dredging will be required until approximately 2024-2025. We must, however, stay attentive to our harbor's crucial and on-going needs and continue to press for adequate funding. To illustrate the effectiveness of our and C-MANC's efforts, Congressman Carbajal recently spoke to the House Subcommittee on Water Resources and Environment and asked the Assistant Secretary for the Army when Congress might be informed if Morro Bay is receiving the Congress-requested additional \$250,000 for this year's dredging?

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

Fisheries. Thanking those legislators who championed or supported the successful refinancing of a \$45 Million federal loan to reduce West Coast commercial fishing capacity that was putting an excessive financial burden on groundfish harvesters; an issue we lobbied-for last year. In addition, we continue to press for an alternative to the high cost of human observers required in the groundfish quota fishery, and for reasonable, science-based fishery regulation on the federal level through reauthorization of the Magnuson-Stevens Fishery Conservation and Management Act; the federal law overarching all fishery management decisions.

Bureau of Ocean Energy Management (BOEM) and Department of the Interior. As BOEM continues to pursue the Federal leasing and permitting process for floating offshore wind electrical production off our coast, including working on mitigating the concerns of the Department of Defense on interruption of their offshore training and testing areas, we will be staying closely engaged with Congressman Carbajal and other legislators, in addition to requesting to meet with BOEM Director Walter Cruickshank and Department of Interior Acting Assistant Secretary Kate MacGregor to convey Morro Bay's concerns with the current state of the leasing process.

United States Coast Guard (USCG). With the importance of the continued presence and operational effectiveness of Coast Guard Station Morro Bay, we will continue to convey support for the USCG's new building expansion project that is nearing construction, while also providing our Congressional delegation the City's concerns about the building's continued lack of ability to provide full gender parity.

Water Reclamation Facility (WRF). The City is approaching full completion and execution of an extremely low interest loan, through agreements with the United States Environmental Protection Agency (USEPA) Water Infrastructure Finance and Innovation Act (WIFIA), for the partial funding of its new Water Reclamation Facility (WRF) project. We will be staying closely engaged with Congressman Carbajal, our U.S. Senators and USEPA management staff so that we can expeditiously close the project loans.

National Estuary Program. With the importance of our bay's ecological and environmental health, and the great work the Morro Bay National Estuary Program does to support and enhance those priorities, the City seeks support for continued federal funding of our nation's National Estuary Programs in the amount of \$700,000 annually per program location.

Legislators. Each year we meet personally with our Congressional delegation of Senators Feinstein and Harris and Congressman Carbajal, and/or their key staffers, in addition to forging relationships with other key Congresspeople. Those meetings typically are both of a general nature and to focus on specific projects, issues and recent news and happenings of a noteworthy nature. Those personal meetings are important and do make a difference in matters and funding important to Morro Bay.

CONCLUSION

It is important for the California C-MANC delegation, as well as for the City, to maintain its many relationships in Washington D.C., in addition to bringing a unified voice asserting the importance of all of California's ports and harbors as an integrated "system" to the national economy and security. As evidenced by past year Corps funding "plus-ups" and other events such as Congressman Carbajal's recent committee testimony, promoting Morro Bay's concerns and voice in Washington, D.C. does matter and does make a difference in legislation, funding and other issues vitally important to our community.

ATTACHMENTS

1. 2019 C-MANC Washington DC agenda.
2. 2019 City of Morro Bay Washington DC private meetings agenda

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

Monday, March 4th

9:30 am Travel from hotel to Rayburn

10:00 am **Kimber Colton, Legislative Counsel, Office of Representative Chellie Pingree (D-ME-1)**
2162 Rayburn House Office Building
(202) 225-6116, kimber.colton@mail.house.gov

10:30 am Travel from Rayburn to Hart

11:00 am **Catherine Pomposi, PhD, Legislative Fellow, Office of Senator Kamala D. Harris (D-CA)**
112 Hart Senate Office Building
(202) 224-3553, Catherine_Pomposi@harris.senate.gov

Noon Lunch window

2:30 pm **Sharon Wagener, Legislative Director, Office of Representative Julia Brownley (D-CA-26)**
2262 Rayburn House Office Building
POC: Jonathan Cousimano
(202) 225-5811, jonathan.cousimano@mail.house.gov

3:30 pm **Christine Sur, Legislative Assistant, Office of Representative Jared Huffman (D-CA-2)**
1527 Longworth House Office Building
(202) 225-5161, christine.sur@mail.house.gov

4:30 pm **Matt Manning, Legislative Director, Office of Representative Jimmy Panetta (D-CA-20)**
212 Cannon House Office Building
(202) 225-2861, matthew.manning@mail.house.gov.

5:00 pm Travel from Cannon to hotel

Thursday, March 7th

9:10 am Arrive at Corps HQ

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

10:10 am Travel from Corps HQ to Longworth

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

11:30 am – 12:30 pm Lunch window – Longworth Cafeteria

12:30 pm Travel from Longworth to Hart

1:00 pm

Alexis Segal, Legislative Assistant, Office of Senator Dianne Feinstein (D-CA)
331 Hart Senate Office Building
(202) 224-3831, Alexis_Segal@feinstein.senate.gov

TREVOR HIGGINS

3:30 pm

Travel to BOEM

4:00 pm

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

4:45 pm

Depart BOEM

Pending Request:

Keating

Optional: drop off materials to Congressman Langevin 2077 Rayburn House Office Building. Langevin's office is scheduling only constituent meetings at this time of year.

- 2:30 pm FUNDING TEAM **Josh Caplan, Legislative Director** and **José N. Miranda, Legislative Assistant, Office of Representative Lucille Roybal-Allard (D-CA-40) Member of the House Appropriations subcommittee on Energy & Water**
2083 Rayburn House Office Building
(202) 225-1766, Jose.Miranda6@mail.house.gov
- 3:30 pm ALL CMANC MEMBERS **James Herz, Associate Director, Natural Resources, Energy, and Science, Office of Management and Budget**
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, Room 248 (You will need to enter on State Place)
POC: Sherron White, (202) 395-9145, sherron_white@omb.eop.gov
**** Photo ID and pre-clearance required**
- 4:45 pm Travel from OMB to Longworth
- 5:30 pm POLICY TEAM **Representative Salud Carbajal (D-CA-24) - Member of Committee on Transportation and Infrastructure**
1431 Longworth House Office Building
POC: Erin Sandlin, (202) 225-3601, Erin.Sandlin@mail.house.gov
- Evening **CMANC Welcome reception hosted by the Hanson's**
Details provided in separate email

Wednesday, March 6

- 9:00 am POLICY TEAM **Logan H. Ferree, Deputy Chief of Staff, Legislative Director**
Office of Representative Jared Huffman (D-CA-02) - Member of Committee on Transportation and Infrastructure
1527 Longworth House Office Building
(202) 225-5161, Logan.Ferree@mail.house.gov
- 9:00 am FUNDING TEAM **Bradley Solyan, Senior Legislative Assistant Office of Representative Lois Frankel (D-FL-21) – Member of the House Appropriations subcommittee on Energy & Water**
2305 Rayburn House Office Building
(202) 225-9890 bradley.solyan@mail.house.gov
- 9:30 am FUNDING TEAM **Richie O’Connell, Senior Legislative Assistant**
Office of Representative Ken Calvert (R-CA-42) - Member of the House Appropriations subcommittee on Energy & Water
2205 Rayburn House Office Building
(202) 225-1986, Ritchie.OConnell@mail.house.gov
- 10:15 am POLICY TEAM **Joe Sheehy, Legislative Director**
Office of Representative Grace F. Napolitano (D-CA-32) - Member of Committee on Transportation and Infrastructure
1610 Longworth House Office Building
(202) 225-5256, Joe.sheehy@mail.house.gov

10:30 am FUNDING TEAM **Andrew O'Neill, Legislative Assistant**
Office of Representative Mark Pocan (D-WI-2) - Member of the House Appropriations
subcommittee on Energy & Water
1421 Longworth House Office Building
(202) 225-2906, andrew.oneill@mail.house.gov

11:00 am FUNDING TEAM travel from Longworth to Hart

11:00 am POLICY TEAM **Ike Irby, Policy Advisor, Office of Senator Kamala Harris (D-CA)**
112 Hart Senate Office Building
(202) 224-3553, isaac_irby@harris.senate.gov

11:30 am FUNDING TEAM **Miles Johnson, Legislative Aide, Harrison Kajdan, Legislative Aide,**
Office of Senator Cindy Hyde-Smith (R-MS) - Member of the Senate Appropriations
subcommittee on Energy & Water
702 Hart Senate Office Building
(202) 224-5054, Miles_Johnson@hydesmith.senate.gov

12:00 pm All Teams lunch on your own

1:00 pm FRESHMAN TEAM **Emma Norvell, Legislative Director**
Office of Representative Gilbert R. Cisneros Jr. (D-CA-39)
431 Cannon House Office Building
(202) 225-4111, emma.norvell@mail.house.gov

1:00 pm FUNDING TEAM **Jaime Shimek, Democratic subcommittee Clerk and Angie Giancarlo,**
Republican Professional Staff Member House Appropriations subcommittee on Energy
& Water
2362-B Rayburn House Office Building
POC: Mike Brain, (202) 225-3421, mike.brain@mail.house.gov

1:30 pm FUNDING TEAM **Sean V. O'Brien, Legislative Director, Office of Representative Dan**
Newhouse (R-WA-04) - Member of the House Appropriations subcommittee on Energy
& Water
1414 Longworth House Office Building
(202) 225-5816, SeanV.OBrien@mail.house.gov

2:00 pm POLICY TEAM **Representative Julia Brownley (D-CA-26) – Member of Committee on**
Transportation and Infrastructure
2262 Rayburn House Office Building
POC: Jonathan Cousimano, (202) 225-5811, jonathan.cousimano@mail.house.gov

2:00 pm POLICY TEAM **Dave Jansen, Majority Staff Director Subcommittee on Coast Guard and**
Maritime Transportation Ryan C. Seiger, Majority Staff Director and Senior Counsel
Subcommittee on Water Resources and Environment, Committee on Transportation
and Infrastructure
507 Ford House Office Building
(202) 226-3587, dave.jansen@mail.house.gov

2:00 pm FUNDING TEAM **Gina Mazzuca, Legislative Advisor, AAAS Fellow**
Office of Senator Richard Durbin (D-IL) - Member of the Senate Appropriations
subcommittee on Energy & Water
711 Hart Senate Office Building
(202) 224-2152, Gina_Mazzuca@durbin.senate.gov

3:30 pm POLICY TEAM **Robert Edmonson, Chief of Staff, Office of Speaker Nancy Pelosi (D-CA-12)**
1236 Longworth House Office Building
(202) 225-0100, Robert.Edmonson@mail.house.gov

3:30 pm FUNDING TEAM **Olivia Woods, Legislative Correspondent**
Office of Senator Jeff Merkley (D-OR) - Member of the Senate Appropriations
subcommittee on Energy & Water
313 Hart Senate Office Building
(202) 224-3753, Olivia.Woods@merkley.senate.gov

4:30 pm FUNDING TEAM **Daniel Tidwell, Legislative Director & Counsel**
Office of Representative Chuck Fleischmann (R-TN-03) - Member of the House
Appropriations subcommittee on Energy & Water
2410 Rayburn House Office Building
(202) 225-3271, Daniel.Tidwell@mail.house.gov

4:30 pm POLICY TEAM **Representative Alan Lowenthal (D-CA-47) - Member of Committee on**
Transportation and Infrastructure, Co-Chair Congressional Ports Caucus
108 Cannon House Office Building
POC: Anthony Pham, (202) 225-7924, Anthony.Pham@mail.house.gov

5:30 pm – 7:30 pm **CMANC Golden State Reception**
2043 Rayburn House Office Building



AGENDA NO: A-5

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council
FROM: Janeen Burlingame, Management Analyst
SUBJECT: Adoption of the Short Range Transit Plan

DATE: February 13, 2020

STAFF AND PUBLIC WORKS ADVISORY BOARD RECOMMENDATION

Staff and the Public Works Advisory Board recommend the City Council adopt the Short Range Transit Plan (SRTP).

FISCAL IMPACT

It should be noted the SRTP is a fiscally constrained document whose adoption by the City Council does not commit the City to implementation of the service recommendations identified in the plan. Per the Federal Transit Administration, "fiscal constraint" requires that revenues in transportation planning are identified and are reasonably expected to be available to implement the SRTP while providing for the operation of the existing transit system. Recommendations are the consultant's professional judgement, after evaluating the operating data, field observations, and overall system analysis, of alternatives and strategies to enhance public transit service in Morro Bay.

There is no General Fund contribution to the City's Transit Enterprise Fund, either for operating or capital expenditures. The Transit Enterprise Fund fully funds operations of the Transit Division, Morro Bay Transit (Fixed Route/Call-A-Ride) and Trolley services using a combination of local generated revenue and grants (fares, advertising revenue, Rural Transit Fund), State revenue (Transportation Development Act Local Transportation Fund and State Transit Assistance, SB 1 State of Good Repair), and Federal revenue (FTA 5339 grant).

Implementation of SRTP recommendations will be dependent on the Transit Enterprise Fund's ability to meet revenue requirements from these revenue sources.

The estimated annual operating cost, for the service plan enhancements, identified ranges between \$11,200 and \$12,400 over the five-year plan period and the estimated annual farebox revenues generated ranges between \$2,400 and \$2,980. Should sufficient revenue sources be available over the plan period for full implementation, it is estimated the Transit Enterprise Fund's annual operating costs will increase by 3.5%.

Total cost of capital equipment over the plan period is estimated at \$581,560. This does not include improvements to the City Park Transit Hub as that study of improvements and cost estimate information were not available at the time of the SRTP development. The cost for capital improvements would be funded with Federal and State transit grants and Local Transportation Fund

Prepared By: J Burlingame

Dept Review: RL

City Manager Review: SC

City Attorney Review: CFN

monies.

SUMMARY

The SRTP is intended to provide a general business plan to guide improvements to the transit program over the plan period and is important to qualify for State and Federal transportation funding. The current plan was adopted in 2007 when the City operated a year-round demand response service and seasonal fixed route trolley service. Shortly after the plan's adoption, the country experienced a recession beginning in 2008. That combined with changes in the State budget regarding transit funding led to severe losses of transit funding for operations that resulted in the City's year-round demand response service being replaced with a deviated fixed route service (the current Fixed Route and Call-A-Ride service).

BACKGROUND

LSC Transportation Consultants Inc. was awarded a contract to conduct an independent third-party analysis and development of a SRTP. Work commenced in November 2017, and staff worked with the consultant to provide data and background information on existing transit services for evaluation and development of a draft plan.

The consultant conducted a review of transit conditions and evaluation of operations, as well as public outreach using onboard surveys, online community survey, community forum, and previous Unmet Needs hearings held annually by the San Luis Obispo Council of Governments. This information detailed passenger ridership characteristics, trip patterns, and opinions about services provided, as well as provided input on transit needs from both those who use and who do not use existing transit services. On-time performance and boarding/alighting data was also collected.

Various service alternatives were identified and evaluated, and those with the best potential for improving transit were prioritized for implementation should funding become available. Capital needs were identified, and marketing strategies recommended, as well as fare strategies. The goal was to provide a comprehensive strategy of short-range service, capital, and institutional improvements, with a supporting financial and implementation plan.

A series of technical memorandums were developed and reviewed throughout the process. These technical memorandums combined to make up the main body of the SRTP: Existing Conditions and Summary of Surveys, Alternatives Analysis, and Public Outreach Activities and Summary. After the technical memorandums were completed, the capital, financial, and implementation elements were developed and a SRTP was completed for review by staff, the public, and the Public Works Advisory Board.

SRTP elements include:

- Service Plan to focus on revisions to existing transit services;
- Capital Plan to identify capital investments needed over the plan period;
- Management Plan and marketing strategies to improve the transit program; and
- Financial Plan to identify operating costs and revenue sources.

The Public Works Advisory Board reviewed the SRTP at its September 25, 2020 meeting and recommended the City Council adopt the plan.

DISCUSSION

Public transportation is a vital service in Morro Bay. Transit services not only provide mobility to residents for a variety of needs (medical, social, recreational, economic), it also assists in the functioning of educational programs, public and private employers, and social service programs

throughout the county, as well as supports the tourism industry by providing mobility for visitors staying in Morro Bay to access local businesses and attractions.

The following demographics were identified, using 2015 data that was the latest year for detailed information available as well as the surveying work during the plan development:

- 23% Seniors (persons over 65)
- 6% Youth (persons 5 to 17)
- 13% Low income households
- 6% Zero vehicle household
- 72% Of residents who work commute is 10 miles or more
- Tourist driven economy
- Tourist shoulder season continues to grow
- Visitation levels unpredictable due to weather conditions, natural disasters, road conditions

Preferred Service Alternatives

Service alternatives were developed based on information derived from the surveying work, stakeholder interviews, and detailed evaluation of current services (Chapter 6 of the SRTP). Each service alternative identified operating characteristics required to provide the service which were used to estimate operating costs. Estimated ridership and fare revenue impacts were identified and the estimated farebox ratio was calculated. The State requires a 10% farebox ratio be met to continue receiving certain Transportation Development Act funds the City uses for transit operations. Service alternatives were presented at a community forum for public review and input.

Based on that input and feedback from staff, preferred alternatives were selected for development into the service plan. The following service enhancements were identified as the most reasonable to implement:

- Fixed Route/Call-A-Ride - Two-Loop Plan: Convert the existing hour-long fixed route loop into two shorter route loops (north and south loops that meet at City Park twice each hour). The fixed route would still be operated with one vehicle so there is no significant cost associated with the change. The change is expected to improve transfer opportunities between MBT and RTA at City Park by reducing the wait time when transferring between the two transit systems.

It is estimated ridership would increase by approximately 450-470 passenger trips per year and there would be no significant change in cost as this enhancement is altering the existing fixed route, not changing days or hours.

- Fixed Route/Call-A-Ride - Later Weekday and Saturday Service: Expand service by one hour on both weekdays (to 7:45 PM) and Saturdays (5:25 PM). Later service hours were a frequent passenger request from the surveys and could generate more activity at local businesses, particularly restaurants, in the evenings.

It is estimated ridership would increase by approximately 1,650-1,720 passenger trips annually and would result in a subsidy of approximately \$7,500 annually.

- Fixed Route/Call-A-Ride – Natural History Museum On Demand Stop: Add the Natural History Museum as an on demand stop where passengers would call in advance, or request from the driver, to schedule a pick up/drop off at the museum. This stop is near the Morro Bay State Park campground and could provide transit service to campers when the Trolley is

not in season and during the week when the Trolley is in season but not operating.

It is estimated ridership would increase between 720-750 passenger trips per year and result in a subsidy of approximately \$790 annually.

- Trolley – Earlier Saturday Service: Begin service one hour earlier (starting at 10 AM). These trips would mainly be from visitors who want to shop and dine in the area as many of the shops in the waterfront and downtown areas are open by 10 AM and restaurants open early for breakfast.

It is estimated to increase ridership by approximately 700 passenger trips annually and result in a subsidy of approximately \$1,290.

Ridership projections for all alternatives are based on demographics of the area as well as historical ridership trends and peer system comparisons. The real ridership impacts of an alternative will only be seen after implementation, and typically takes two years for ridership to reach its full potential. If the new service alternative is not showing signs of growth within the first six months, it is reasonable to discontinue that service.

Capital Improvements

The Capital Alternatives chapter of the SRTP presents ongoing needs of the transit program as well as potential new capital needs related to service alternatives. The chapter identifies the need for vehicle replacements, facility improvements, improvements to passenger amenities, and identifies typical costs for these capital items:

- Replace vehicles as necessary based on Federal useful life criteria
- Purchase automatic vehicle location (AVL) for vehicles
- Purchase vehicle tracking app such as NextBus or TripSpark
- Improve City Park transit hub
- Install bus/trolley stop signs as warranted and include annual improvements in financial plan

CONCLUSION:

Staff and the Public Works Advisory Board recommend the City Council adopt the Short Range Transit Plan (SRTP).

ATTACHMENTS

1. Short Range Transit Plan Executive Summary
2. [Short Range Transit Plan \(link to full plan on City website\)](#)

Executive Summary

Morro Bay Short Range Transit Plan

This document presents a five-year Short-Range Transit Plan (SRTP) developed for the City of Morro Bay's transit program. A SRTP is intended to provide a detailed business plan to guide improvements to the transit organization and is also important to qualify for state and Federal funding. It includes a review of demographics and transit needs, a series of surveys and ridership counts, a review of the effectiveness and efficiency of existing services, analysis of a wide range of options and the results of public input processes. The resulting SRTP provides operational, capital and institutional plans, including an implementation plan.

SURVEYS AND DATA COLLECTION

This SRTP study included surveys of Morro Bay Transit services conducted by transit staff. The surveys detail passenger ridership characteristics, trip patterns and opinions. On-time performance and boarding and alighting data was also collected. A community survey seeking input on transit needs and use was widely advertised but resulted in only 38 participants.

EXISTING DEMOGRAPHICS

The population of Morro Bay, per the 2018 US Census estimates, was 10,503. In 2015 (the latest year for which more detailed data was available), the total number of **households without vehicles** was 317, or 6.0 percent of all households. **Youth** (persons 5 to 17 years of age) totaled 623, or just 6 percent of total population. **Elderly** persons over age 65 totaled 2,479 (23 percent). There were a total of 638 **low income households** in Morro Bay (16.5 percent of total population). Persons who indicated they have **limited mobility** totaled 557, or 5 percent of the total population. These statistics were used to help assess the demand for transit services in Morro Bay.

OVERVIEW OF MORRO BAY TRANSIT

Morro Bay Transit is a service provided through the City of Morro Bay, consisting of a year-round, deviated fixed route operated within the city limits as well as seasonal rubber-tired Trolley service. Management, marketing, planning and vehicle maintenance are provided by city employees, while day-to-day operations are provided by a private contractor. The City Council is the decision-making body.

Fixed Route / Call-A-Ride

The Fixed Route/Call-a-Ride (CAR) service operates on hourly headways starting and ending at City Park, and offers deviations by calling ahead for pick-ups or informing the driver once on board. Service starts at 6:25 AM weekdays and 8:25 AM on Saturdays, while the last runs end at the Teen Center at 6:45 PM weekdays and 4:25 PM on Saturdays. The Call-a-Ride offers transfer opportunities to and from RTA Routes 12 and 15. Ridership on Fixed Route/CAR service consisted 20,649 one-way fixed route passenger trips and 1,481 CAR passenger trips in 2016 – 17.

Morro Bay Trolley

The City of Morro Bay also contracts to operate the Morro Bay Trolley from Memorial Day through the first weekend of October. This service is available Fridays and Saturdays from 11 AM to 7 PM, Sundays from 11 AM to 6 PM and Mondays from 11 AM to 5 PM. After Labor Day, service is not operated on Fridays or Mondays. Three trolley routes are operated, including the North Morro Bay Trolley (between Morro Strand State Beach campground and downtown Morro Bay), the Downtown Trolley (between City Park and Morro Bay State Park to the south) and the Waterfront Trolley (serving between Morro Rock and downtown Morro Bay). Ridership on the Trolley routes was 17,451 in 2017.

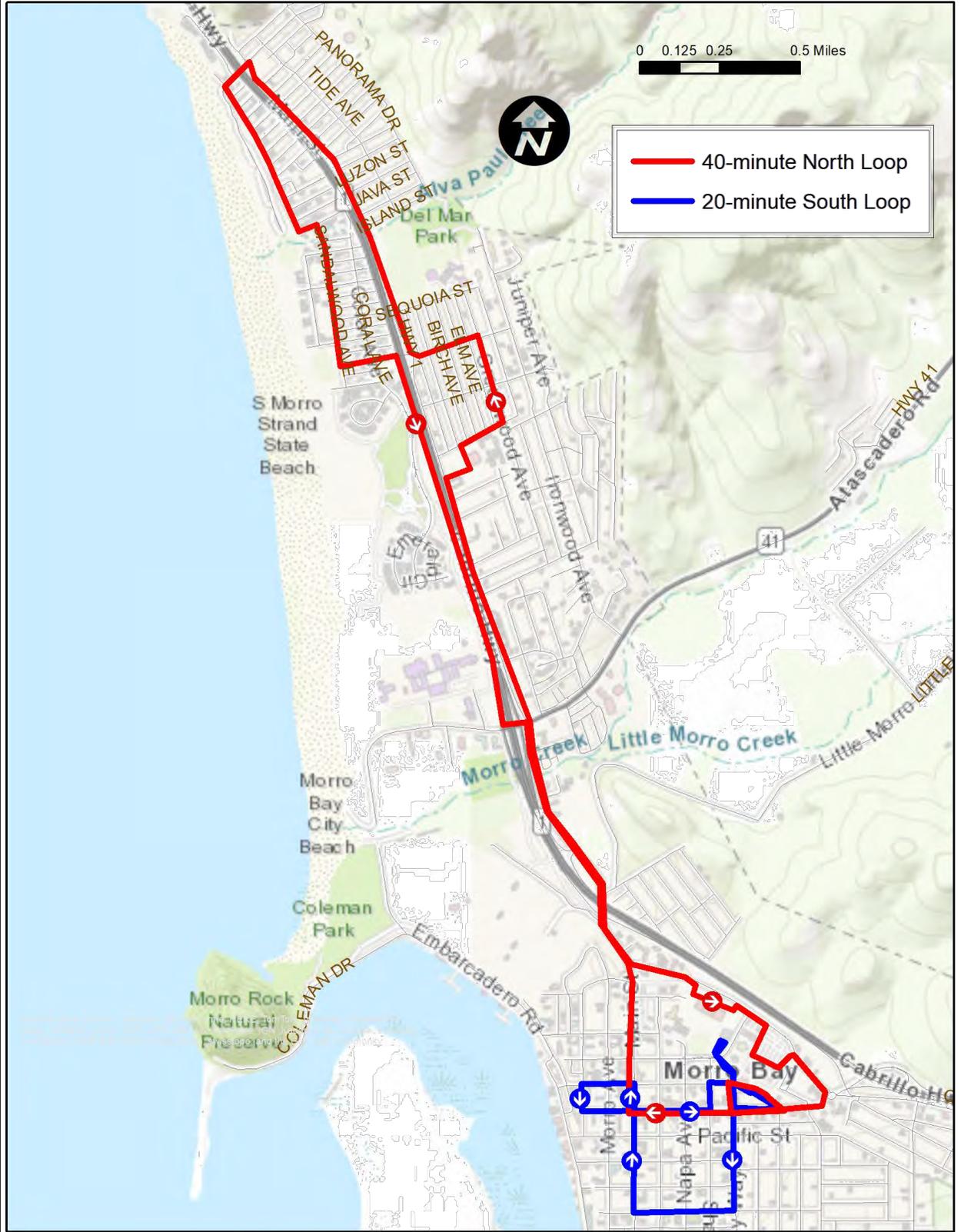
SHORT RANGE TRANSIT PLAN ELEMENTS

Service Plan

The service plan focuses on several revisions to the existing Fixed Route/CAR service:

- **Revise the Fixed Route into a two-loop service** (a 40-minute loop and a 20-minute loop still operated by one vehicle) in order to provide more convenient connections. The two-loop routing is shown in Figure E-1.
- **Serve the Natural History Museum “on-demand”:** This stop is near the Morro Bay State Park campground and would serve as a convenient pick-up location for campers and also facilitate an easier turn-around for the bus (rather than the current stop north of the campground). This will need to be implemented on a trial basis: if demand is too high, the route would fall behind schedule and the service would not be sustainable. However, at the expected two deviations per day, the service should typically be able to maintain the schedule. Overall, this would be a net benefit and serve a common request for service.
- **Later Weekday and Saturday Fixed Route/CAR Service:** It is recommended that service be expanded by one hour on both weekdays (to 7:45 PM) and Saturdays (to 5:25 PM) for the fixed route/CAR service. "Later hours of service" was a frequent request of passengers; increasing the span by one hour was found to be effective, while increasing by three hours was not.
- **Operate the Trolley One Hour Earlier on Saturdays:** Based on ridership patterns and rider requests, operating the trolley one hour earlier (starting at 10 AM) is recommended. As many of the shops in the waterfront and downtown area open by 10:00 AM and restaurants also open early for breakfast, this has a potential positive impact on those businesses.

Figure E-1
Two - Loop Alternative For Morro Bay Transit Fixed Route



With these improvements, ridership is forecasted to increase by 9.5 percent in the first year of the plan (3,870 new boardings) and by 7.9 percent (4,030 new boardings) by the year 2023 – 24. Significantly, the percentage ridership increase is more than twice the percentage increase in operating cost, indicating a substantial improvement in the overall cost efficiency of the transit program.

Capital Plan

The plan calls for extensive capital investments, as follows:

- **Vehicles:** Morro Bay will need to replace one fixed route CAR vehicle and two trolleys in the plan period. The cost of vehicles over the plan period is estimated at \$546,450.
- **Automatic Vehicle Location** technology should be provided on future bus purchases, at an estimated cost of \$18,180, over the plan period.
- **Two-Way Radios:** Radios are recommended for the fixed route/CAR vehicles to allow communication with the RTA drivers in order to better facilitate transfers at City Park, adding \$6,000 in cost over the plan period.
- **Bus Stop Improvements:** Bus stop improvements are an ongoing need, with an estimated \$10,930 recommended for the plan period. In particular, higher-use flag stops should be converted to regular stops with signs installed.
- **Transit Hub:** Additionally, an evaluation of the Transit Hub at Morro Bay City Park was just completed. The reconstruction of the site has an estimated cost of \$553,200. The next step for this project will be to seek grant funding.

The total cost of capital equipment over the plan period is estimated at \$581,560 (not including the Transit Hub).

Management Plan and Marketing Strategies

The plan recommends a number of management and marketing strategies to improve the transit program. These include:

- **Adopt Updated Goals and Performance Measures:** The revised goals, objectives, and standards are more in line with current operating conditions, while still providing appropriate incentives to improve services.

- **Improve Customer Service:** by purchasing two-way radios that can communicate with RTA and better coordinating transfers at City Park. Also by increasing the hours of customer service, possibly by arranging to have RTA answer customer service calls when MBT staff is not available.
- **Eliminate Flag Stops:** Flag stops should be eliminated and any identified frequently used flag stops should be converted into regular bus stops. This will increase the visibility of MBT services, reduce the potential for conflicts between drivers and passengers regarding where to stop and provide enhanced safety for passengers and drivers.
- **Establish More Consistent Trolley Schedules:** Even though the tourists are on a relaxed schedule and have greater flexibility than passengers making appointments or going to work, it is important to provide schedules consistent enough to create a sense of reliability. The plan describes ways to improve Trolley schedules.
- **Offer Local MBT Monthly Pass:** The plan also calls for implementing a monthly pass valid only on MBT, which would cost \$47 for the general public and \$23.50 for those eligible for discounts. This is expected to increase fare revenues by \$3,700 annually.

Financial Plan

This plan will increase operating costs by \$11,230 to \$12,390 per year (equal to 3.5 percent). With inflation added, the operating cost will increase from \$323,990 in 2019 – 20 to \$357,620 in 2023 – 24.

The total costs for vehicle purchases over the five years will be cost an estimated \$546,450, with an additional \$35,110 needed for additional capital requirements and an estimated \$553,200 necessary for the Transit Hub.

Summary

Overall, the service improvements identified in this SRTP will increase ridership by 20 percent over five years, while costs will increase by 10 percent (due in large part to inflation). Ridership per passenger hour will improve from 8.2 systemwide to 8.4, while service coverage and quality will improve through the route realignment and increased hours. The plan includes adopting goals, objectives and standards, identifies positive management and marketing options, addresses warranted capital improvements and provides a balanced budget for the plan period. In summary, it will enhance the effectiveness of the city's transit program, improve the quality of transit services to Morro Bay residents and visitors as well as guide improvements over the next five years.

This Page Intentionally Left Blank



AGENDA NO: A-6
MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council **DATE:** February 13, 2020
FROM: Janeen Burlingame, Management Analyst
SUBJECT: Adoption of Resolution No. 15-20 Authorizing Submission of SB 1 State of Good Repair Grant Application and Execution of Related Documents Upon Award

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 15-20 authorizing the submission of SB 1 State of Good Repair Grant Application and execution of related documents upon award.

FISCAL IMPACT

There is no fiscal impact to the City’s general fund as the cost for the bus stop improvements at the City Park transit hub would be funded with SB1 State of Good Repair (SGR), Rural Transit Fund (“RTF”), and Transportation Development Act (TDA) Local Transportation Fund (LTF) funds. Should the City not be awarded an SGR grant, or an RTF FY20/21 grant that is also being applied for at the same time, any planned improvements will be on hold until full grant funding can be secured for the project.

SUMMARY

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

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

The SGR program provides capital funding to transit operators to maintain the public transit system in a state of good repair. Each regional agency and transit operator are entitled to a portion of SGR funds identified by a statewide formula. The FY20/21 regional discretionary SGR funds available for allocation by the San Luis Obispo Council of Governments (SLOCOG) is estimated at \$378,000, and the City is an eligible recipient to apply for these competitive funds.

Prepared By: J Burlingame Dept Review: RL
City Manager Review: SC City Attorney Review: CFN

DISCUSSION

The City intends to submit an application for the SGR FY20/21 grant cycle for the City Park Transit Hub Improvements project.

The current bus passenger shelter at City Park was constructed in the early 1980's and has not been significantly updated or improved since its initial construction. The facility is used by passengers from Morro Bay Transit/Trolley, RTA, and the San Luis Coastal Unified School District for student pickup/drop off.

The current transit hub location and passenger amenities have operational and design deficiencies the City would like to improve that were identified in the City Park Transit Hub Study previously reviewed by the City Council in September 2019. In addition, there are ADA improvements that need to be made to the sidewalk where transit vehicles pull in, crosswalk ramps at either end of the transit hub, and sidewalk access from the transit hub to the public restroom.

The estimated project cost is \$479,534. In February 2019, the City submitted an SGR FY19/20 cycle funding application for the project. The City was awarded a discretionary SGR grant of \$193,866 and allocated its SGR operator share of \$490 towards the project.

The remaining \$285,178 needed to fully fund the project will come from the following transit funding sources:

- City TDA LTF- \$41,601
- SGR grant - \$60,000 (FY20/21 grant cycle applied for at same time as RTF grant)
- RTF grant - \$183,577 (FY20/21 grant cycle applied for at same time as SGR grant)

Total funding breakdown to complete the project would be 53% from SGR, 38% from RTF, and 9% from City TDA LTF.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 15-20 authorizing the submission of SB 1 State of Good Repair Grant Application and execution of related documents upon award.

ATTACHMENT

1. Resolution No. 15-20

RESOLUTION NO. 15-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING SUBMISSION OF APPLICATION TO THE SB1 STATE OF
GOOD REPAIR (SGR) PROGRAM AND EXECUTION OF RELATED
DOCUMENTS UPON AWARD**

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

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

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

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

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

WHEREAS, there is \$378,000 available for competitive distribution with project applications for the FY20/21 SGR cycle.

NOW, THEREFORE, BE IT RESOLVED that the City of Morro Bay does hereby authorize that the City Manager or his duly appointed representative, is authorized to submit an application to the SLOCOG for FY20/21 SGR program funds for bus stop improvements at the City Park transit hub, and to execute all related documents upon award for the project.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February 2020 on the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

This Page Intentionally Left Blank



AGENDA NO: A-7
MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council **DATE:** February 13, 2020
FROM: Janeen Burlingame, Management Analyst
SUBJECT: Adoption of Resolution No. 16-20 Authorizing Submission of Rural Transit Fund Grant Application and Execution of Related Documents Upon Award

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 16-20 authorizing submission of Rural Transit Fund Grant Application and execution of related documents upon award.

FISCAL IMPACT

For the City Park Transit Hub improvements project and transit bus procurement project, there will be no fiscal impact to the City’s general fund as the cost for the bus stop improvements would be funded with Rural Transit Fund (RTF), SB1 State of Good Repair (SGR), and Transportation Development Act (TDA) Local Transportation Fund (LTF) funds, and the cost for the vehicle procurement project would be funded with RTF and City TDA LTF funds. Should the City not be awarded an RTF grant, or an SGR FY20/21 grant that is also being applied for at the same time, any planned improvements will be on hold until full grant funding can be secured for the project.

SUMMARY

On December 5, 2002 the San Luis Obispo Council of Governments (SLOCOG) adopted Resolution No. 02-16 to create a RTF program designed to streamline the lengthy federal process of applying for, receiving and using Federal Transportation Administration Section 5311 (“Section 5311”) funds for rural transit agency projects by programming the region’s share of Section 5311 funds to the Regional Transit Authority (RTA) for operations and exchanging it with a like amount of State TDA funds, programmed through SLOCOG.

Program policies and procedures that would govern the RTF program were developed to preserve the intent of the Section 5311 program in terms of who and what projects would be eligible for funds. The SLOCOG Board adopted the policies and procedures in October 2003.

The City of Morro Bay is an eligible recipient to apply for these funds. Approximately \$474,000 is available for competitive distribution for the FY20/21 cycle.

DISCUSSION

The City intends to submit two applications for the RTF FY20/21 grant cycle for the City Park Transit Hub Improvements project and the purchase of a replacement transit bus.

City Park Transit Hub Improvements

The current bus passenger shelter at City Park was constructed in the early 1980’s and has not been significantly updated or improved since its initial construction. The facility is used by

Prepared By: J Burlingame Dept Review: RL
City Manager Review: SC City Attorney Review: CFN

passengers from Morro Bay Transit/Trolley, RTA, and the San Luis Coastal Unified School District for student pickup/drop off.

The current transit hub location and passenger amenities have operational and design deficiencies the City would like to improve that were identified in the City Park Transit Hub Study previously reviewed by the City Council in September 2019. In addition, there are ADA improvements that need to be made to the sidewalk where transit vehicles pull in, crosswalk ramps at either end of the transit hub, and sidewalk access from the transit hub to the public restroom.

The estimated project cost is \$479,534. In February 2019, the City submitted an SGR FY19/20 cycle funding application for the project. The City was awarded a discretionary SGR grant of \$193,866 and allocated its SGR operator share of \$490 towards the project.

The remaining \$285,178 needed to fully fund the project will come from the following transit funding sources:

- City TDA LTF- \$41,601
- SGR grant - \$60,000 (FY20/21 grant cycle applied for at same time as RTF grant)
- RTF grant - \$183,577 (FY20/21 grant cycle applied for at same time as SGR grant)

Total funding breakdown to complete the project would be 53% from SGR, 38% from RTF, and 9% from City TDA LTF.

Transit Bus Replacement Vehicle

The City intends to apply for a RTF FY20/21 cycle grant for the purchase of a transit bus to replace an existing one that is beyond the Federal Transit Administration useful life criteria. The estimated project cost is \$91,650, of which \$80,652 will be requested from the RTF FY20/21 funding cycle and the remaining \$10,998 for the City's local match will come from City TDA LTF funds.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 16-20 authorizing submission of Rural Transit Fund Grant Application and execution of related documents upon award.

ATTACHMENT

1. Resolution No. 16-20

RESOLUTION NO. 16-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING SUBMISSION OF APPLICATION TO THE RURAL TRANSIT
FUND GRANT PROGRAM AND EXECUTION OF RELATED DOCUMENTS
UPON AWARD**

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

WHEREAS, the San Luis Obispo Council of Governments (SLOCOG) annually adopts the Federal Transit Administration (FTA) Section 5311 formula funds Program of Projects (POP); and

WHEREAS, SLOCOG began the Rural Transit Fund (RTF) program with Resolution 02-16 on December 5, 2002 by programming FTA Section 5311 funds to the San Luis Obispo Regional Transit Authority (RTA); and

WHEREAS, RTA has agreed to use these Federal funds for operating support and SLOCOG has agreed to exchange a similar amount of Transportation Development Act (TDA) funds for use in the RTF program; and

WHEREAS, SLOCOG, RTA, and other rural transit operators worked together to develop a process to exchange FTA Section 5311 formula funds with TDA funds to create the RTF, including Policies and Procedures to govern the RTF program; and

WHEREAS, the Policies and Procedures developed ensure that all funds will be used solely for rural transit projects consistent with the original intent of the FTA Section 5311 program; and

WHEREAS, there is \$474,000 available for competitive distribution with project applications for the FY20/21 RTF cycle.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, that the City Manager, or his duly appointed representative, is authorized to submit applications to the Rural Transit Fund for the City Park Transit Hub Improvements project and a transit bus replacement vehicle project, and to execute all related documents upon award for the two projects.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February, 2020 on the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

This Page Intentionally Left Blank



AGENDA NO: A-8

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: February 12, 2020

FROM: Eric Endersby, Harbor Director

SUBJECT: Adoption of Resolution No. 17-20 Approving the Assignment to and Assumption by Cihan Corporation and Conditionally Authorizing the Mayor to Execute Documents Necessary for that Assignment and Assumption, a New Loan for the Lease Agreement at Lease Site 91-92/91W-92W and Accepting a Deed of Trust Related Thereto (Anderson Inn, 897 Embarcadero)

RECOMMENDATION

Staff recommend the City Council adopt Resolution No. 17-20 allowing the Mayor to authorize the assignment and assumption, and authorizing the Mayor to execute documents necessary for a new loan and accepting a deed of trust related thereto secured by the leasehold interest of Lease Site 91-92/91W-92W, with documents subject to approval of the City Attorney.

ALTERNATIVES

Do not approve Resolution No. 17-20.

FISCAL IMPACT

There is no fiscal impact to this action.

BACKGROUND

The Anderson Inn lease site has been under the lease between the City and the Anderson family for nearly 50 years, and has historically been one of the City's most productive and well-run lease sites. The site was completely redeveloped in 2004-2005, in conjunction with execution of a new 50-year master lease that expires in 2055.

This assignment and assumption is subject to the normal assignment and assumption approval process as outlined in the lease. The Anderson Family Partnership is a tenant in good standing.

DISCUSSION

The Anderson Family Partnership has applied for an assignment and assumption of this lease agreement to Cihan Corporation, which is owned by John and Joan Solu. As with all our waterfront leases, this lease agreement stipulates any assignment and assumption approval cannot be unreasonably withheld by the City; provided, that the proposed new master tenant meets certain requirements, which this assignment and assumption does. The application fee and all documents necessary for the assignment have been submitted and financial and other reviews of Cihan Corporation and the Solus are complete. Staff see no reason the assignment and assumption should not be approved.

01181.0001/631678.1

Prepared By: EE

Dept Review: EE

City Manager Review: SC

City Attorney Review: JWP

In addition, Cihan Corporation is requesting City Council approval of a Deed of Trust to be recorded against the leasehold interest relating to a loan from Pacific Premier Bank in the amount of \$2,250,000, which will generate the necessary capital for the purchase of the lease site. The Harbor Department Lease Management Policy stipulates the City will not approve financing related to a lease site, unless such financing is for sole investment upon the lease site or for City requested public improvements. Resolution No. 17-20 will authorize the Mayor to allow Cihan Corporation to encumber the leasehold with a deed of trust.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 17-20 approving the assignment and assumption and authorizing the Mayor to execute all necessary documents for the loan to Cihan Corporation from Pacific Premier Bank, as approved by the City Attorney.

ATTACHMENT

1. Resolution No. 17-20

RESOLUTION NO. 17-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
ASSIGNING LEASE SITE 91-92/91W-92W TO CIHAN CORPORATION AND
CONDITIONALLY AUTHORIZING THE MAYOR TO EXECUTE DOCUMENTS
NECESSARY FOR THE ASSIGNMENT AND ASSUMPTION, A NEW LOAN FOR THE
LEASE AGREEMENT AND ACCEPTING A DEED OF TRUST RELATED THERETO
WITH PACIFIC PREMIER BANK AT LEASE SITE 91-92/91W-92W,
LOCATED AT 897 EMBARCADERO ROAD, MORRO BAY**

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

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

WHEREAS, for nearly 50 years, the Anderson Family and the Anderson Family Partnership have been the lessees of Lease Site 91-92/91W-92W, located at 897 Embarcadero road; and

WHEREAS, the Anderson Family Partnership is selling the leasehold interest and improvements to Cihan Corporation; and

WHEREAS, Anderson Family Partnership and Cihan Corporation have satisfactorily submitted the necessary documents for the assignment and assumption and paid the appropriate fees, and Anderson Family Partnership is a tenant in good standing; and

WHEREAS, Cihan Corporation's lender, Pacific Premier Bank, is requesting approval of a deed of trust to secure the financing to purchase the Lease Site using the lease agreement and improvements as security; and

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

1. The City Council approves assignment to and assumption by Cihan Corporation the leasehold interest and obligations and rights pertinent thereto.
2. The Mayor is hereby authorized to execute said assignment and assumption, as approved by the City Attorney.

3. The Mayor is hereby directed to execute, as necessary, any and all documents, as approved by the City Attorney, necessary to consummate the deed of trust desired by Cihan Corporation.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February, 2020 on the following vote:

AYES:
NOES:
ABSENT:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: A-9

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: February 12, 2020

FROM: Eric Endersby, Harbor Director

SUBJECT: Adoption of Resolution No. 18-20 Approving the Assignment to and Assumption by Smith Livestock, LLC, and Conditionally Authorizing the Mayor to Execute Documents Necessary for that Assignment and Assumption, a New Loan for the Lease Agreement at Lease Site 90/90W and Accepting a Deed of Trust Related Thereto (Port House Restaurant, 885 Embarcadero)

RECOMMENDATION

Staff recommend the City Council adopt Resolution No. 18-20 allowing the Mayor to authorize the assignment and assumption, and authorizing the Mayor to execute documents necessary for a new loan and accepting a deed of trust related thereto regarding secured by the leasehold interest at Lease Site 90/90W, with documents subject to approval of the City Attorney.

ALTERNATIVES

Do not approve Resolution No. 18-20.

FISCAL IMPACT

There is no fiscal impact to this action.

BACKGROUND

The Port House Restaurant lease site, formerly the Otter Rock Café, recently underwent a major remodeling and upgrading project under the new master tenant ownership consisting of the same owners of the Boatyard retail lease facility next door. In conjunction with that project a new 47-year master lease was executed with those owners, one term of which recognized the option for the lease ownership to transfer to the site subtenant operating the restaurant.

This assignment and assumption is subject to the normal assignment and assumption approval process as outlined in the lease, and the master tenant and subtenant now wish to execute that option. Both are tenants in good standing.

DISCUSSION

Fair Sky Properties, LLC, the legal entity that currently leases Lease Site 90/90W, has applied for an assignment and assumption of that lease agreement to Smith Livestock, LLC, the owner/operator of the Port House Restaurant. The owners of Smith Livestock also own and operate the successful Willow Restaurants in Nipomo and Pismo Beach. As with all of our waterfront leases, this lease agreement stipulates any assignment and assumption approval cannot be unreasonably withheld by

Prepared By: EE

Dept Review: EE

City Manager Review: SC

City Attorney Review: JWP

the City; provided that the proposed new master tenant meets certain requirements, which this assignment and assumption does. The application fee and all documents necessary for the assignment and assumption have been submitted and the financial and other reviews of Smith Livestock, LLC are complete. Staff see no reason why this assignment and assumption should not be approved.

In addition, Fair Sky Properties, LLC and Smith Livestock, LLC are requesting City Council approval of a Deed of Trust to be recorded against the leasehold interest relating to a loan from Fair Sky Properties, LLC in the amount of \$1,000,000, which will generate the necessary capital for the purchase of the lease site. The Harbor Department Lease Management Policy stipulates the City will not approve financing related to a lease site, unless such financing is for sole investment upon the lease site or for City requested public improvements. Resolution No. 18-20 will authorize the Mayor to allow Smith Livestock, LLC to encumber the leasehold with a deed of trust.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 18-20 approving the assignment and assumption and authorizing the Mayor to execute all necessary documents for the loan to Smith Livestock, LLC from Fair Sky Properties, LLC, as approved by the City Attorney.

ATTACHMENT

1. Resolution No. 18-20

RESOLUTION NO. 18-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
ASSIGNING LEASE SITE 90/90W TO SMITH LIVESTOCK, LLC AND
CONDITIONALLY AUTHORIZING THE MAYOR TO EXECUTE DOCUMENTS
NECESSARY FOR THE ASSIGNMENT AND ASSUMPTION, A NEW LOAN FOR THE
LEASE AGREEMENT AND ACCEPTING A DEED OF TRUST RELATED THERETO
WITH FAIR SKY PROPERTIES, LLC AT LEASE SITE 90/90W,
LOCATED AT 885 EMBARCADERO ROAD, MORRO BAY**

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

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

WHEREAS, since 2017, Fair Sky Properties, LLC has been the lessee of Lease Site 90/90W, located at 885 Embarcadero road; and

WHEREAS, Fair Sky Properties, LLC is selling the leasehold interest and improvements to Smith Livestock, LLC, the owner/operator of the Port House Restaurant located on the Lease Site; and

WHEREAS, Fair Sky Properties, LLC and Smith Livestock, LLC have satisfactorily submitted the necessary documents for the assignment and assumption and paid the appropriate fees, and both are tenants in good standing; and

WHEREAS, Smith Livestock, LLC's lender, Fair Sky Properties, LLC, is requesting approval of a deed of trust to secure the financing to purchase the Lease Site using the lease agreement and improvements as security; and

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

1. The City Council approves assignment to and assumption by Smith Livestock, LLC the leasehold interest and obligations and rights pertinent thereto.
2. The Mayor is hereby authorized to execute said assignment and assumption, as approved by the City Attorney.
3. The Mayor is hereby directed to execute, as necessary, any and all documents, as approved by the City Attorney, necessary to consummate the deed of trust desired by Smith Livestock, LLC.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February, 2020 on the following vote:

AYES:
NOES:
ABSENT:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: A-10

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: February 19, 2020

FROM: Jennifer Callaway, Finance Director

SUBJECT: Second Quarter Investment Report (period ending December 31, 2019) for Fiscal Year 2019/20

RECOMMENDATION

Receive the attached Second Quarter Investment Report (period ending December 31, 2019) for Fiscal Year 2019/20.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached for your consideration is the Second Quarter Investment Report for FY 2019/20.

As of December 31, 2019, the City's weighted portfolio yield of 1.944% was below the Local Agency Investment Fund (LAIF) yield of 2.29%.

Staff has consciously decided to keep significant cash in the City's LAIF account in order to ensure cash flow for the pending construction of the Water Reclamation Facility (WRF) project. Once final funding of the project is determined, staff will further analyze cash needs and then determine if longer-term CD purchases should be made. At this point, staff has submitted all reimbursement requests to the State for State Revolving Fund (SRF) planning loan reimbursements. Reimbursements for these requests have not yet been received.

During the quarter, yields have generally been declining, potentially symbolizing a slowing of the economy. As of December 31, 2019, the City recorded \$176,979.30 in interest earnings.

This report was reviewed by the Citizens Finance Advisory Committee on February 18, 2020 and approved for presentation to the City Council.

CONCLUSION

Staff recommends that the Committee receive the Second Quarter Investment Report (period ending December 31, 2019) for Fiscal Year 2019/20.

Prepared By: JC

Dept Review: _____

City Manager Review: SC

City Attorney Review: CFN

ATTACHMENT:

1. Second Quarter Investment Report for FY 2019/20 (period ending December 31, 2019)

**CITY OF MORRO BAY
 QUARTERLY PORTFOLIO PERFORMANCE
 12/31/2019**

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 15,693,002	\$ 15,693,002	2.29%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:							
MM	MECHANICS BANK - MONEY MARKET	2,216,165	2,216,165	0.20%	DAILY	DAILY	1
SWEEP	MECHANICS BANK - SWEEP	2,787,063	2,787,063	0.05%	DAILY	DAILY	1
MM	OPUS BANK	5,241,106	5,241,106	2.35%	DAILY	DAILY	1
CERTIFICATES OF DEPOSIT:							
1404202A7	ZION BANK - CAPITAL ONE BANK	250,005	252,772	2.400%	4/12/2017	4/12/2022	833
949763XU5	Wells Fargo	249,000	249,000	2.800%	2/27/2019	2/28/2022	790
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	581
3090683803	STATE FARM BANK	250,435	250,435	3.050%	10/21/2013	10/24/2023	1,393
1731202F5	Citibank	246,000	246,000	3.200%	1/25/2019	1/25/2024	1,486
61690UDL1	Morgan Stanley N/A	246,000	246,000	3.100%	1/24/2019	1/24/2024	1,485
61760AUU1	Morgan Stanley Private Bank	246,000	246,000	3.000%	1/24/2019	1/24/2023	1,120
02007GHD8	Ally Bank UT	246,000	246,000	2.900%	1/24/2019	1/24/2022	755
		<u>\$ 27,920,780</u>	<u>\$ 27,918,787</u>				

RECORDED INTEREST AS OF 31-Dec-19	% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
\$ 176,979.30	92.896%	1.944%	76

Portfolio holdings as of the second quarter ended December 31, 2019, are in compliance with the current Investment Policy. With 92.896%

of the portfolio held in liquid instruments, the City's portfolio is well above the 65% to 70% target liquidity rate approved by the City Council in March 2018.

This Page Intentionally Left Blank



AGENDA NO: C-1

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: February 20, 2020

FROM: Jennifer Callaway, Finance Director

SUBJECT: Fiscal Year 2019/20 Mid-Year Budget Performance and Status Report – Six Months Ending December 31, 2019

- A. Receive FY 2019/20 Mid-Year Budget Performance and Status Report and Authorize Budget Adjustments as Recommended in the Attached Second Quarter Budget Performance Report.
- B. Adopt Resolution No 19-20 Authorizing Staff to Proceed with the Second-quarter Budget Adjustments.
- C. Receive the FY 2019/20 Capital Improvement Plan Mid-Year Update
- D. Consider Resolution No. 20-20 Appropriating Castle Wind Community Benefit Funds totaling \$250,000 to the North and South T-Pier Capital Projects.

RECOMMENDATION

Staff recommends that the City Council:

- A. Receive FY 2019/20 Mid-Year Budget Performance and Status Report and authorize budget adjustments as recommended in the attached Second Quarter Budget Performance Report, and
- B. Adopt Resolution No. 19-20 authorizing staff to proceed with the second-quarter budget adjustments, and
- C. Receive the FY 2019/20 Capital Improvement Plan Mid-Year Update, and
- D. Consider Resolution No. 20-20 appropriating Castle Wind Community Benefit Funds totaling \$250,000 to the North and South T-Pier capital projects.

BACKGROUND

The attached draft Quarterly Budget Report covers the first six months of the fiscal year beginning July 1, 2019 and ending December 31, 2019. The report presents analysis related to the key General Fund revenues and expenditures by category as well as an analysis of the City’s enterprise funds, Water Reclamation Facility (WRF) project, and other funds.

Through financial analysis of activity through December 31, 2019, staff is able to provide an update based on revenue and expenditure trends for the current fiscal year and advise on potential future revenue and expenditure challenges which may materialize during the fiscal year.

A draft report was presented to the Citizen’s Finance Advisory Committee (CFAC) on February 18, 2020. CFAC asked numerous questions related to the mid-year budget performance report which are provided as Attachment 2 for Council reference. CFAC provided valuable feedback and concurred with the budget adjustments as presented in second quarter FY 2019/20 Budget Performance and Status Report for the period ending December 31, 2019 with the exception of the

Prepared By: JC

Dept Review: JC

City Manager Review: SC

City Attorney Review: CFN

Vehicular Speed Survey being funded out of Measure Q. As a result, staff has adjusted this request and is recommending the speed survey be funded out of the General Fund (Attachment 1).

DISCUSSION

FY 2019/20 Mid-Year Budget Performance and Status Report: General Fund

An analysis of FY 2019/20 General Fund revenues identified that revenues are trending well and on par with expectations. Both Sales Tax and Property Tax revenues remain steady, a sign that the economy remains strong.

General Fund revenue adjustments recommended at this time total \$153,384.35, primarily due to the mutual aid reimbursements and offsetting reduction in information technology service fees. Staff has confirmed Cal Fire and FEMA reimbursements for the City's support of wildfires across the state totaling \$203,382.35. Staff is recommending that these reimbursements be allocated to the General Fund to offset personnel costs associated with the fire support.

Fire Prevention

Staff is also recommending budget adjustments to account for information technology service fees that were budgeted in the Information Technology Fund and revenues for the sale of surplus property and offsetting revenue and expenditure adjustments \$24,260 for fire prevention inspections required under Health and Safety Code Section 13146.2 which requires annual inspections of every building used as a public or private school as well as all apartment houses, hotels, motels and lodging houses. In addition, in September 2018, Governor Brown approved Senate Bill (SB) 1205, requiring fire departments to report annually to its administering authority, as defined, on the department's compliance with the above described inspection requirements.

The Fire Department has created a two-tier inspection program to minimize Morro Bay businesses' expenditures for annual inspections, minimize inconvenience and work interruptions to owners of premises to be inspected, and better ensure that regular annual inspections of premises within the city occur. Fire safety inspections are established in two categories:

1) Annual Inspections

- Required by California Health and Safety Code
- Hotels greater than 2 units
- Care Facilities
- Apartments greater than 2 units
- Business buildings with an occupancy of 50 or more
- Schools
- Inspections will be performed by Engine Companies, Fire Marshal, and Fire Chief
- Projected 207 fire-safety inspections

2) 4-Year Self-Inspection Fire Safety Inspections

- Defined in Morro Bay Municipal Code Chapter 14.62
- Self-Inspection will be performed by the business owner or personnel up to 3 years
- Fire Department will perform a fire-safety inspection within 4-years
- Business building with an occupancy of 49 or less (B2 Occupancies)

- Home business that has customers occupy the building
- Vacation rentals
- Inspections will be performed by Reserve Firefighters and Fire Marshal
- Projected 943 businesses in self-inspection program with 236 inspected annually

The fee schedule established for the City's fire-safety inspection program reflect changes in the cost to comply with the California Health Safety Code, California Fire Code, and SB 1205. The City's fire-safety inspection fee is now billed through the annual business license tax collection process and it will be required for our inspectors to verify current business's license upon inspection. The fire-safety inspection fees are established for annual inspections (\$140) and 4-Year Self-Inspection Program (\$40). Based off business licenses issued in 2019, estimated Fire Inspection Revenue for the remaining of FY 2019/20 is approximately \$24,260.

With the new workload required for this mandated program, the Fire Department will be using existing personnel to complete 443 inspections plus support 707 self-inspections by the business owners. The inspection program will be overseen by the City's Fire Marshal, with inspections occurring by all of fire department staff, including engine company personnel, the Fire Chief, and State Fire Marshal. Required data entry will be handled by the Department's Administrative Assistant. As such, staff recommends an increase in the use of our Reserve Firefighters, overtime hours, and an increase in the full time equivalent (FTE) hours of the Department's Administrative Assistant to support the new workload. The Administrative Assistant is currently working at 0.80 FTE and staff recommends increasing the position to 1.0 FTE. The cost of this expenditures is recovered through collection of the fire inspection fee.

Other General Fund Expenditure Adjustments

General Fund expenditure adjustments recommended at this time total \$152,618. This is primarily related to offsetting direct expenses incurred for the mutual aid fire support. Mutual aid strike team support incurred \$88,236 in overtime and personnel costs. In addition, staff is recommending a budget reduction to capture the interest savings the City realized (\$42,650) by paying the annual unfunded accrued liability for CalPERS in July in one lump sum payment versus installment payments amortized over the 12-month fiscal year, and restroom upgrades, portable restrooms and part-time staffing to clean restrooms at the Rock during the summer months, per Council provided direction, totaling \$14,000. Staff is also recommending minimal budget augmentations for training for cannabis policing totaling \$9,690, and \$25,000 to fund the state required Vehicular Speed Survey which is currently outdated.

Lastly, staff has incorporated \$16,000 in both revenues and expenditures to fund resurfacing of the City's pickleball courts, located at Del Mar Park. This project is being funded through donations from the Morro Bay Senior Citizens, Inc. (aka Morro Bay Active Adults) and the City will oversee the contractor hired to complete the work.

Measure Q:

In June 2019, the City Council adopted the City of Morro Bay's FY 2019/20 Operating and Capital Budgets, which included an allocation of \$1,096,000 in Measure Q funds for Fire Station #53 debt service, full-time relief Firefighter position, fire equipment and fire engine repayment, police equipment, Police standby pay and an allocation to the Sheriff's Department for Bomb Team and Special Operations Unit, and pavement management repair and replacement. As part of the Measure Q ballot language, the City was to establish an independent Citizen's Advisory Committee

to review annual expenditures. As indicated the Citizen's Finance Advisory Committee (CFAC) reviewed the draft second quarter budget performance report and agrees with the recommendations as presented in the final report included as Attachment 1.

Staff is also recommending budget adjustments to Measure Q expenditures totaling \$161,677.43. If approved, this appropriation would be funded from unallocated fund balance of \$287,790. The recommendations are to support the purchase of the patrol vehicle previously approved in FY 2018/19. This is a carryforward request as the purchase was not fully complete at the end of FY 2018/19. In addition, staff is requesting approval to purchase (and train on) new Tasers for the Police Department officers at a cost of \$70,000. The department's current Tasers are between seven and eight years old and are out of warranty. Staff is also requesting \$40,000 to purchase Fire equipment such as personal protective equipment, wildland hose, small tools for out of county calls, SCBA Repair, and repairs needed for two fire command vehicles.

The Citizen's Finance Advisory Committee agreed to this recommendation by a vote of 5-0-2 (two members of CFAC were absent from the meeting).

Other Funds:

On October 15, 2019, the City Council was presented a Public Safety Power Shutoff (PSPS) and continuation of City operations to secure essential services and communications during long-term PG&E power shutdowns or other major emergencies. At that time staff requested, and Council approved, a budget of \$36,000 to provide fuel to our essential service vehicles and the continuation of the City's phone and Information Technology (IT).

The two fuel tanks that were identified for purchase exceeded the estimated budget of \$12,000 by \$3,147 for a total cost of \$15,147. The City has yet to install a generator to support continuation of the City's phone and information technology services leaving \$20,853 remaining in the budget. The City's phone and IT server is located at City Hall which does not have backup generator capabilities. To provide continuation of services, backup power will need to be provided to City Hall or as an alternative to installing a generator, staff has researched the installation of a fiberoptic line to the Fire Station which would then support relocation of the IT server system. Staff believes this is in line with a broader City goal of installing fiber optic throughout the city.

With the research by Digital West, a new delivery route to provide a fiberoptic line to the Harbor Street Fire Station was discovered that represents a reduction from the original cost estimate provided to the City two years ago. With the new rerouting of the fiberoptic line to the Fire Station this will allow for the City server and phone system to be moved into the Fire Department's climate-controlled computer room. In addition, Digital West will be able to provide broadband internet service to our City government at a reduced monthly expense and provide cloud storage capabilities in the future. City Hall, the Police Station, and the Fire Station will be connected with fiberoptic while the current location of the Wastewater Treatment Plant, Corporation Yard, and Harbor Department will be connected by high speed direct microwave off the roof of the Fire Station. The future Wastewater Treatment Plant can be connected by fiberoptic line during the sewer line construction and staff recommends running a fiberoptic switch to the corner of Quintana to support connection for the lift stations once the pipelines are installed for the Water Reclamation Facility (WRF). Digital West's data hub in San Luis Obispo is secure with multi-day backup generation power. The Fire Station currently has (9) days of backup generation power already established.

Therefore, staff is requesting that the remaining project budget of \$20,853 be combined with an additional \$29,147 from the City's strategic spending fund (fund balance is currently \$167,000) and \$19,750 (funded from the Sewer Accumulation Fund) to extend the fiber optic from the Community Center to the corner of Quintana for future needs of the WRF.

Enterprise Funds:

Staff is proposing three revenue adjustments to the Harbor Operating Fund to account for a State grant reimbursement that is expected to be received, an increase in Harbor lease revenues, and transfer in from the accumulation fund for Harbor identified needs. These adjustments total \$81,000.

Staff is also recommending Harbor related expenditure adjustments to fund security improvements at the Harbor Department office, needed launch ramp repairs, scoping a launching facility rehabilitation project concept and increased operating expenditures identified and described in further detail in Attachment 1 (mid-year budget update and status report).

Staff is recommending a budget adjustment from the Water Replacement Fund to purchase replacement valve exercising equipment. The current equipment is over ten years old and is approaching the end of its serviceable life with having had multiple repairs over the last several years. There is sufficient fund balance within the Water Replacement Fund (\$275,000) for this purchase.

FY 2019/20 Capital Improvement Plan Mid-Year Update

1. Morro Creek Restoration (\$66,185): Due to high stream flows that occurred during the 2016 storm season, erosional damage occurred on the south bank of Morro Creek near the creek mouth. This erosion threatens the spur of the Harborwalk/Morro Creek Bicycle and Pedestrian path between the creek and the South Pit parking area. Staff is continuing a dialog with California Coastal Commission (CCC) staff to determine what level of repairs are acceptable to the CCC. The scope of restoration work authorized and funded by FEMA as a result to the 2016 storms is unacceptable to CCC staff. The CCC believes the damages were caused by climate change and it is their policy to require relocation of facilities rather than armoring to protect those threatened public facilities.
2. Bocce Ball Court (\$29,577): The City received no bids to construct this project and as such, City Public Works staff will be working with several volunteer groups to deliver this project in spring/summer 2020.
3. New Pipeline Along Kern & Anchor Streets SD-01A (\$9,900): Work has not started.
4. New Pipeline Along Kern & Anchor Streets SD-01B (\$22,950): Work has not started.
5. Facility/Audiovisual Upgrades – Vet's Hall (\$148,200): Working with our partner at AGP to purchase the audio upgrades necessary.
6. City Park Play Equipment (\$150,000): Work has not started.
7. Cloisters Park Landscape Assessment (\$16,160): Project complete. See new capital project 3 below for Phase 1 of the implementation of this project.

8. North Point Parking Lot Improvement (\$61,000): Bids/quotes received for the lighting and fencing improvements significantly exceeded the Engineer's Opinion of Probable Cost (aka Engineer's Estimate) Additionally, the City's Finance Department is researching the amount of funds actually available for improvements within the North Point Assessment District due to the historic combination of funds with Storm Drain Maintenance District #1 sometimes referenced as Loprena Assessment District. Once staff has determined the availability of funding, we will come back to Council as necessary with revisions to the project.
9. Tidelands Stormwater Pocket Park (\$47,000): Bids received for construction exceeded the grant funds available for this project. Staff is redefining delivery of the project to limit the scope of the contracted work to the "flatwork". City Consolidated Maintenance staff will be performing the demolition, rough grading, pipe installation and landscaping. Contract work will be limited to concrete flatwork and minor incidental work.
10. State Route (SR)1/SR41 Interchange Improvement (\$189,500): This project is still in the Preliminary Engineering/Environmental Determination phase. Staff has re-executed a contract with GHD Inc. GHD was formerly Omni-Means and a revised contract was required to this business entity change. Currently, the consultant team is working with CalTrans regarding the archeological resources that may be impacted by the project.
11. Pavement Management Plan (\$762,686): The City has executed a contract with Pavement Engineering Incorporated (PEI) for the revision of the City's adopted plan.
12. Replacement Vehicle Bus (\$83,540): The vehicle was delivered to the City in good working condition with no defects in September 2019 and went into service in November 2019 after its required CHP inspection and certification for operation, and installation of radio equipment and exterior graphics. Staff submitted the grant reimbursement request and have received the grant funds. The project is completed.
13. New Morro Bay Transit Stop Signage and Information Display Cases (\$8,000): This project was dependent on being awarded a Rural Transit Fund grant during the FY19/20 grant cycle. The City was not awarded funding for the project and staff will evaluate the potential of using local Transit Development Act Local Transportation Funds to complete the project.
14. Replacement Vehicle – Trolley (\$395,300): One new trolley to replace the 2003 trolley was delivered in August 2019. There were deficiencies that needed to be addressed and the vendor took the vehicle back to the manufacturing plant to correct. The vehicle was redelivered in good working condition in January 2020 with all issues corrected. The vehicle has been certified for operation by the CHP and is ready to go into service with the new trolley season in May 2020. Staff submitted the grant reimbursement for the FTA 5339 funds and is in the process of submitting the reimbursement for the Rural Transit Fund grant. Ordering of a second new trolley to replace the 2009 trolley had been delayed due to the first trolley delivery and deficiency issues to address with the manufacturer. Staff will begin the procurement process for this vehicle in February 2020.
15. OneWater System Improvement – Nutmeg Pressure Zone (\$382,000): Staff issued a request for proposal and proposals due back to the City on February 20, 2020.
16. OneWater Project – Wastewater Collections Main St. & Atascadero Rd (\$171,000): Staff issued

a request for proposal, three proposals received and are being evaluated. Staff is planning to bring forward a recommendation to award a contract for design services for Council consideration in March.

17. OneWater Project – Wastewater Collections Upstream LS1/Beachcomber (\$114,500): In combination with the previously described project, staff issued a request for proposal, three proposals were received and are being evaluated. Staff is planning to bring forward a recommendation to award a contract for design services for Council consideration in March.
18. Beach Street Slips (\$370,000): Staff currently working on design, engineering and permitting.
19. South T-Pier Renovations (\$42,052): Recommend retaining this capital funding to augment Castle Wind Community Benefit Agreement funding recommendation outlined below to ensure sufficient funds for maximum project scope completion.
20. North T-Pier Renovations (\$10,000): Recommend retaining this capital funding to augment Castle Wind Community Benefit Agreement funding recommendation outlined below to ensure sufficient funds for maximum project scope completion.
21. Harbor Ice Machine Maintenance (\$10,000): Repairs as needed.
22. California Division of Boating and Waterways (DBW) Boat Launching Facility Rehabilitation (\$250,000): Recommend defunding this design, planning and permitting grant due to irreconcilable differences with DBW over cost and scope of work developed by DBW.

New Capital Projects Proposed:

1. Security Improvements at City Facilities (Public Works/Community Development, Recreation Services, Active Adults and Harbor): Staff recommends establishing a new capital project for Security improvements at City facilities, totaling \$52,000 to implement security measures at the City's Public Works/Community Development building, Recreation Services building, Active Adults Center and Harbor Facility. The security improvements will be funded from the City's General Government Impact Fees (Fund 900 in the amount of \$37,000) for the Public Works/Community Development, Recreation and Adult Service facilities, and from the Harbor Accumulation Fund (\$15,000).
2. Electric Vehicle Charging Station: Staff recommends establishing a new capital project to install electric vehicle charging stations, previously discussed with Council. This project is partially funded with grant funds of \$26,000 coupled with parking in lieu fees of \$22,000 for total project cost of \$48,000.
3. Cloisters Park Landscape Project: Staff recommends establishing a new capital project for the first phase of renewing a portion of the center median landscaping, planting, hardscape in the Cloisters Assessment District. A budget appropriate of \$50,000 from the Assessment Districts Accumulation Fund is recommended for this phase of the project.
4. Launching Facility Rehabilitation: Staff recommends establishing a new capital project to explore scope, concept and cost estimate for the launching facility rehabilitation. This project cost is estimated to be \$60,000 funded from the Harbor Accumulation Fund and would provide the necessary City-derived concept plan and cost estimations to apply for a new DBW boat

launching facility rehabilitation grant.

Community Benefit Funds:

Lastly, staff has identified two new capital project additions that would be funded through use of the community benefit funds totaling \$250,000 received from Castle Wind, LLC in November 2018 in exchange for the City's commitment to an exclusive arrangement with Castle Wind, LLC. Since receipt of those funds, staff has worked to identify appropriate projects to recommend be funded utilizing the community benefit dollars. Staff has identified and prioritized, with assistance from the Harbor Advisory Board, repair and rehabilitation work on both the South T-Pier and North T-Pier and is recommending that Council authorize appropriation of the \$250,000 in community benefit funds to complete these repairs.

The South T-Pier is in need of rebuilding and replacing structural pilings, cross members, bracing and pile caps (as necessary) on the base leg to return the Pier to its full structural integrity. This could include replacing the existing wood piles with fewer steel piles in the same manner as the outer section of the Pier that was rebuilt completely in the early 1990's after a fire. The initial section of the base leg survived the fire and is all timber as original, while the rest of the new replacement construction on the pier is of coated steel support and underpinnings, and timber stringers and decking. The South T-Pier is also in need of replacing decking and other timber members as-necessary, fire sprinkler rehabilitation work, utilities systems rehab work, replacement of a portion of the many fender piles that have lost their integrity. The project would be bid for construction management and engineering and is estimated to cost up to \$200,000.

Secondly, the North T-Pier is in need of utilities system rehabilitation and fire sprinkler system rehabilitation with an estimated cost of up to \$50,000. If approved, construction management and engineering services would be bid together for both projects to help achieve cost savings.

These budget adjustments are incorporated into Resolution No. 20-20 for Council consideration and direction.

CONCLUSION

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

ATTACHMENTS

1. Second Quarter FY 2018/19 Budget Performance and Status Report for period ending December 31, 2019.
2. CFAC Questions and Staff's Response
3. Resolution No. 19-20 authorizing staff to proceed with the second-quarter budget adjustments.
4. Resolution No. 20-20 appropriating community benefit funds for needed repair and rehabilitation of the South and North T-Pier's totaling up to \$250,000.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

INTRODUCTION

Purpose

This is the second quarterly budget report for the Fiscal Year 2019/20, for the six-month period ending December 31, 2019. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

Content

This quarterly report presents an overview of the City’s operating revenues and expenditures from the General Fund for the six-month period ending December 31, 2019, as compared to previous years, and explains any notable aberrations or trends in these numbers.

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

Timeframe and Limitations

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

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

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

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

Table of Contents

Introduction.....	1
Executive Summary.....	2
General Fund – Key Revenue Analysis.....	3
Other Taxes	3
Sales Tax	4
Transient Occupancy Tax	5
Franchise Fees	6
Property Tax	7
Charges for Service.....	9
Licenses and Permits.....	10
Business Tax	11
General Fund – Key Expenditure Analysis.....	12
Salaries and Benefits.....	12
Supplies, Materials and Services	14
FY 2018/19 Recommended Budget Adjustments....	15
Financial Summaries and Projections.....	17
General Fund by Category	17
General Fund by Department	18
Enterprise Funds	19
Water Reclamation Facility Capital Project.....	25
Capital Project.....	26
Other Funds.....	28
Conclusion	36

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

EXECUTIVE SUMMARY

Status of FY 2019/20 Adopted Budget

Overall, second quarter revenue trends are steady when compared to the second quarter of Fiscal Year 2018/19, at about 44% of budgeted levels. Of the City's most economically sensitive revenues - sales tax and Transient Occupancy Tax (TOT) are consistent with prior year's second quarter results. Property tax is trending a bit lower than in prior years actuals and staff will continue to monitor this closely into the third quarter. Fines and Forfeitures and Licenses and Permits categories are trending consistent with prior years and charges for services is a bit high due to the mutual aid reimbursement for fire assistance.

Overall, General Fund expenditures for the second quarter are trending well at approximately 54% of budgeted levels. Supplies, Materials and Services expenditures at about 15% of budget, consistent with prior years. Overall salary and benefits are trending high but primarily due to the large upfront CalPERS Unfunded Accrued Liability (UAL) payment made in July. The UAL payment is a one-time payment made in July which totaled \$1,096,232 and resulted in a savings to the City's General Fund of approximately \$46,000. When adjusted for this payment, Salaries and Benefits are at the expected level of 50%. With six months of data available, staff expects to maintain a balanced budget with minimal year-end revenues over expenditures. Considering this, staff continues to be cautiously optimistic while monitoring fiscal developments very closely.

U.S. Economic Outlook

The Congressional Budget Office (CBO) estimates that between 2019 and 2029, the gross domestic product is expected to slow from 2.3 percent in 2019 to a rate that is below its long-run historical average.

In the third quarter 2019, real Gross Domestic Product (GDP) grew by 1.9 percent. The pickup in growth is largely the result of increases in federal, state and local government spending, personal consumption, residential fixed investment, and faster growth in private investment.

CBO has lowered its projections of interest rates in response to new data and recent guidance from the Federal Reserve regarding its outlook for monetary policy. Projected economic growth over the next five years was revised upward, on average, because of the Bipartisan Budget Act of 2019 and recent economic developments.

State Budget Update

The State's 2019-20 adopted budget includes a \$214.8 billion spending plan, inching closer to universal health care, expanding Medi-Cal to all low-income young adults regardless of immigration status and charters a course to increase tax credits to the working poor and boost subsidies to middle income Californians to buy health coverage. The budget includes significant investments in early education and housing, also, while a portion of the surplus was diverted to pay down pension liabilities.

The state's lawmakers embraced the governor's proposal to use some of the surplus to make extra pension payments, approving supplemental payments of \$3 billion to the California Public Employees' Retirement System and \$1.1 billion to the California State Teacher's Retirement System for the state's portion of unfunded liability.

The budget also includes new commitments topping \$2 billion in housing, with the lion's share targeting the state's homeless population and affordable housing.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the second quarter, ending December 31, 2019.

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

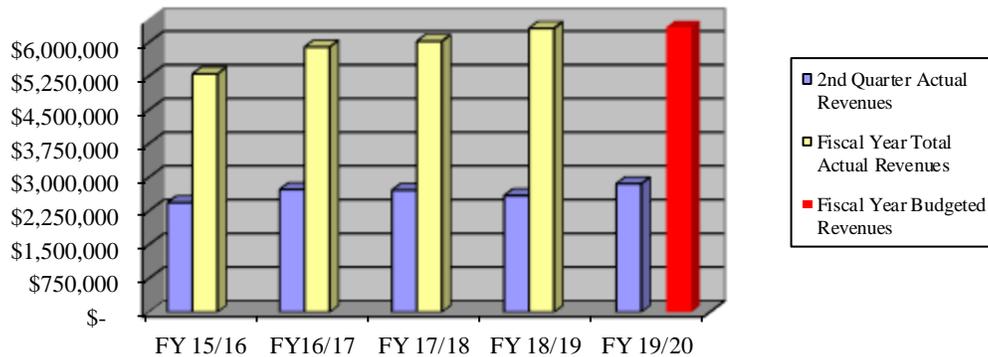
Other Taxes

Other taxes include sales and use tax, Prop 172 public safety sales tax, property transfer tax, transient occupancy tax (TOT), and Franchise Fees. As a category, other taxes represent 42% of the Cities total General Fund revenues, inclusive of transfers in, with transient occupancy tax being the second largest revenue source for the City. For purposes of the quarterly review, an analysis of Other Taxes as a grouping, as well as individual analysis of Sales and Use Tax, TOT and Franchise Fees will be discussed.

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

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 2,434,683	\$ 2,727,457	\$ 2,712,525	\$ 2,593,026	\$ 2,856,413
Fiscal Year Total Actual Revenues	\$ 5,297,172	\$ 5,896,997	\$ 6,025,040	\$ 6,313,313	
Fiscal Year Budgeted Revenues					\$ 6,338,866
2nd Quarter Percent of Total	45.96%	46.25%	45.02%	41.07%	45.06%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

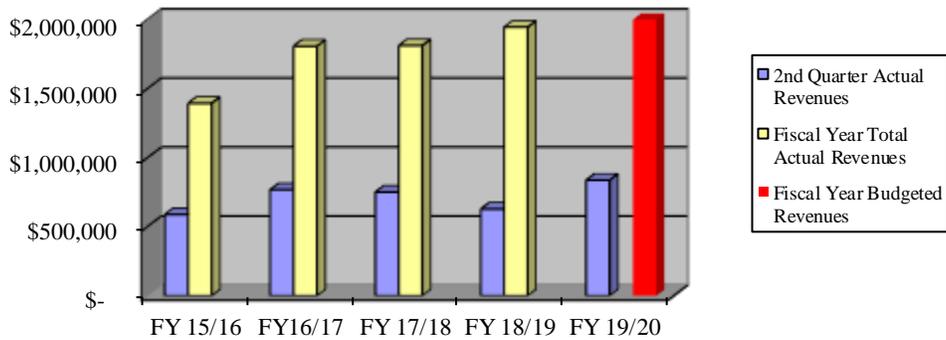
Sales Tax

Sales tax generates approximately 15% of revenues, the third largest revenue source for the City’s General Fund in FY 2018/19. The City’s General Fund receives 1 cents for every 7.5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Morro Bay. Previously, the State Board of Equalization retained 25% of the City’s 1-cent share, referred to as the “Triple Flip,” requiring the San Luis Obispo County Auditor to replace it with an equal amount of property tax revenue. Revenues are remitted from the State to the City on a monthly basis, and from the County to the City on a biannual basis. These revenues are placed in the General Fund for unrestricted uses. The “triple flip” period ended in FY 2015/16, and is no longer impacting sales tax receipts.

Analysis – As a revenue category, second quarter receipts are on par with those in prior years and therefore no budget recommendation is recommended at this time.

Sales Tax

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



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 588,667	\$ 767,884	\$ 750,841	\$ 627,781	\$ 836,814
Fiscal Year Total Actual Revenues	\$ 1,394,145	\$ 1,807,642	\$ 1,811,884	\$ 1,945,359	
Fiscal Year Budgeted Revenues					\$ 2,004,000
2nd Quarter Percent of Total	42.22%	42.48%	41.44%	32.27%	41.76%
Recommended Budget Revision					-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

TOT Tax

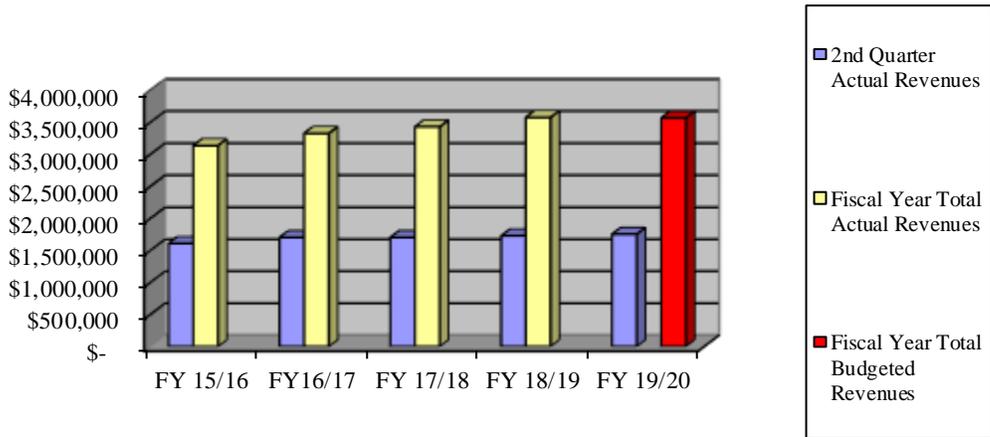
Transient Occupancy Tax (TOT) accounts for 24% of the City’s general fund revenues for FY 2019/20. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

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

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

Transient Occupancy Tax

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



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 1,607,926	\$ 1,701,933	\$ 1,702,037	\$ 1,727,757	\$ 1,753,005
Fiscal Year Total Actual Revenues	\$ 3,136,366	\$ 3,327,073	\$ 3,429,186	\$ 3,576,121	
Fiscal Year Total Budgeted Revenues					\$ 3,566,811
2nd Quarter Percent of Total	51.27%	51.15%	49.63%	48.31%	49.15%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

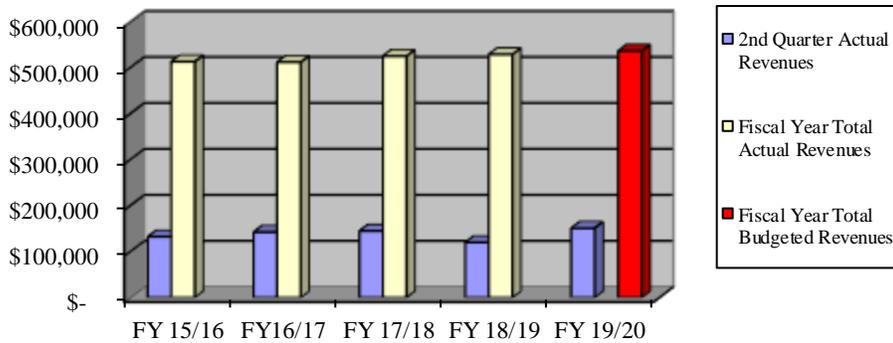
Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Morro Bay, and as a fee in lieu of a business tax. Franchise fees are currently received for electricity, garbage, cable TV and natural gas. Franchise fees represent 3.6% of budgeted General Fund revenues in FY 2019-20.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; specifically, with Electricity Franchise Fees generally not be remitted until the third quarter. Based on the second quarter results, franchise fee revenues to date are 28.17% of budgeted total receipts, on par with prior fiscal years. No budget adjustment is recommended at this time.

Franchise Fees

Quarterly and Annual Revenues
5-Year History



	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
2nd Quarter Actual Revenues	\$ 132,314	\$ 142,446	\$ 144,862	\$ 119,847	\$ 151,040
Fiscal Year Total Actual Revenues	\$ 513,081	\$ 511,696	\$ 524,997	\$ 528,560	
Fiscal Year Total Budgeted Revenues					\$ 536,137
2nd Quarter Percent of Total	25.79%	27.84%	27.59%	22.67%	28.17%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

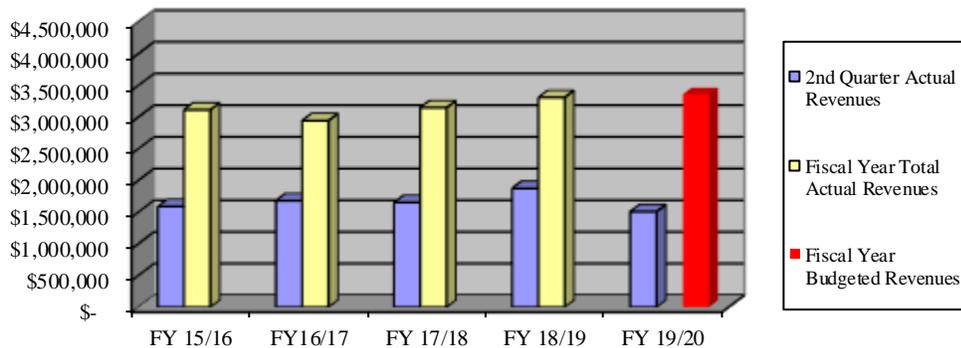
Property Tax

Property tax, including property tax in-lieu, is the second largest revenue category for the City’s General Fund, accounting for 30.6% of budgeted General Fund revenues in FY 2019/20. Property tax is levied by the San Luis Obispo County Assessor’s Office at 1% of a property’s assessed value, of which the City receives approximately 10.696 cents per dollar paid on property located within the municipal limits of Morro Bay.

Analysis – Property tax distributions are largely received in the third and fourth quarters, however the chart below depicts the 2nd quarter receipts for the past four years as compared to the current fiscal year. Second quarter receipts are trending slightly lower than in prior years and staff will remain cognizant to carefully monitor this revenue source during the next quarter.

PROPERTY TAX

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



	<u>FY 15/16</u>	<u>FY16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 1,588,966	\$ 1,680,724	\$ 1,651,301	\$ 1,875,035	\$ 1,508,448
Fiscal Year Total Actual Revenues	\$ 3,114,835	\$ 2,945,198	\$ 3,149,075	\$ 3,309,980	
Fiscal Year Budgeted Revenues					\$ 3,358,124
2nd Quarter Percent of Total	51.01%	57.07%	52.44%	56.65%	44.92%

Recommended Budget Revision	\$ -
------------------------------------	-------------

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

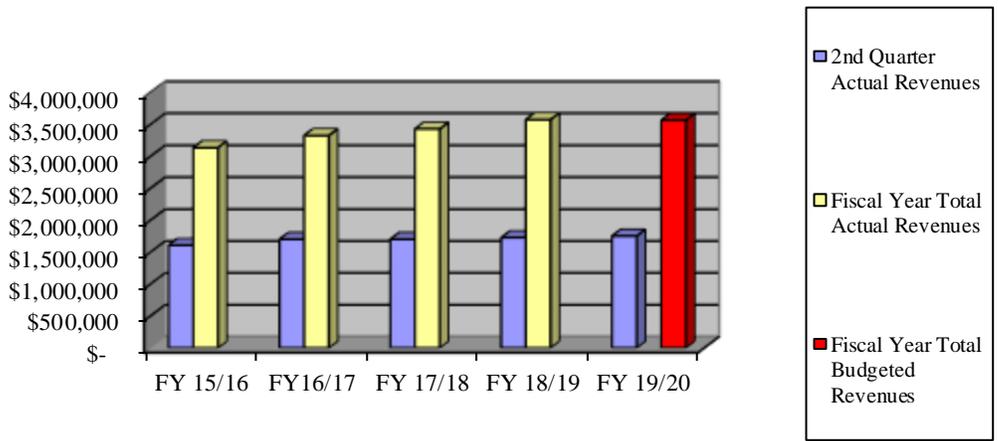
Property Tax VLF

Property tax VLF is property tax received in lieu or motor vehicle license fees which began in 2004 under Governor Schwarzenegger. Once passed, in 2004 the state’s budget included a permanent reduction of the VLF rate from 2% to 0.65% (it’s current effective rate). The VLF backfill was eliminated and replaced with a like amount of property taxes, dollar-for-dollar.

Analysis – Property tax VLF distributions are largely received in the third and fourth quarters, however the chart below depicts the 2nd quarter receipts for the past four years as compared to the current fiscal year. As expected, no property tax VLF revenue has been received as of December 31, 2019.

Property Tax VLF

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



	<u>FY 15/16</u>	<u>FY16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year Total Actual Revenues	\$ 920,597	\$ 972,150	\$ 1,048,184	\$ 1,109,479	
Fiscal Year Total Budgeted Revenues					\$ 1,114,716
2nd Quarter Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

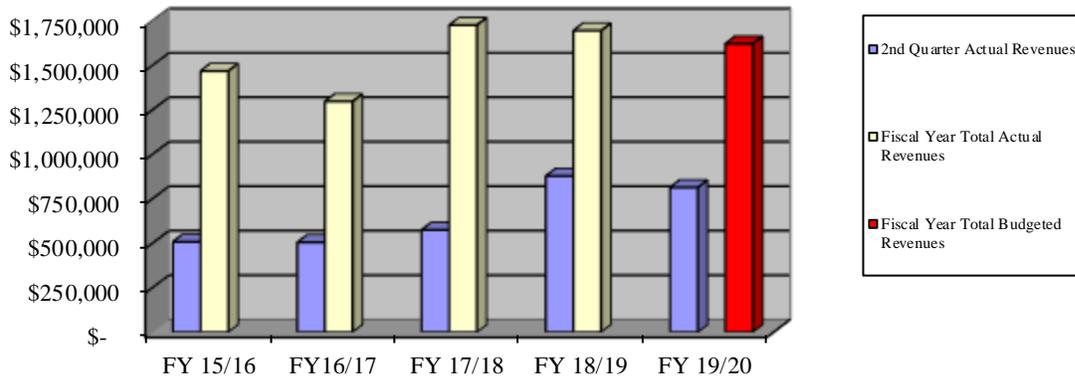
Charges for Services

City service revenues consist primarily of Plan Check fees, Building Inspection fees and Recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect approximate costs of providing these services and, as a total category, account for 11% of the City’s General Fund revenues. Generally, community Development and Recreation Services account for most of these fees.

Analysis – Second quarter receipts are trending well, when compared to prior years. Staff is recommending a budget adjustment to account for the Fire Departments reimbursement for their strike team support of the various wildfires which is included in the charges for services category. In addition, staff is recommending a budget decrease to account for IT service fees which should have been budgeted in the City’s Information Technology Fund. Lastly, staff is recommending a budget augmentation to recognize \$24,260 in fire inspection fees to be collected to recover costs associated with new state mandated fire inspection services. As a result, a \$116,642 budget augmentation is recommended.

Charges for Services

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



	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
2nd Quarter Actual Revenues	\$ 507,974	\$ 505,004	\$ 574,312	\$ 878,281	\$ 813,701
Fiscal Year Total Actual Revenues	\$ 1,468,119	\$ 1,297,352	\$ 1,726,241	\$ 1,695,853	
Fiscal Year Total Budgeted Revenues					\$ 1,621,355

2nd Quarter Percent of Total	34.60%	38.93%	33.27%	51.79%	50.19%
------------------------------	--------	--------	--------	--------	--------

Recommended Budget Revision	116,642
------------------------------------	----------------

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

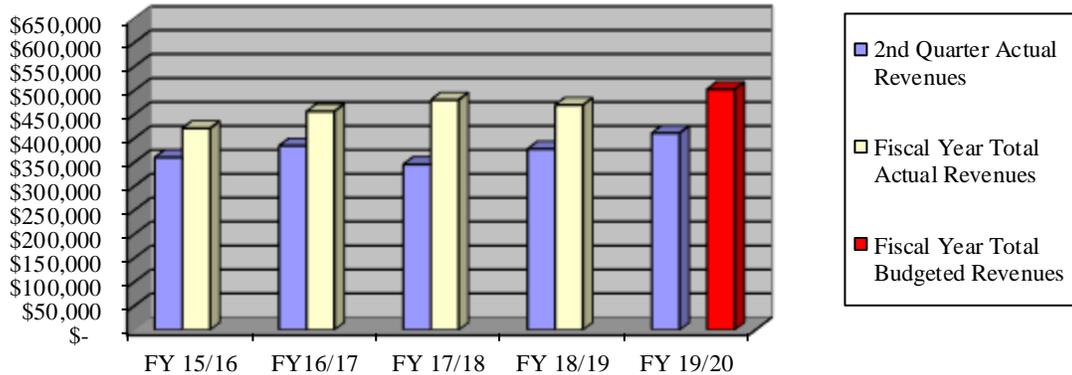
Licenses and Permits

Licenses and permits consist mainly of business and transient vendor taxes. Conditional use permits, and coastal permits are the other primary revenues sources in this category. The Licenses and Permits category represents approximately 3.3% of total City General Fund revenues for FY 2019/20. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

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

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 360,386	\$ 384,530	\$ 345,779	\$ 378,197	\$ 411,016
Fiscal Year Total Actual Revenues	\$ 421,205	\$ 456,319	\$ 480,440	\$ 469,683	\$ 502,599
Fiscal Year Total Budgeted Revenues					\$ 502,599
2nd Quarter Percent of Total	85.56%	84.27%	71.97%	80.52%	81.78%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

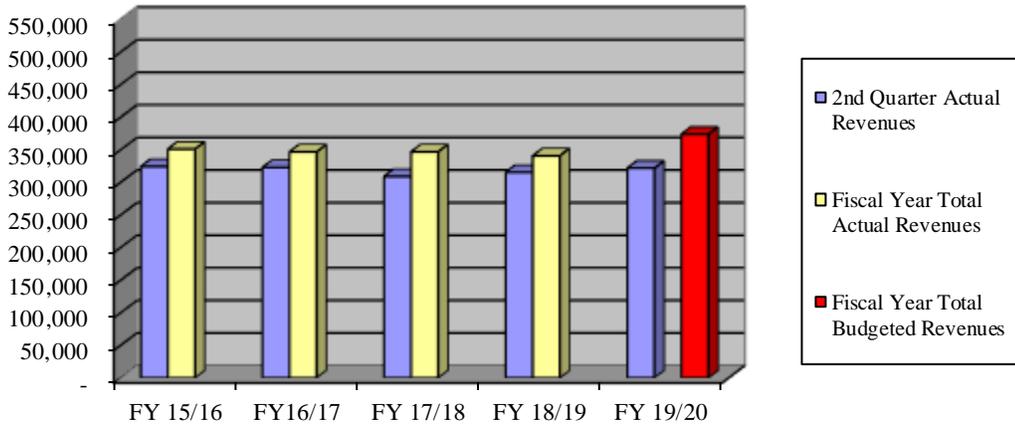
Business Tax

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

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

Business Tax

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



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	324,236	322,787	308,867	315,155	321,717
Fiscal Year Total Actual Revenues	\$ 351,055	\$ 346,704	\$ 346,701	\$ 340,629	
Fiscal Year Total Budgeted Revenues					\$ 373,700
2nd Quarter Percent of Total	92.36%	93.10%	89.09%	92.52%	86.09%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the second quarter ending December 31, 2019. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

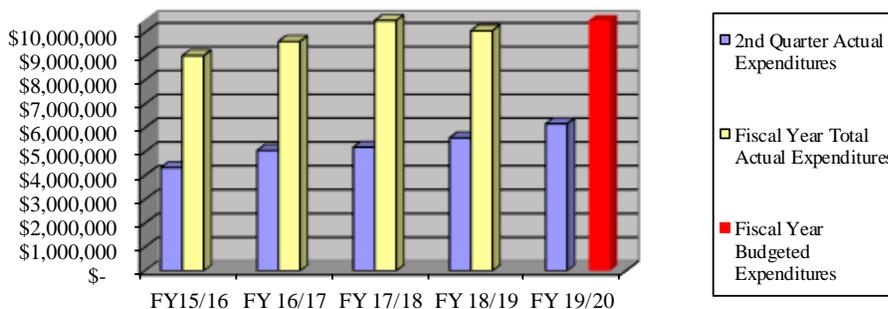
SALARIES AND BENEFITS

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

Analysis – Second quarter results are trending slightly high, at approximately 54.96% of budgeted totals. This includes fire related personnel costs due to mutual aid assistance provided for the wildfires, totaling over \$185,711. These expenditures are reimbursed, and an offsetting revenue adjustment was recommended in the Charges for Services Category previously discussed (page 10). Also, staff is recommending an adjustment to fund the new state mandated fire inspection fees that the Fire Department is now required to complete on an annual basis. These costs are also recovered through service charges collected from impacted facilities. In addition, this includes full payment of the City’s annual CalPERS unfunded accrued liability (UAL), slightly skewing the figures when viewed on a quarterly basis. When adjusted for the fire mutual aid and 50% of the prepaid UAL, Salaries and Benefits are trending right at 50% of budget. An overall budget augmentation of \$89,928 is recommended for Salaries and Benefits.

SALARIES AND BENEFITS

Quarterly and Annual Expenditures
5-Year History

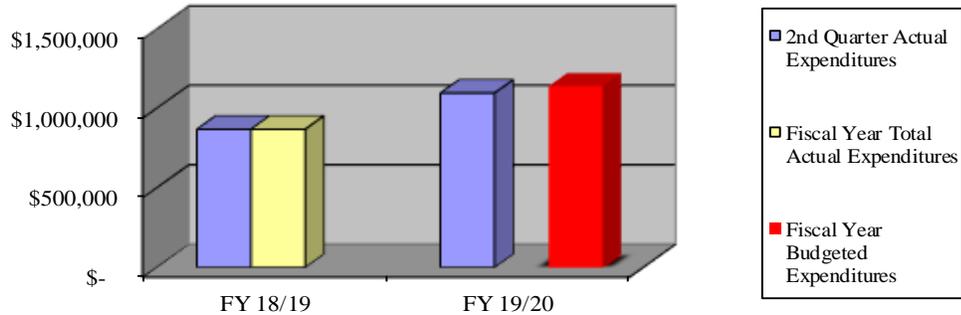


	<u>FY15/16</u>	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>
2nd Quarter Actual Expenditures	\$ 4,326,271	\$ 5,050,750	\$ 5,186,818	\$ 5,577,502	\$ 6,173,938
Fiscal Year Total Actual Expenditures	\$ 9,027,716	\$ 9,625,716	\$ 11,884,066	\$ 10,075,472	
Fiscal Year Budgeted Expenditures					\$ 11,233,544
2nd Quarter Percent of Total	47.92%	52.47%	43.65%	55.36%	54.96%
Recommended Budget Revision					89,928

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Unfunded Accrued Liability

Quarterly and Annual Expenditures
5-Year History



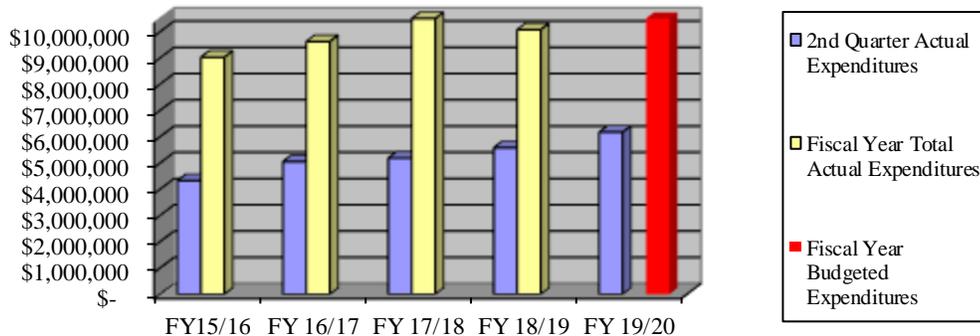
	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Expenditures	\$ 869,087	\$ 1,096,232
Fiscal Year Total Actual Expenditures	\$ 869,087	
Fiscal Year Budgeted Expenditures		\$ 1,138,882
2nd Quarter Percent of Total	100.00%	96.26%

Recommended Budget Revision

(42,650)

SALARIES AND BENEFITS (Less UAL)

Quarterly and Annual Expenditures
5-Year History



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Expenditures	\$ 4,326,271	\$ 5,050,750	\$ 5,186,818	\$ 4,708,415	\$ 5,077,706
Fiscal Year Total Actual Expenditures	\$ 9,027,716	\$ 9,326,201	\$ 4,528,346	\$ 9,206,385	
Fiscal Year Budgeted Expenditures					\$ 10,094,662
2nd Quarter Percent of Total	47.92%	54.16%	114.54%	51.14%	50.30%

Recommended Budget Revision

132,578

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

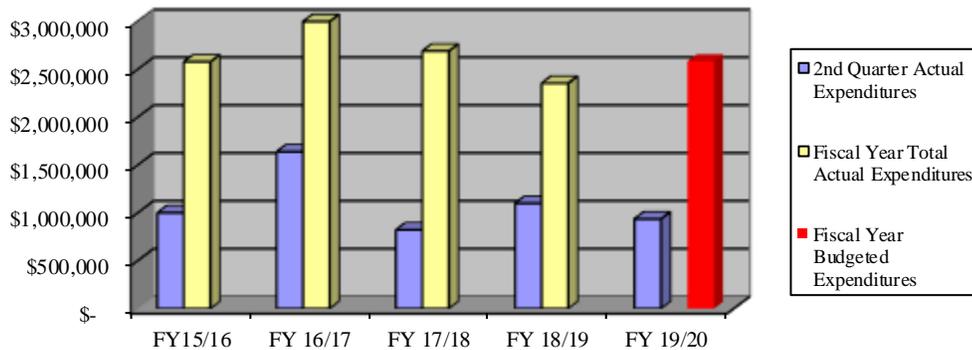
SUPPLIES, MATERIALS AND SERVICES

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

Analysis – Second quarter results are trending a bit low at about 36% of budgeted totals (exclusive of transfers). As staff continues to provide services and looks towards the remainder of the fiscal year, a small budget augmentation of \$62,690 is recommended to help offset unbudgeted expenditures primarily related to training for the City's safety personnel related to cannabis, rental of portable restrooms for the Rock and Coleman area during the months of May and June, installation of automatic flushing connections at the Coleman bathroom, fire inspection services through June 30, 2020, resurfacing of the city's pickleball courts and completion of a speed survey within city limits.

SUPPLIES, MATERIALS AND SERVICES

Quarterly and Annual Expenditures
5-Year History



	<u>FY15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Expenditures	\$ 1,001,382	\$ 1,638,283	\$ 822,445	\$ 1,099,247	\$ 936,328
Fiscal Year Total Actual Expenditures	\$ 2,579,514	\$ 3,022,358	\$ 2,691,066	\$ 2,354,564	
Fiscal Year Budgeted Expenditures					\$ 2,585,294
2nd Quarter Percent of Total	38.82%	54.21%	30.56%	46.69%	36.22%
Recommended Budget Revision					62,690

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

FY 2019/20 Recommended Budget Adjustments

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

GENERAL FUND				
Fund	Acct	Sub	General Fund Revenues	
001	4210	3472	Other Revenue	203,382
001	4210	3913	Auctioned Property	4,000
001	7105	3406	Laserfische Fees	(11,000)
001	7105	3407	IT Service Fee	(100,000)
001	4110	3247	Post Subvention	11,674
001	4110	3230	State Mandated Cost Reimbursement	2,551
001	3510	3690	Other Fines/Forfeit/Penalty	2,517
001	4210	3434	Fire Inspection Fees	24,260
001	5215	3970	Donations - Pickleball Court Resurfacing	16,000
TOTAL GENERAL FUND REVENUES				\$ 153,384
001			General Fund Expenditures	
001	4210	4120	Overtime Pay	89,286
001	4210	4310	Part-Time Pay (Reserve Firefighters)	13,884
001	4210	4910	Employee Benefits	4,833
001	4210	4110	Fire Salary	4,493
001	4110	6125	Police - Professional Development	9,690
001		0	Porta John Rental (May & June) @ Rock and Coleman	2,000
001	1111	4910	Employee Benefits	18,082
001	0	4912	Employee Benefits - Pension UAL Savings	(42,650)
001	5215	0	Part-time Pay and Employee Benefits (restroom cleaning)	2,000
001	5215	0	Equipment - Automatic Flushers for Rock Bathroom	10,000
001	5215	6106	Contract Services - Pickleball Court Resurfacing	16,000
001	5215	6105	Consultant Services - Speed Survey	25,000
001	TOTAL GENERAL FUND EXPENDITURES			\$ 152,618

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Mutual Aid Fire Reimbursement: A budget augmentation of \$203,382 is recommended due to confirmed expected receipts for mutual aid services provided during the fires and debris flow that the City provided response to.
- Auctioned property: A budget augmentation of \$4,000 is recommended due to the unplanned sale of surplus equipment.
- Laserfische and IT Service Fee: A budget reduction of \$111,000 is recommended as Laserfische Fees and IT Service fees are now directed to the City's IT Fund rather than the general fund.
- A budget augmentation of \$11,674 is recommended to account for Post training reimbursement received through December 31, 2019. This is reimbursable Post training for our Police officers.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

- A budget augmentation of \$2,551 is recommended to account for unanticipated state mandated cost reimbursements that have been received as of December 31, 2019.
- A budget augmentation of \$2,517 is recommended to account for an increase in other revenues, particularly related to fines and penalties.
- A budget augmentation of \$24,260 is recommended for new fees being collected starting January 1, 2020 for state mandated fire inspection services.
- A budget augmentation of \$16,000 is recommended to recognize a donation from the active adults group to fund resurfacing of the City's pickleball courts.

Expenditures:

- Fire Salaries and Benefits: A budget augmentation of \$9,326 in employee salary and benefits is recommended to increase the department's administrative assistant from 0.80 FTE to 1.0 FTE due to additional workload required for the state mandated fire inspections. This cost will be reimbursed through collection of fire inspection fees.
- Overtime Pay - Fire: A budget augmentation of \$89,286 is recommended as this is direct reimbursement for staff time and strike team support of the fires and debris flow that occurred during the fiscal year and to support additional overtime needed to complete state mandated fire inspection services. A revenue augmentation has also been recommended.
- Part-Time Pay - Fire: A budget augmentation of \$13,884 is recommended as this is direct reimbursement for staff time and strike team support of the fires and debris flow that occurred during the fiscal year and to support reserve firefighter pay for state mandated fire inspections. A revenue augmentation has also been recommended.
- Operating Expenditures – Police Department: A \$9,690 budget augmentation is recommended training for police staff related to cannabis monitoring and enforcement.
- Operating Expenditures – Public Works Consolidated Maintenance: A budget augmentation of \$2,000 is recommended to support the rental of portable restrooms at the Rock and Coleman for the months of May and June.
- Employee Benefits – A \$18,082 budget increase is recommended to account for employee benefit expenditures accrued with the employee payments made during late 2019 due to the FY 2108/19 revenues over expenditures.
- Employee Benefits Pension UAL – A budget decrease of \$42,650 is recommended to reflect interest savings obtained in the general fund due to payment of the unfunded accrued liability (UAL) for CalPERS in one lump sum payment in July versus installment payments over the twelve month fiscal year.
- Employee Benefits – A \$2,000 budget increase is recommended to support the hiring of part-time employees to clean the restrooms during the months of May and June per Council direction on February 11, 2020.
- Equipment – A budget increase of \$10,000 is recommended to install automatic flushing devices in the six restrooms at the Rock restroom building as per Council direction on February 11, 2020.
- Contract Services – A budget increase of \$16,000 is recommended to fund resurfacing of the City's pickleball courts. This is being supported by a donation from the active seniors group.
- Consultant Services – A budget increase of \$25,000 is recommended to fund a speed survey. City's are required to complete speed surveys every 10 years. The City's last speed survey was completed in 2009.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the second quarter of FY 2019/20, and is sorted by revenue and expenditure category, which includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year, based upon the trends observed through the second quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended December 31, 2019

	FY18/19	FY18/19	FY18/19	FY19/20	FY19/20	FY19/20	FY19/20	FY19/20
	YE	2nd Qtr	%	Adopted	Amended	2nd Qtr	%	Finance
	Actuals	Actuals	YTD	Budget	Budget	Actuals	YTD	Projection
Revenues								
Property Tax	\$ 3,309,980	\$ 1,875,035	57%	\$ 3,358,124	\$ 3,358,124	\$ 1,508,448	45%	\$ 3,358,124
Property Tax VLF	1,109,479	-	0%	1,114,716	1,114,716	-	0%	\$ 1,114,716
Other Taxes	263,272	117,642	45%	231,918	231,918	115,554	50%	\$ 231,918
Transient Occupancy Tax	3,576,121	1,727,757	48%	3,566,811	3,566,811	1,753,005	49%	\$ 3,566,811
Sales Tax	1,945,359	627,781	32%	2,004,000	2,004,000	836,814	42%	\$ 2,004,000
Franchise Fees	528,560	119,847	23%	536,137	536,137	151,040	28%	\$ 536,137
Licenses & Permits	129,054	63,042	49%	128,899	128,899	89,299	69%	\$ 128,899
Business Tax	340,629	315,155	93%	373,700	373,700	321,717	86%	\$ 373,700
Charges for Services	1,695,853	878,281	52%	1,732,355	1,732,355	813,701	47%	\$ 1,848,997
Fines & Forfeitures	18,896	9,695	51%	16,000	16,000	9,174	57%	\$ 16,000
Intergovernmental	31,606	2,936	9%	13,500	13,500	17,053	126%	\$ 27,725
Other Sources	68,337	24,293	36%	23,277	23,277	25,423	109%	\$ 45,794
Use of Money & Property	334,645	261,751	78%	340,341	340,341	113,748	33%	\$ 340,341
Fund Transfers	1,328,801	623,432	47%	1,400,447	1,591,481	849,152	53%	\$ 1,591,481
Total Revenues	14,680,594	6,646,645	45%	14,840,225	15,031,259	6,604,128	101%	15,184,643
Expenditures								
Salaries	5,028,978	2,500,988	50%	5,767,361	5,767,361	2,600,518	45%	\$ 5,771,854
Overtime	468,255	256,213	55%	218,234	218,234	315,313	144%	\$ 307,520
Part-time	784,464	416,338	53%	856,980	856,980	436,447	51%	\$ 872,864
Other Salaries	302,129	235,746	78%	299,602	483,161	389,615	81%	\$ 483,161
Labor Costs Applied	34,456	2,859	8%	27,012	27,012	11,545	43%	\$ 27,012
Benefits	2,588,103	1,296,271	50%	2,741,914	2,741,914	1,324,268	48%	\$ 2,764,829
Unfunded Accrued Liability	869,087	869,087	100%	1,138,882	1,138,882	1,096,232	96%	\$ 1,096,232
Supplies, Materials and Services	2,354,564	1,099,247	47%	2,585,294	2,595,294	936,320	36%	\$ 2,657,984
Utilities	407,620	213,470	52%	486,697	486,697	226,584	47%	\$ 486,697
Insurance	163,371	82,884	51%	167,351	167,351	281,578	168%	\$ 167,351
Debt Service	35,189	17,595	50%	35,189	35,189	17,595	50%	\$ 35,189
Payment to other Agencies	25,186	26,186	104%	30,250	30,250	11,670	39%	\$ 30,250
Total Expenditures	\$ 13,061,402	\$ 7,016,884	54%	\$ 14,354,766	\$ 14,548,325	\$ 7,647,693	53%	\$ 14,700,943
Transfers Out	855,149	127,464	15%	480,970	480,970	307,985	64%	480,970
Total Operating Expenditures	\$ 13,916,551	\$ 7,144,348	51%	\$ 14,835,736	\$ 15,029,295	\$ 7,955,678	53%	\$ 15,181,913
Net Surplus or (Use) of Reserves	\$ 764,043	\$ (497,703)		\$ 4,489	\$ 1,964	\$ (1,351,549)		\$ 2,731

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the second quarter of FY 2019/20 displayed by revenue type and expenditures per department. The chart includes comparison information from the prior year and serves to monitor Department expenditures related to both budgeted amounts and prior year actuals. In the last column are projections of final balances for the current fiscal year based upon the trends observed through the second quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended December 31, 2019

	FY18/19 YE Actuals	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY19/20 Adopted Budget	FY19/20 Amended Budget	FY19/20 2nd Qtr Actuals	FY19/20 % YTD	FY19/20 Finance Projection
Revenues								
Property Tax	\$ 3,309,980	\$ 1,875,035	57%	\$ 3,358,124	\$ 3,358,124	\$ 1,508,448	45%	\$ 3,358,124
Property Tax VLF	1,109,479	-	0%	1,114,716	1,114,716	-	0%	\$ 1,114,716
Other Taxes	263,272	117,642	45%	231,918	231,918	115,554	50%	\$ 231,918
Transient Occupancy Tax	3,576,121	1,727,757	48%	3,566,811	3,566,811	1,753,005	49%	\$ 3,566,811
Sales Tax	1,945,359	627,781	32%	2,004,000	2,004,000	836,814	42%	\$ 2,004,000
Franchise Fees	528,560	119,847	23%	536,137	536,137	151,040	28%	\$ 536,137
Licenses & Permits	129,054	63,042	49%	128,899	128,899	89,299	69%	\$ 128,899
Business Tax	340,629	315,155	93%	373,700	373,700	321,717	86%	\$ 373,700
Charges for Services	1,695,853	878,281	52%	1,732,355	1,732,355	813,701	47%	\$ 1,848,997
Fines & Forfeitures	18,896	9,695	51%	16,000	16,000	9,174	57%	\$ 16,000
Intergovernmental	31,606	2,936	9%	13,500	13,500	17,053	126%	\$ 27,725
Other Sources	68,337	24,293	36%	23,277	23,277	25,423	109%	\$ 45,794
Use of Money & Property	334,645	261,751	78%	340,341	340,341	113,748	33%	\$ 340,341
Fund Transfers	1,328,801	623,432	47%	1,400,447	1,591,481	849,152	53%	\$ 1,591,481
Total Revenues	14,680,594	6,646,645	45%	14,840,225	15,031,259	6,604,128	44%	15,184,643
Expenditures								
City Council	123,044	79,843	65%	147,607	147,607	55,693	38%	\$ 147,607
City Manager	330,668	165,103	50%	412,062	414,587	199,702	48%	\$ 411,992
Contract Services	654,522	299,551	46%	561,102	561,102	145,327	26%	\$ 561,102
City Attorney	335,249	103,992	31%	454,845	454,845	144,494	32%	\$ 454,845
City Clerk/HR/Elections	368,042	188,106	51%	418,733	418,733	200,412	48%	\$ 416,151
Deputy City Manager	-	-	-	-	-	-	-	\$ -
Accounting & Treasury	606,732	413,256	68%	658,547	658,547	361,983	55%	\$ 654,408
Police Department	3,121,943	1,729,960	55%	3,522,330	3,522,330	1,937,718	55%	\$ 3,531,112
Support Services	237,312	121,024	51%	281,098	281,098	144,886	52%	\$ 279,069
Fire Department	2,705,520	1,518,163	56%	2,594,446	2,594,446	1,620,592	62%	\$ 2,700,267
Emergency Operations Center	7,190	1,637	23%	12,547	12,547	1,461	12%	\$ 12,547
Community Development	919,817	494,273	54%	1,077,289	1,077,289	558,195	52%	\$ 1,070,531
Public Works	448,925	250,219	56%	811,941	811,941	316,527	39%	\$ 805,469
Consolidated Maintenance	965,205	501,384	52%	944,750	954,750	538,531	56%	\$ 1,004,450
Vehicle, Parks, Facilities	132,062	70,395	53%	137,686	137,686	70,351	51%	\$ 136,815
Streets, Street Trees, Storm Drains/Creeks	745,550	390,729	52%	822,521	822,521	388,629	47%	\$ 821,433
Street lighting	68,095	46,482	68%	123,000	123,000	31,046	25%	\$ 123,000
Curbside Recycling	26,406	-	0%	27,012	27,012	-	0%	\$ 27,012
Recreation Services - Administration	302,258	150,384	50%	419,110	419,110	186,215	44%	\$ 417,063
Recreation Services - Dance 39+	11,278	5,535	49%	10,000	10,000	-	0%	\$ 10,000
Recreation Services - Sports	555,442	264,775	48%	526,606	526,606	321,871	61%	\$ 525,864
Recreation Services - Youth Services	328,313	189,999	58%	320,843	320,843	197,283	61%	\$ 320,399
Electricity	67,829	32,074	47%	70,691	70,691	27,661	39%	\$ 70,691
Undistributed Other	-	-	-	-	181,034	199,116	110%	\$ 199,116
Total Expenditures	\$ 13,061,402	\$ 7,016,884	54%	\$ 14,354,766	\$ 14,548,325	\$ 7,647,692	53%	\$ 14,700,942
Transfers Out	855,149	\$ 127,464	15%	480,970	480,970	\$ 307,985	64%	480,970
Total Operating Expenditures	\$ 13,916,551	\$ 7,144,348	51%	\$ 14,835,736	\$ 15,029,295	\$ 7,955,677	54%	\$ 15,181,912
Net Surplus or (Use) of Reserves	\$ 764,043	\$ (497,703)		\$ 4,489		\$ (1,351,549)		\$ 2,731

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

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

Enterprise Funds

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

A summary of each operating fund is found below:

Harbor Operating Fund - 331

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 832,086	\$ 882,218	\$ 809,290	\$ 846,662	\$ 791,523
Fiscal Year Total Actual Revenues	\$ 2,104,019	\$ 1,940,152	\$ 2,129,177	\$ 2,095,846	
Fiscal Year Total Budgeted Revenues					\$ 2,021,000
2nd Quarter Percent of Total	39.55%	45.47%	38.01%	40.40%	39.16%
2nd Quarter Actual Expenditures	\$ 1,031,230	\$ 1,057,560	\$ 948,674	\$ 1,109,626	\$ 1,054,661
Fiscal Year Total Actual Expenditures	\$ 2,118,296	\$ 2,166,628	\$ 1,978,382	\$ 2,406,839	
Fiscal Year Total Budgeted Expenditures					\$ 2,001,245
2nd Quarter Percent of Total	48.68%	48.81%	47.95%	46.10%	52.70%
Recommended Budget Revision Revenues					81,000
Recommended Budget Revision Expenditures					\$ 62,300

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Revenues:

- Harbor State Grant Public Services: A budget increase of \$16,000 is recommended due to grant funds expected to be received by the Division of Boating and Waterways (DBW).
- Harbor Lease Revenue: A budget increase of \$50,000 in lease rent revenues to account for higher than expected lease revenues for FY 2018/19.
- Transfer In: A budget increase of \$15,000 is recommended to transfer funds from the Harbor Accumulation Fund to the Operating fund to pay for replacing our launch ramp parking pay kiosk machine.

Expenditures:

- Harbor Accumulation Fund Transfer Out: A transfer out of \$15,000 to a new capital project to complete security enhancements at City facilities is recommended to support security improvements at the Harbor Department.
- Harbor Accumulation Fund Transfer Out: A transfer out of \$15,000 is recommended to be transferred to the Harbor Operating fund to support the replacement of the department's launch ramp parking pay kiosk machine.
- Harbor Accumulation Fund Transfer Out: A transfer out of \$60,000 is recommended to support a review of the scope, concept and obtain a cost estimate for the launching facility rehab project.
- Harbor Overtime: a budget increase of \$5,000 is recommended to account for unanticipated overtime.
- Harbor Part-Time Pay: A budget increase of \$11,000 is recommended to support increased part-time hours to provide patrol coverage during a long-term employee absence.
- Harbor Employee Benefits: A budget adjustment of \$1,000 is recommended to cover benefits incurred with the additional part-time pay.
- Harbor Building Maintenance Supplies: A budget increase of \$4,000 is recommended to fund pay shower vandalism and theft and replace the equipment that was removed. In addition, secure doors to the pay showers will be installed to help prevent future issues.
- Harbor Water: A budget adjustment of \$15,000 is recommended to account for the increased water cost.
- Harbor Property Damage: A budget adjustment of \$4,500 is recommended to insure a commercial boat that is being seized.
- Harbor Association Dues: A budget adjustment of \$500 is recommended as dues was underbudgeted for the fiscal year.
- Harbor Department outside vehicle repair: A budget adjustment of \$1,500 is recommended to replace the transmission in one of the Departments hybrid vehicles.
- Harbor Department Capital Outlay: A budget increase of \$15,000 is recommended to replace the launch ramp parking pay kiosk machine.
- Harbor Lifegaurds Part-Time Pay: A budget increase of \$4,000 is recommended to keep lifeguards at parity with other hiring agencies. This is a result of minimum wage increases.
- Harbor Lifeguards Employee Benefits: A budget increase of \$800 is recommended to account for increased benefit costs associated with increased part-time pay.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

WATER FUND - 311

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 2,062,875	\$ 2,417,816	\$ 2,686,792	\$ 2,815,256	\$ 3,722,666
Fiscal Year Total Actual Revenues	\$ 4,338,311	\$ 4,928,645	\$ 5,533,392	\$ 5,747,726	
Fiscal Year Total Budgeted Revenues					\$ 7,852,700
2nd Quarter Percent of Total	47.55%	49.06%	48.56%	48.98%	47.41%
2nd Quarter Actual Expenditures	\$ 2,464,111	\$ 1,694,995	\$ 2,110,540	\$ 2,175,044	\$ 2,476,107
Fiscal Year Total Actual Expenditures	\$ 5,416,380	\$ 3,659,970	\$ 3,655,468	\$ 5,163,504	
Fiscal Year Total Budgeted Expenditures					\$ 7,823,568
2nd Quarter Percent of Total	45.49%	46.31%	57.74%	42.12%	31.65%
Recommended Budget Revision Revenues				\$	-
Recommended Budget Revision Expenditures				\$	-

WATER FUND REVENUES

	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Water Service Revenues	\$ 2,612,786	\$ 2,700,620	\$ 2,808,080
Fiscal Year Total Actual Revenues	\$ 5,381,723	\$ 5,501,111	
Fiscal Year Total Budgeted Revenues			\$ 6,086,000
2nd Quarter Percent of Total	48.55%	49.09%	46.14%
2nd Quarter Water WRF Surcharge Revenues	\$ -	\$ -	\$ 821,722
Fiscal Year Total Actual Revenues	\$ -	\$ -	
Fiscal Year Total Budgeted Revenues			\$ 1,654,000
2nd Quarter Percent of Total	0.00%	0.00%	49.68%
2nd Quarter Other Water Revenues	\$ 73,919	\$ 114,414	\$ 92,864
Fiscal Year Total Actual Revenues	\$ 151,669	\$ 246,615	
Fiscal Year Total Budgeted Revenues			\$ 112,700
2nd Quarter Percent of Total	48.74%	46.39%	82.40%

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Expenditures:

- Water Equipment Replacement Fund: A budget increase of \$81,194 is recommended to purchase replacement valve exercising equipment for the water division. The current equipment is over ten years old and is approaching the end of its serviceable life with having had several repairs over the last several years. There is sufficient fund balance in the replacement fund (\$275,000) for this purchase.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

SEWER FUND - 321

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 2,011,389	\$ 2,269,228	\$ 2,660,409	\$ 2,955,602	\$ 3,249,946	\$ 4,574,137
Fiscal Year Total Actual Revenues	\$ 4,336,206	\$ 5,118,266	\$ 5,690,877	\$ 6,379,674	\$ 6,940,805	
Fiscal Year Total Budgeted Revenues						\$ 9,487,000
2nd Quarter Percent of Total	46.39%	44.34%	46.75%	46.33%	46.82%	48.21%
2nd Quarter Actual Expenditures	\$ 1,915,074	\$ 1,019,443	\$ 1,424,012	\$ 2,065,045	\$ 1,206,180	\$ 905,187
Fiscal Year Total Actual Expenditures	\$ 4,696,610	\$ 3,814,036	\$ 3,170,631	\$ 2,325,296	\$ 3,010,375	
Fiscal Year Total Budgeted Expenditures						\$ 9,487,000
2nd Quarter Percent of Total	40.78%	26.73%	44.91%	88.81%	40.07%	9.54%
Recommended Budget Revision Revenues						\$ -
Recommended Budget Revision Expenditures						\$ -

SEWER FUND REVENUES

	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Sewer Service Revenues	\$2,929,046	\$3,222,218	\$3,414,823
Fiscal Year Total Actual Revenues	\$6,326,718	\$6,891,724	
Fiscal Year Total Budgeted Revenues			\$7,246,000
2nd Quarter Percent of Total	46.30%	46.75%	47.13%
2nd Quarter Sewer WRF Surcharge Revenues	\$ -	\$ -	\$1,125,915
Fiscal Year Total Actual Revenues	\$ -	\$ -	
Fiscal Year Total Budgeted Revenues			\$2,173,000
2nd Quarter Percent of Total	0.00%	0.00%	51.81%
2nd Quarter Other Sewer Revenues	\$ 26,316	\$ 27,674	\$ 33,399
Fiscal Year Total Budgeted Revenues	\$ 52,955	\$ 49,083	\$ 68,000
2nd Quarter Percent of Total	49.70%	56.38%	49.12%

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Expenditures:

- Sewer Accumulation Fund: A budget increase of \$19,750 is recommended to support installation of fiber optic from the City's Community center to the corner of Quintana Blvd. The fiber optic will be needed for the WRF project as the lift stations will connect to fiber optic.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

FY 2019/20 Recommended Budget Adjustments

Budget adjustments are recommended for the following revenues and expenditures as of the second quarter as described below, these descriptions include adjustments to the accumulation and replacement funds which are not included in the above analysis:

ENTERPRISE FUNDS				
Enterprise Funds - Revenues				
Harbor Operating Fund				
331			State Grants	16,000
331	6510	3371	Harbor Leases	50,000
331	6511	8501	Transfer In (From Harbor Accumulation Fund)	15,000
303			TOTAL ENTERPRISE FUND REVENUES	\$ 81,000
Enterprise Funds - Expenditures				
Sewer Accumulation Fund				
952	7710	8540	Transfer to Capital Improvement Fund	19,750
				19,750
Water Equipment Replacement Fund				
053	5240	7302	Water Equipment Replacement (valve maintenance)	81,194
				81,194
Harbor Accumulation Fund				
953	7710	8540	Harbor Security Wall Improvement	15,000
953	7710	8540	Transfer out to Harbor Operating Fund for Launch Ramp Repair	15,000
953	7710	8540	Launching Facility Rehab Scope, Concept and Cost Estimate	60,000
321				90,000
Harbor Operating Fund				
331	6510	4120	Overtime	5,000
331	6510	4310	Part-Time Pay	11,000
331	6510	4910	Employee Benefits	1,000
331	6510	5502	Building Maintenance Supplies	4,000
331	6510	6303	Water	15,000
331	6510	6411	Property Damage	4,500
331	6510	6510	Association Dues	500
331	6510	6604	Outside Vehicle Repair	1,500
331	6510	7499	Other Capital Outlay	15,000
331	6511	4310	Part-Time Pay	4,000
331	6511	4910	Employee Benefits	800
				62,300
			TOTAL ENTERPRISE FUND EXPENDITURES	\$ 253,244

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Water Reclamation Facility Capital Project

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

Below is a snapshot of expenditures, by category for the WRF project for the first six months of FY 2019/20.

WWTP RELOCATION & TRMT ALTERNATIVE (WRF): March 2013 through December 31, 2019						
SOURCE OF FUNDS	Prior Yrs Actuals 3/2013 - 6/30/18	2018/19 YE Actuals	2019/20 City Budget & Carryfwd *	2019/20 2nd Qtr Actuals	% of City Budget	Total Project
GRANTS & AWARDS	-	-	75,000	-	-	-
SEWER ENTERPRISE ACCUM FUND	4,980,872	3,778,780	6,938,426	-	-	8,759,652
WATER ENTERPRISE ACCUM FUND	559,342	1,543,445	6,335,850	-	-	2,102,787
WIFIA PROPOSED FINANCING	-	-	14,216,141	-	-	-
CLEAN WATER STATE REV FUND LOAN	-	217,441	6,082,559	-	-	217,441
STATE REV LOAN/COPS PROPOSED FINANCING	-	-	-	-	-	-
TOTAL SOURCE OF FUNDS	5,540,214	5,539,666	33,647,976	-	-	11,079,880
USE OF FUNDS	Prior Yrs Actuals	2018/19 YE Actual	2019/20 City Budget & Carryfwd *	2019/20 2nd Qtr Actuals	% of City Budget	Total Project
SEWER ENTERPRISE ACCUM FUND						
4999 Labor Cost Applied (Salary)	388,798	103,564	140,000	47,131	34%	539,493
Fringe Benefits	-	24,719	71,500	10,262	14%	34,980
<i>Salaries and Benefits</i>	388,798	128,283	211,500	57,393	27%	574,474
5114 Lab Testing Supplies	-	-	92,700	-	0%	-
5199 Supplies & Equipment	9,687	96,297	5,000	358	-	106,342
6101 Legal Services - General	2,583	85,854	115,000	61,805	54%	150,242
6220 Postage (Included in 6710)	-	-	-	3,928	-	3,928
6301 Electricity	-	2,500	-	-	-	2,500
6510 Meetings & Confr	-	200	-	700	-	900
6513 Meals & Lodging	-	293	-	-	-	293
6514 Travel Expense	12,101	5,863	-	2,161	-	20,125
6640 Maintenance Contracts	91,193	-	44,776	-	0%	91,193
6710 Notices & Publications	77,818	4,398	-	-	-	82,216
<i>Services/Supplies/Equipment</i>	193,382	195,405	257,476	68,952	27%	457,740
6104 Engineering Services	81,567	201,252	287,500	19,323	7%	302,142
6105 Consultation Services	3,126,564	45,216	92,500	35,758	39%	3,207,538
6106 Contractual Services	-	19,785	-	-	-	19,785
6107 Promotion and Advertising	-	-	-	10	-	10
6152 Outside Lab Testing	35,483	10,947	-	12,948	-	59,378
6161 Licenses & Permits	-	1,232	-	3,306	-	4,538
6195 Rate Study	18,356	-	-	-	-	18,356
Prog Mgmt & DB Procure	925,350	1,044,107	3,460,000	360,983	10%	2,330,440
6196 Construction Management	-	-	-	-	-	-
Construction Inspection	-	-	-	-	-	-
6197 Grant Support	94,880	92,676	120,000	42,059	35%	229,615
6198 Government Relations	57,017	61,380	56,500	27,192	48%	145,589
<i>Construction Soft Costs</i>	4,339,217	1,476,593	4,016,500	501,579	12%	6,317,380
7101 Land Acquisition	30,500	1,000	100,000	522,003	522%	553,503
7103 Design/Build - On-site Imprv Design/Bldg Phase	-	3,163,060	3,459,000	2,500,250	72%	5,663,311
7104 Desgin-Lift Station/Force Main	275,162	469,340	441,500	273,972	62%	1,018,474
7105 Planning & Permitting	313,155	78,451	571,500	18,435	3%	410,042
7106 Design-Inj Wells & Recyled Water Pipeline	-	6,570	82,500	-	0%	6,570
7107 Design/Build - On-site Imprv Build Phase	-	-	23,034,000	-	0%	-
NEW Injection Well Construction	-	-	-	-	-	-
7109 Liftstation/FM Construction	-	-	1,424,000	-	0%	-
7110 Pilot Well Construction	-	-	50,000	-	0%	-
<i>Construction Costs</i>	618,817	3,718,422	29,162,500	3,314,660	11%	7,651,899
WRF Litigation*	-	20,963	-	11,906	-	32,869
TOTAL EXPENDITURES	5,540,214	5,539,666	33,647,976	3,954,491	12%	15,034,361

* Tracked as a separate project as these are unbudgeted costs that can not be anticipated.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Capital Projects

With the adoption of the FY 2019/20 budget, the City did not appropriate community benefit funds received from Castle Wind. In addition, the City was successful in receiving a grant to partially fund electric vehicle charging stations and continues to prioritize safety improvements at City facilities. As such, staff is recommending the following budget adjustments for new capital projects to completed within the remaining six months of the fiscal year.

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Security Improvements at City Facilities (Public Works/Community Development, Recreation Services, Active Adults and Harbor):

- Staff recommends establishing a new capital project for Security improvements at City facilities, totaling \$52,000 to implement security measures at the City's Public Works/Community Development building, Recreation services building, Active Adults center and Harbor Facility. The security improvements will be funded from the City's General Government Impact Fees (Fund 900 in the amount of \$37,000) for the Public Works/Community Development, Recreation and Adult Service facilities, and from the Harbor Accumulation Fund (\$15,000).

Electric Vehicle Charging Station:

- Staff recommends establishing a new capital projects to install electric vehicle charging stations, previously discussed with Council. This project is partially funded with grant funds of \$26,000 coupled with parking in lieu fees of \$22,000 for total project cost of \$48,000.

Cloisters Park Landscape Project:

- Staff recommends establishing a new capital project for the first phase of renewing a portion of the center median landscaping, planting, hardscape in the Cloisters Assessment District. A budget appropriate of \$50,000 from the Assessment Districts Accumulation fund is recommended for this phase of the project.

Division of Boating and Waterways Boat Launching Facility Rehabilitation Grant:

- Staff recommends defunding this capital project and acceptance of grant funds as the City is no longer able to partner with DBW on this project.

Launching Facility Rehabilitation:

- Staff recommends establishing a new capital project to explore scope, concept and cost estimate for the launching facility rehabilitation. This project cost is estimated to be \$60,000 funded from the Harbor Accumulation Fund.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

FY 2019/20 Recommended Budget Adjustments

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

<i>CAPITAL PROJECTS</i>				
<i>Capital Project Funds - Revenues</i>				
<i>Capital Projects General Government</i>				
xxx				
xxx	New Project	Transfer in - Security Improvements Capital Project		52,000
<i>Capital Project EV Charging Station</i>				
xxx	New Project	EV Charging Station APCD Grant		48,000
<i>Capital Project DBW Launching Facility</i>				
331	6510	3445	Slip Transient Sub Lease	(250,000)
<i>Capital Project Cloisters Landscape</i>				
331	6510	3445	Cloisters Park Landscape Capital Project	50,000
<i>TOTAL CAPITAL PROJECT FUND REVENUES</i>				\$ (100,000)
<i>Capital Project Funds - Expenditures</i>				
<i>Capital Projects General Government</i>				
xxx				
xxx	New Project	Security Improvements Capital Project		-
		Public Works/Community Development Bldg		15,000
		Recreation Services Building		12,000
		Active Adults		10,000
		Harbor Security Improvements		15,000
<i>Capital Project Fund Harbor</i>				
xxx	New Project	Launching Facility Rehab Scope, Concept and Cost Estimate		60,000.00
<i>Capital Project EV Charging Station</i>				
xxx	New Project	New EV Charging Station Capital Project		48,000
<i>Capital Project Cloisters Assessment District</i>				
xxx	New Project	Cloister Park Landscape Capital Project		50,000
				-
<i>TOTAL CAPITAL PROJECT FUND EXPENDITURES</i>				\$ 210,000

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Other Funds

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

Morro Bay Tourism Business Improvement District

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

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

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

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

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

For second quarter 2019/20 revenues and expenditures are trending well and in line with budget projects. It should be noted that revenues include fund transfers in which is the General Fund's contribution towards TBID.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

TBID OPERATING FUND

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 392,912	\$ 510,489	\$ 538,016	\$ 543,929	\$ 405,964
Fiscal Year Total Actual Revenues	\$ 841,295	\$ 935,834	\$ 935,691	\$ 1,082,464	
Fiscal Year Total Budgeted Revenues				\$	889,644
2nd Quarter Percent of Total	46.70%	54.55%	57.50%	50.25%	45.63%
2nd Quarter Actual Expenditures	\$ 425,537	\$ 434,309	\$ 531,601	\$ 541,586	\$ 470,814
Fiscal Year Total Actual Expenditures	\$ 660,205	\$ 917,560	\$ 917,928	\$ 1,342,177	
Fiscal Year Total Budgeted Expenditures				\$	889,081
2nd Quarter Percent of Total	64.46%	47.33%	57.91%	40.35%	52.96%
Recommended Budget Revision Revenues				\$	-
Recommended Budget Revision Expenditures				\$	-

*Revenues includes transfers in

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

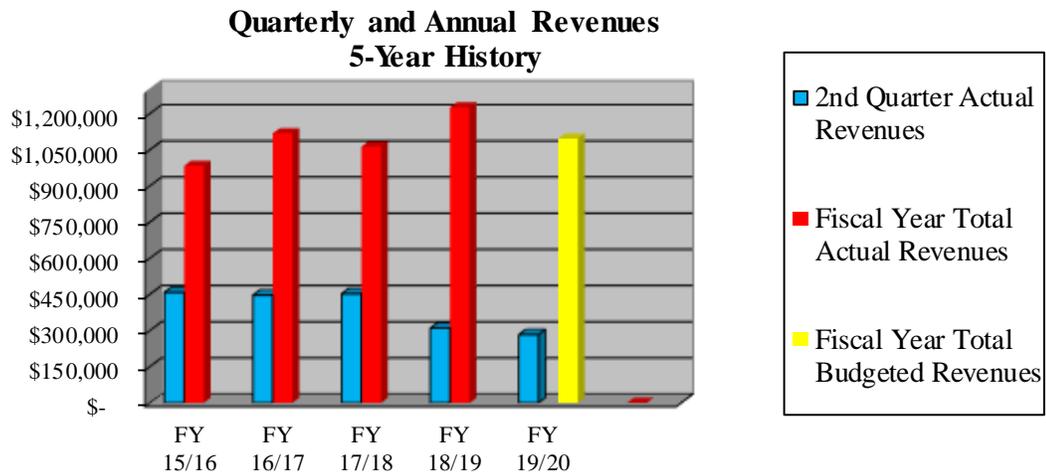
Measure Q

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

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

Measure Q revenues are trending well and no budget adjustments are recommended at this time.

Measure Q Revenues



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Revenues	\$ 458,250	\$ 446,882	\$ 452,616	\$ 309,983	\$ 283,047
Fiscal Year Total Actual Revenues	\$ 983,602	\$ 1,118,270	\$ 1,062,895	\$1,226,552	
Fiscal Year Total Budgeted Revenues					\$1,096,000
2nd Quarter Percent of Total	46.59%	39.96%	42.58%	25.27%	25.83%

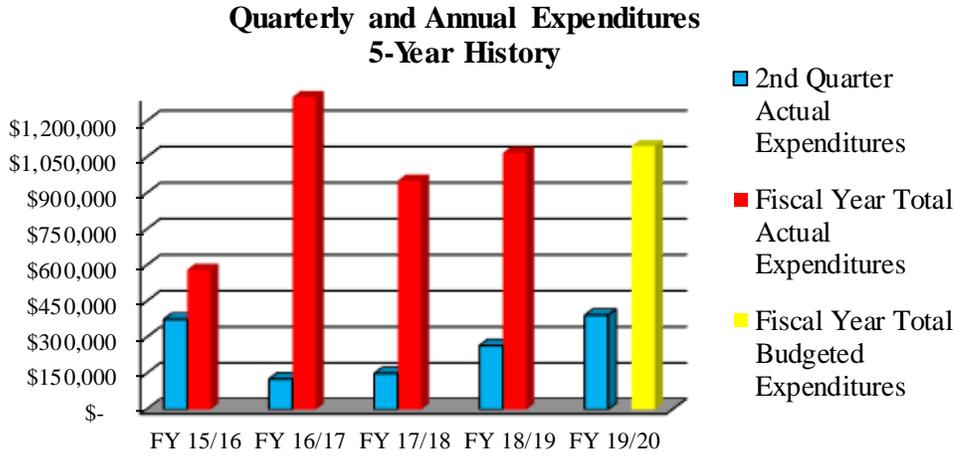
Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Measure Q Expenditures are generally trending well when compared to prior year actuals. Staff is recommending a budget augmentation of \$161,677 from fund balance (\$296,084) to fund equipment (i.e. patrol vehicle that is a carryforward from FY 2018/19, fire safety equipment including PPE, Wildland hose and fire training, tasers for Police officers and repairs to the fire command vehicles. Staff is recommending that these purchases be approved using Measure Q fund unallocated fund balance.

Measure Q Expenditures



	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
2nd Quarter Actual Expenditures	\$ 375,877	\$ 126,949	\$ 150,324	\$ 266,128	\$ 392,526
Fiscal Year Total Actual Expenditures	\$ 582,073	\$ 1,491,240	\$ 952,399	\$1,067,640	
Fiscal Year Total Budgeted Expenditures					\$1,096,000
2nd Quarter Percent of Total	64.58%	8.51%	15.78%	24.93%	35.81%

Recommended Budget Revision	\$ 161,677
------------------------------------	-------------------

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Measure Q

Expenditures:

- Equipment Acquisition – Measure Q Police: A budget adjustment of \$43,655 is recommended to support the purchase of a patrol vehicle. This purchase was approved in FY 2018/19 but was not complete by the end of the fiscal year as expected. This is a carryforward request.

- Machinery/Equipment/Supplies – Measure Q Police: A budget adjustment of \$70,000 is recommended to support the purchase Tasers.

- Uniforms/Safety Equipment and training – Measure Q Fire: A budget adjustment of \$48,023 is recommended to support the purchase of wildland personal protective equipment (PPE), small tools, wildland hose, SCBA repair, repairs to Truck 5341 and A5320 and mandated training for fire personnel.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

Pavement Management Plan

In FY 2017/18 the Citizen Finance Advisory Committee (CFAC) agreed with staff's recommendation to establish one pavement management plan and have all revenues and expenditures related to the City's pavement management plan identified in one capital project. Therefore, the Measure Q allocation to pavement management is transferred into the pavement management plan capital project. As such, staff provides the CFAC committee with a detailed analysis of revenues and expenditures for the project. As of December 31, 2019, the very little expense has been incurred related to the pavement management plan and as such revenues from Measure Q have not been transferred to the project. Detail is provided below:

**City of Morro Bay
Schedule of Pavement Management
Project Expenditures
For the period ended December 31, 2019**

	FY18/19 YE Actuals	FY18/19 2nd Qtr Actuals	FY18/19 % YTD	FY 2019/20 Adopted Budget	FY 2019/20 2nd Qtr Actuals	FY 2019/20 % YTD	FY 2019/20 Finance Projection
Revenues							
Road Maint. & Rehab Alloc SBI-2032(h)(2)	\$ 189,740	\$ 62,355	33%	\$ 50,000	\$ 80,053	160%	\$ 80,053
SBI-State GF Loan Repay from Traffic Congestion Relief(Prop 42)	11,844	-	-	-	-	0%	\$ -
State Grant Capital Impv	41,478	-	0%	-	-	0%	\$ -
State Grant Other Govt Sv	-	-	-	185,686	-	0%	\$ 185,686
Transfers In	500,457	-	0%	527,000	-	0%	\$ 527,000
Total Project Revenues	\$ 743,519	\$ 62,355		\$ 762,686	\$ 80,053		\$ 792,739
Expenditures							
Salaries & Benefits	-	-	0%	-	-	0%	\$ -
Engineering Services	-	-	0%	100,000	-	0%	\$ 100,000
Consulting Services	40,543	-	0%	47,000	3,403	0%	\$ 47,000
Contractual Services	702,977	-	0%	615,686	-	0%	\$ 615,686
Other Utilities	-	-	0%	-	-	0%	\$ -
Total Operating Expenditures	\$ 743,519	\$ -	0%	\$ 762,686	\$ 3,403	0%	\$ 762,686

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

FY 2019/20 Recommended Budget Adjustments

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

<i>OTHER FUNDS</i>				
<i>Other Funds Expenditures</i>				
<i>Measure Q</i>				
003				
003	4210	0	Fire Safety Equipment, Training and Vehicle Repair	48,023
003	4110	7201	Police - Patrol Vehicle (Carry forward from 18/19)	43,655
003	4110	5504	Tasers	70,000
<i>Government Impact Fees</i>				
900				
900	299	8501	Transf Out To Security Improvements Capital Project	37,000
<i>Parking In Lieu Fees</i>				
299				
299	7710	8501	Transfer Out to new EV Charging Grant Capital Project	22,000
<i>Cloister Assessment District Accumulation Fund</i>				
575				
575	7710	8501	Transfer out to Cloisters Park Landscape Capital Project	50,000
<i>Strategic Spending Fund</i>				
515				
515	2335		Strategic Spending (Fiber Install for City Hall, Public Services, Recreation and Police)	29,147
<i>TOTAL OTHER FUNDS EXPENDITURES</i>				<i>\$ 299,824</i>

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Other Funds

Expenditures:

- Measure Q – Discussed previously on page 30
- Government Impact Fees – Staff recommends a transfer of \$37,000 to a new capital project established for security improvements at the City’s Public Works/Community Development, Recreation and Adult Services buildings.
- Parking In-Lieu Fund – Staff recommends a transfer of \$22,000 to a new capital project to install electric vehicle charging stations in the City. The remaining of this project will be funded with grant funds.
- Cloister’s Assessment District Accumulation Fund – Staff recommends a transfer of \$50,000 from the Cloisters Accumulation fund for the first phase of landscape renewal project in the center median at the Cloisters.
- Strategic Spending Fund – Staff recommends appropriation of \$29,147 from the fund balance of the Strategic spending fund for fiber optic install at the City’s facilities (City Hall, Public Works/Community Development, Fire, Recreation and Police), and radio access at the City’s Harbor, Corporation Yard and Utilities facilities.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2019/20

CONCLUSION

The financial results from the FY 2019/20 second quarter data highlighted areas where budget expectations exceeded actual receipts and areas where the City is in good position. While the economy is holding strong and staff is remaining conservative with spending habits, the City's sales tax consultant has cautioned that they are forecasting a flattening of the economy. As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating and capital needs.

QUESTIONS:

A1: Approval of minutes.

1. The 10-year forecast update was identified as an item for the 2/18/2020 agenda. It isn't specifically on the agenda. CFAC doesn't meet in March, and the meeting in April will be too late in the budget process. Are we going to skip it this year?

Answer: I was not able to complete the 10-year forecast update by the time of publication and did not want to submit something to the Committee that wasn't ready for review yet. We are working on finalizing the 10-year forecast now for discussion at the Special Council meeting on February 25th. My apologies for not getting this done in time for the committee review. If I recall correctly, I don't believe the Committee review the 10-year forecast last year either until the budget was prepared, however, I am happy to send the committee members a copy of the forecast and staff report once it is published at the end of this week for review.

2. At our last meeting, this had been identified as an Agenda item for this meeting. **Why was it not included?**

Answer: Please see above for response.

B3: Join the Conversation.

1. This item was not identified at our prior meeting, but included. **What is the cost of this study? Are you aware of other similar studies done in our area and if so, what was that cost? And if more or less, can you explain the difference?**

Answer: This community outreach is included in our contract with the Lew Edwards Group which is not to exceed \$60,000 through June 30, 2020. The Lew Edwards Group partnered with FM3 to complete the community polling regarding community priorities. Based on the results of the community polling survey, as previously mentioned, we are extending community outreach to hear from as much of the community as possible on needs and priorities. I believe that the City of San Luis Obispo has or is doing something similar and perhaps Grover Beach and Paso and Atascadero. I do not have details about their contracts and know specifics as to the extent of community outreach that is being conducted in other jurisdictions.

2. Any time you ask questions, the way you ask them can get the desired results. **Why were there no questions about fixing our weakening infrastructure when we have had 218s going back to 2007 indicating this being a problem and asking/receiving rate increases to address/fix**

Answer: The survey was focused on general fund and harbor needs, with a focus on community priorities. There was a general question on maintaining the City's infrastructure. The Committee members question relates to Water and Sewer infrastructure needs which are funded by utility rates. The utility rates are already approved as is the capital improvement plan in the one water report.

B5: Q2 budget performance report.

Re Measure Q:

1. There are two invoices dated 11/1/19 with description "Visa Card." Does the software allow for a better description?

Answer: The description used for credit card purchases carries forward with all purchases on any city credit card during that period. There is a section we can add some more description, but this does not print on any of the reports we run. Attached are copy of the credit card receipts and invoices for reference.

2. There is an invoice dated 10/7/19 for the rental of a changeable message sign for \$730. Does that belong in Measure Q?

Answer: I'm sorry, I did not catch that in my review. This is a general fund expenditure for message signs for harbor fest. We will reclass this expense to the general fund and remove it from Measure Q.

3. The items described as Wildland PPE, Out of County Small Tools, and Wildland Hose were not included in the original FY 2020 budget request. Are these items being requested now because they were used up during mutual aid work in 2019? Were any of these items included in the \$203,382 reimbursement from Cal Fire and FEMA?

Answer: The Fire departments emergency equipment, wildland personnel protection equipment, support vehicles and large apparatus replacements have not generally been funded in the general fund due to budget constraints. We do have a relatively small vehicle replacement fund established and have set aside some funds for Fire vehicle purchases. We are currently developing a replacement schedule so we know what an appropriate funding level this fund should maintain. The mutual aid reimbursements are for personnel, admin and vehicle usage. Should this recommendation be approved, if the general fund closes the fiscal year with revenues ahead of expenditures, we will recommend that Measure Q be reimbursed for these expenditures before closing the FY 2019/20 books.

4. Required speed survey. How often is it required and when last done?

Answer: The California Vehicle Code (CVC) allows up to ten years between Engineering and Traffic Surveys (ETS - Speed Survey). The last ETS was completed and certified in 2009.

5. Re the \$25,000 speed survey, does the Police Dept currently employ radar to enforce speed limits? When was the most recent speed survey done?

Answer: The police do use radar; however, it is not enforceable without an updated speed survey. Please see response above for date of last survey.

6. The City saved \$42,650 in the general fund by prepaying \$1,096,232 of the 2019/20 CalPERS UAL in July, but the full citywide prepayment was \$1,526,950, including \$14,295 charged to Measure Q. What is the estimate of the total citywide savings from the prepayment?

Answer: The lump sum payment in July saved Measure Q \$3,292.19 in interest. Citywide, the lump sum payment saved all funds a total of \$71,217 in interest.

7. With revenue lower than YTD expectations, what is the timing to trigger expense reductions?

Answer: We will be meeting with our sales tax consultants on February 25th for an update. After the meeting, we will know if there is just a lag in processing or if we are expected to receive less sales tax than forecasted. If we are expected to receive less that we will think about expense reductions at that time. This is also why we like to keep some fund balance which is available for spending should revenues come in lower than expected.

8. Is a revised tentative Pavement schedule available for 2020?

Answer: We are still working with Pavement Engineering Inc. (PEI) on the list for this year's (spring) project and future years. PEI has completed the visual assessment. We are now selecting streets for either deflection testing or core sampling to determine the existing structural section. Once complete we can run the pavement model that will recommend the most cost-effective pavement rehab techniques and on which streets. This work is scheduled to be complete mid-March.

Re other than Measure Q:

9. Page 50: What is Undistributed Other (budget \$181,034 and actual \$199,116)?

Answer: This is the lump sum payments made to employees as a result of previously negotiated labor agreements. This was discussed with the Council and approved in early November. The labor agreements had language in them that if revenues exceeded expenditures for FY 2017/18 and FY 2018/19 then a percentage of the excess amount would be evenly distributed to employees in a non-persable lump sum.

10. Page 53: Shouldn't the first expenditure item be included in the section for water rather than harbor?

Answer: Yes, thank you for pointing this out. I will correct it for final publication to Council.

11. Page 59: The City will not be receiving a grant for the boat launching facility rehabilitation project. What was the estimated cost for that project? Were plans produced as part of the grant submission? How do the plans that will be produced with the new \$60,000 budget differ or improve on what has already been done?

Answer: The total estimated project cost was \$1.9M for all hard and soft costs, including planning and permitting. The \$250K grant we got from DBW was theoretically supposed to get us through 100% design and permitting.

The only plan produced was a one-page conceptual drawing done by DBW, along with their cost estimation that they gave to us to use in our grant application. The City did not take further planning steps because we never got to that point.

DBW told Harbor staff that they preferred to work up the project concept and cost estimation as they believed it made for a better application package. City staff agreed and went along with DBW recommendation. Turns out DBW's concept plan and associated cost estimation only took into account what City staff considered "surface" of the project – the obvious things you could see like a launching ramp, boarding floats, a fixed ADA-compliant restroom and an ADA-complaint path between all facility elements.

DBW did not factor in such things as the fact that the parking lot asphalt needs a multi-hundred thousand re-paving including bringing all the drainage up to environmental spec (they only budgeted \$90K to spray on the asphalt black seal stuff), or that the existing pathways are all out of ADA spec and need to be completely re-done, also a multi hundred-thousand dollar job (where they only budgeted \$84K to make a couple parking spaces compliant). So, once these and other things came to light as we were trying to get an engineer under contract for project design, it was clear that DBW grossly under-scoped the true nature and cost of the project, and the grant had no viable pathway to being increased or modified to do only a few critical things like ramp itself as DBW's flawed scope was inextricably tied to DBW's flawed cost estimation, and all paths led to certain cost over-runs that we, the City, would have to absorb. So, staff felt it was best to pull out of the grant with DBW and complete our own scoping of the project.

The project is still sorely needed, and the only viable path forward (one I have now learned most all other jurisdictions like us have used) is for us to hire a consultant (engineer) to work up our own, realistic and properly-encompassing project concept and cost estimation to submit to DBW for a new grant application. This is what the request for \$60K is for. The City's plans will have many, if not most, of the surface elements in DBW's plans, but ours will be realistic.

12. Page 146, very little Water Discount expense activity, will these expenses hit later in the year?

Answer: Yes, given limitations with our system, we calculate the discount and do a journal entry to record this. This will get done at the end of the fiscal year. In future years, we will try to do a mid-year entry as well, so the discount is more transparent.

13. Page 146 shows that the City has expended only \$221 so far this year in the water discounts/rebates fund out of a budget of \$120,000. Are those discounts being captured somewhere else?

Answer: Please see response to question 12.

14. Page 2 of the Executive Summary notes the trend in salaries and benefits is due to the \$1.1 M UAL payment for CalPERS. **Have we made any previous payments for this or anticipate any similar payments in future years?**

Answer: The City has made UAL payments for many years, as a result of PERS not earning enough in their investment portfolio to meet obligations. The UAL's are meant to offset the difference. Last year, FY 2018/19 the City did a lump sum payment in July versus the 12-month installment payments throughout the fiscal year to save money – interest PERS charges for amortizing the payments. In FY 2018/19 the City saved approximately \$68,000 by doing this. Please refer to question 5 above for FY 2019/20 discussion.

With Council's approval to pay off the UAL's for the Tier II and Tier III classifications, the City will have lower UAL obligations in FY 2020/21 but will still have obligations related to Tier I and any new UALs for Tier II and Tier III.

15. Page 35, State Budget Update, next to last paragraph. If CA makes supplemental payments of \$3 billion to PERS, do you have any idea when and how that would affect our City's unfunded liability?

Answer: There will likely be little affect to our City's unfunded liability. The state is making supplemental payments towards their unfunded liability for the state employees. With the state having surplus funds and able to make supplemental payments it is likely that the State will be less likely to provide relief for local governments. There may be some ancillary benefit local governments receive in that supplemental payments put more money into the investment pool and increased returns may benefit local governments to some degree, but this is not something we can expect or count on going forward.

16. Page 41, Property Tax VLF. Can you please describe this revenue source during our meeting? Is it additional revenue over what the City is entitled to from regular property taxes to make up for the 2004 permanent reduction in vehicle license fees?

Answer: VLF Property tax was separated out for the mid-year report as I believe was requested during the first quarter discussion. Cities started to receive VLF Property tax in 2004. The VLF rate was lowered in the mid-1990s, and because of this the state reimbursed counties and cities for their lost revenue. The state provided counties and cities state General Fund revenue to reimburse those loses. Starting in 2004, the state paid for the lost VLF revenue by redirecting a portion of property taxes from schools to counties and cities. The amounts received was based on populations. Today, counties and cities VLF swap amounts increase annually based on growth in the assessed value of property within their boundaries. As a result of the swap, cities and counties receive a larger proportion of the 1 percent tax than they received before the swap.

17. Page 103, etc, General Liability 6401 for Police, Fire, etc is well over budget. Is this correct, and if so are budget adjustments needed?

Answer: The City has historically budgeted too little for general liability insurance and too much for worker's compensation insurance. Between the two insurance categories, the over collection in worker's comp offsets the under collection for general liability and from a budget perspective balances out. We are currently doing an analysis of what is the appropriate amount to appropriate and collect for General Liability and for Worker's Compensation and do a budget transfer to correct the distribution to the appropriate amounts. Since these are transfers between accounts, we will not bring forward a budget adjustment, the City Manager may sign off on these forms of Transfers.

18. Page 139, will a budget adjustment be necessary for the transit fund revenues, or will there be a revenues coming in later during the year, or a transfer?

Answer: The revenues came in a bit later than normal this year, we received most of the revenues during January, so no budget adjustment is necessary at this time.

19. Page 146, very little Water Discount expense activity, will these expenses hit later in the year?

Answer: Yes, given limitations with our system, we calculate the discount and do a journal entry to record this. This will get done at the end of the fiscal year. In future years, we will try to do a mid-year entry as well, so the discount is more transparent.

20. Page 167, Revenue for MB/CS Wastewater fund is lagging expenses, is that just a timing issue of reimbursement from Cayucos?

Answer: Due to some staffing shortages for medical purposes we are behind in our billing for reimbursement from Cayucos. The second quarter bill was completed at the end of last week and mailed out today.

21. In a recent Council Meeting, a resident asked why the City was not addressing our infrastructure since funds have been collected to this end (on the order of \$20 - \$30 M since 2008)? The response by the Public Works Manager was, and I am paraphrasing, we are working on several Projects including the Nutmeg Water Tank. **Why does the report through the 2nd Quarter show \$0 expended toward ANY Infrastructure Project?**

Answer: Staff wrote RFPs for the Water and Sewer capital projects that were approved in the adopted FY 2019/20 budget. As staff completed this work, not expenditures have been charged to the projects as of yet. Responses have been received and will be evaluated to select a vendor. Once a vendor is selected, a

contract executed and the consultant completes work, then expenses will be charged to the projects.

COMMENTS:

A) Page 3, Agenda item A-1. Consent Calendar A.1. should refer to minutes for the December 17, 2019 CFAC meeting.

Answer: Noted, sorry about that.

B) Page 60, Total Capital Project Revenues. I think that total should be negative \$ 100K?

Answer: Yes, thank you for pointing this out. We will correct this for the final Council report.

C) Page 64, Recommended Budget Revision for Measure Q. Please check the total below the bar graph, believe it should be \$178,677.

Answer: I believe \$186,677 is correct. The breakout is as follows:

Fire Safety Equipment, Training and Vehicle Repair -	\$48,022.74
Police Patrol Vehicle (Carryforward) -	43,654.69
Tasers -	70,000
Speed Survey -	<u>25,000</u>
	\$186,677.43

D) Page 98, Employer Paid Benefits for City Council appears over budgeted and maybe should be moved to "Undistributed Other Pay" line item.

Answer: Yes, it is underbudget at this point. We will monitor it through the third quarter and do any adjustments necessary then.

E) Page 102, Misc Bank Charges. Hopefully we won't see a huge increase in these fees from previous years due to Mechanics Bank acquisition.

Answer: Agreed.

F) Page 108, Consolidated Maintenance. May need to budget account 6305 Disposal since total is a little over budget now.

Answer: Yes, we will continue to monitor. I tend to look at Public Works, Consolidated Maintenance, Street Maintenance, Street Trees, Street lighting, Storm Drains, and Vehicles collectively since they are all grouped together for audit purposes. We will continue to monitor and can move funds between accounts if necessary.

As a comment: There is extensive text and detailed pages addressing the \$14 M Operating Budget, but very little addressing the Capital Projects such as the WRF which is substantially underrunning the budget. I do realize they are different funding sources.

Answer: Noted.

Pages 26 – 27 address suggested Budget Adjustments to various Capital Projects, but there is no summary of costs expended as in the other sections. I had to go to the details in pages 181 – 183 to find this.

Answer: Noted. If you have suggestions to make this clearer, I am happy to make adjustments.

Measure Q

While this item is not on the Agenda, I was glad to see that it noted that no funds have been expended for Storm Drains which had been identified as one of the needs of Measure Q.

RESOLUTION NO. 19-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 19/20 BUDGET
TO AUTHORIZE VARIOUS ADDITIONAL REVENUES AND EXPENDITURES**

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

WHEREAS, second-quarter adjustments were discussed and approved during the February 25, 2020 Council meeting; and

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

1. The operating budgets of the City are amended by the additional revenues and expenditures, as shown on the attached Exhibit 1, that were discussed at the February 25, 2020, Council Meeting.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

RESOLUTION NO. 20-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 19/20 BUDGET
TO APPROPRIATE COMMUNITY BENEFIT FUNDS TOTALING \$250,000 TO FUND
REHABILITATION AND REPAIRS AT THE SOUTH T-PIER AND NORTH T-PIER**

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

WHEREAS, in November 2018 the City received \$250,000 in community benefit money from Castle Wind, LLC in exchange for the City's commitment to an exclusive arrangement with Castle Wind, LLC; and

WHEREAS, the City has identified needed rehabilitation and repairs of the North and South T-Piers and recommends that the community benefit funds be appropriated to complete the rehabilitation and repairs needed at these two sites.

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

1. Up to \$200,000 from the Community Benefit Fund be transferred to the South T-Pier capital project to fund rehabilitation of the Pier; and
2. Up to \$50,000 from the Community Benefit Fund be transferred to the North T-Pier capital project to fund repairs on the Pier.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of February 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

FY 2019/20 Mid-Year Update

- Mid-Year Budget Performance Report
- CIP Mid-Year Update

February 25, 2020





FY 2019/20 Mid-Year Update

General Fund Revenues –

- Other Revenue – Increase of \$221,607**
 - Charges for Service – Increase of \$86,740**
 - Donations– Increase of \$16,000**
 - Fines/Forfeit/Penalty: \$2,517**
-

Total Revenue Increases of \$153,384



FY 2019/20 Mid-Year Update

Key Revenue Notes –

- Mutual Aid Reimbursement of \$203,382.35**
- IT Service Fees -\$111,000**
- Fire Inspection Fees \$24,260**
- Continuing to monitor other key revenues, and will update during the third quarter update**



FY 2019/20 Mid-Year Update

General Fund Expenditures –

- Salaries & Benefits – Increase of \$85,435**
- Supplies, Materials and Services – Budget increase of \$62,690**

Total Expenditure Increases of \$152,618



FY 2019/20 Mid-Year Update

Key Expenditure Notes –

- **Mutual Aid Personnel Costs – Incurred \$185,711 in personnel related costs for strike team support**
- **Fire Inspections (State Mandated) - \$24,260**
- **Speed Survey - \$25,000**
- **Interest Savings - (\$42,650) from lump sum PERs payment**
- **Pickleball Court Resurfacing - \$16,000**



FY 2019/20 Mid-Year Update

Projected Year-End balanced budget

**Broader Picture with 3rd Quarter
Update**



FY 2019/20 Mid-Year Update

Enterprise Funds

Harbor –

- **Revenue increase totaling \$81,000**
- **Expenditure increase totaling \$62,300 in operating fund**
- **Harbor Security Improvements - \$15,000**



FY 2019/20 Mid-Year Update

Enterprise Funds Cont.

Water –

- Equipment Replacement - \$81,194**

Sewer –

- Fiber Optic Connection - \$19,750**



FY 2019/20 Mid-Year Update

Other Funds –

Government Impact Fees

- **Security Improvements at Public Works/Community Development, Recreation, Active Adults Center - \$37,000**

Parking In-Lieu Fees

- **EV Charging Station Grant Matching - \$22,000**

Strategic Investment and Spending Fund

- **Fiber Optic Install for City Hall, Public Services, Recreation and Police - \$29,147**

Cloisters Accumulation

- **Transfer to fund first phase of Cloisters Park Landscape Project - \$50,000**



FY 2019/20 Mid-Year Update

Other Funds – Measure Q

- **Appropriate unassigned Fund Balance of \$161,677 (expenditure increase)**
 - **Fire Safety Equipment, Training and Vehicle Repair - \$48K**
 - **Police Vehicle Purchase (carryforward from FY 2018/19) - \$43.6K**
 - **Tasers - \$70K**
- **Approved by CFAC 5-0-2**



FY 2019/20 CIP Mid-Year Update

Current CIPs Update

General Government Capital Improvement Projects

- Morro Creek Restoration (\$66,185): Partially FEMA Grant Funded for Storm Damage. Staff engaged with Coastal Commission to determine level of repairs that are needed/required.
- Bocce Ball Court (\$29,577): City staff and volunteers are collaborating to complete this project by spring/summer 2020.
- New pipeline along Kern & Anchor Streets SD-01A and SD-01B (\$32,850): Work has not started yet.
- Facility/Audiovisual Upgrades – Vet’s Hall (\$148,200): City staff is engaged with our partners at AGP to purchase the audio upgrades necessary.
- City Park Playground Structure (\$150,000): Work has not started¹ yet.



FY 2019/20 CIP Mid-Year Update

Other CIPs

Assessment District Improvement Projects

- Cloisters Park Landscape Assessment (\$16,160): Project complete. New capital project proposed for phase 1 of implementation.
- North Point Parking Lot Improvement (\$61,000): Bids received which were significantly higher than the engineering estimate. Once funding availability is determined, staff will bring back revisions to the project.



FY 2019/20 CIP Mid-Year Update

Other CIPs

General Government Capital Improvement Projects

- Tidelands Stormwater Pocket Park (\$47,000): Bids received exceeded grant funds available. Staff is rescoping the project and city staff will perform work to reduce cost.
- State Route (SR)1/SR41 Interchange Improvement (\$189,500): In preliminary engineering/environmental determination phase.
- Pavement Management Plan (\$762,686): A new contract has been executed with Pavement Engineering Incorporated (PEI) for revisions to the City's adopted plan.



FY 2019/20 CIP Mid-Year Update

Other CIPs

Water and Sewer Capital Projects:

- OneWater System Improvement – Nutmeg Pressure Zone (\$382,000): RFP was issued and bid deadline was 2/20/20.
- OneWater System Improvement – Wastewater Collections Main St & Atascadero Rd (\$171,000): RFP issued, and bids received. Staff anticipates bringing a recommendation to award a contract for design services to Council in March.
- OneWater System Improvement – Wastewater Collections LS1/Beachcomber (\$114,500): RFP issued, and bids received. Staff anticipates bringing a recommendation to award a contract for design services to Council in March.



FY 2018/19 CIP Mid-Year Update

Transit/Trolley Capital Projects

- Replacement Vehicle Bus (\$83,540): Project completed. Vehicle delivered to City in September and placed into service in November 2019.
- Transit Stop Signage and Information Display Cases (\$8,000): This project was dependent on being awarded grant funds which the City did not receive. Staff will evaluate the potential to use LTF funds to complete the project.



FY 2019/20 CIP Mid-Year Update

Transit/Trolley Capital Projects

- Replacement Vehicle Trolley (\$395,300): Trolley was delivered in January 2020 and recently certified by the CHP for operation. The procurement process for the second trolley will begin in February 2020.



FY 2019/20 CIP Mid-Year Update

Harbor Capital Projects

- Beach Street Slips (\$370,000): Currently working on design, engineering and permitting.
- South T-Pier Renovations (\$42,052)– Repair work that is needed. Would augment up to \$200,000 in Castle Wind Community Benefit funds for extensive rehabilitation.



FY 2019/20 CIP Mid-Year Update

Harbor Capital Projects Con't:

- North T-Pier Renovations (\$10,000) – Repair work that is needed. Would augment up to \$50,000 in Castle Wind Community Benefit funds for more extensive rehabilitation.
- Harbor Ice Machine (\$10,000): Costs incurred for repairs, if needed.
- DBW Launching Facility Rehab: Defund the grant due to differences with DBW over cost and scope of work.



FY 2019/20 CIP Mid-Year Update

Proposed New CIPs

- **Security Improvements at City Facilities (Public Works/Community Development, Recreation, Active Adults, Harbor) - \$52,000**
 - **\$37,000 from Impact Fees**
 - **\$15,000 from Harbor Accumulation Fund**



FY 2019/20 CIP Mid-Year Update

Proposed New CIPs Cont:

- Electric Vehicle Charging Station - \$22,000 from Parking in lieu fees**
- Cloisters Park Landscape Project – Phase 1 of renewing portions of the median landscaping - \$50,000 from Cloisters Accumulation Fund**



FY 2019/20 CIP Mid-Year Update

Proposed New CIPs Con't:

- Boat Launching Facility Rehabilitation – Determine scope, concept and cost estimate for the boat launching facility rehabilitation to apply for new DBW grant - \$60,000 from Harbor Accumulation Fund**



Community Benefit Funds

Community Benefit Funds - \$250,000

- South T-Pier Renovations (up to \$200,000):
 - Rebuilding/replacing pilings, cross members, bracing and pile caps to full structural integrity
 - Replacing decking
 - Fire sprinkler and utility system rehabilitation
 - Fender pile replacement



Community Benefit Funds

Community Benefit Funds - \$250,000

- North T-Pier Renovations (up to \$50,000):
 - Utility System rehabilitation
 - Fire Sprinkler rehabilitation



FY 2019/20 Mid-Year Update

Questions???

This Page Intentionally Left Blank



AGENDA NO: C-2

MEETING DATE: February 25, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: February 20, 2020

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

SUBJECT: Morro Bay Visitor Center Location and Operational Plan Update and Recommendations

RECOMMENDATION

The Tourism Business Improvement District (“TBID”) Advisory Board recommends to the City Council to request the Chamber conduct a study on visitor centers to include:

- reviewing visitor center best practices,
- identify visitor center performance measures specific to tourism,
- develop recommendations regarding funding proportionality, and
- evaluate a small sampling of what other like size coastal communities (10K population) are doing in terms visitor centers

ALTERNATIVES

The City Council could pursue the following alternatives:

- 1) Authorize the City Manager to negotiate with the Chamber to operate the Visitor Center at 575 Embarcadero,
- 2) Maintain the Morro Bay Visitor Center at its current location on Harbor Street,
- 3) Seek an alternative location, or
- 4) Provide other direction as agreed to by a majority of the Council.

FISCAL IMPACT

Under the Chamber proposal for 575 Embarcadero, the City contract with Chamber to run the Visitors Center would stay in place but additional funds would be needed to support the build out/start-up costs, enhanced staffing and building lease. Additional FY2019/20 costs to account for build out and some start-up and two months of enhanced operations are estimated to be approximately \$51,500. That amount assumes the City would not pay rent at 575 Embarcadero through the proposed build-out phase (March/April 2020). The proposal estimates the FY2020/21 total Visitor Center costs would be approximately \$116,000 (\$64,500 additional costs compared to the current costs to operate the existing Visitor Center). The FY2020/21 Budget includes some start-up costs.

Staff would recommend that the funds needed to build out/start up and provide enhanced services above the existing level be funded through a combination of TBID accumulation funds (to cover build out/start up costs) and TBID operating funds (to cover enhanced services).

Prepared By: SC

Dept Review: _____

City Manager Review: SC

City Attorney Review: _____

With regard to funding a study, staff would recommend City Council consider TBID Accumulation Fund or the Economic Development Fund.

BACKGROUND

The City of Morro Bay was considered as a potential location for the California Welcome Center (CWC), a Visit California activation, when the Pismo Beach closed on October 29, 2019. Visit SLO CAL extended the opportunity to each destination partner in the interest that one of them may want to establish a new center in their city. The TBID Board appointed a sub-committee which collaborated to create a compelling Morro Bay submittal to SLO CAL. The proposal recommended locating the CWC in a vacant store front on the Embarcadero (575 Embarcadero) and joining operations with the City's Visitor Center there. Ultimately, SLO CAL selected a different location in the County to host the CWC.

Through this process it became clear to all parties that the City should strongly consider moving the City's Visitor Center to the 575 Embarcadero location. Previous working groups have discussed a transition to better locations, as Visitor Center numbers have been declining at the Harbor Street location. Those discussions yielded consensus that the current Visitor Center location is less than ideal, but no formal recommendations to move to a specific location emerged. However, now that a space is available on the Embarcadero, there is an opportunity to explore transitioning the Visitor Center to our main tourist serving area in town.

Following the SLO CAL decision, staff brought forward a concept to City Council to move the Visitor Center to 575 Embarcadero, with the Chamber maintaining operations of the Center. By consensus at their January 28, 2020 meeting, Council offered their support for that concept. Council directed staff to work with the TBID Board sub-committee and Chamber Board sub-committee on a proposal and budget and bring back recommendations to the TBID Board and City Council in February 2020.

DISCUSSION

Since that time, the Chamber sub-committee (consisting of Board members who work in the lodging and real estate industries and the Board Chair) developed a Chamber proposal to manage the Visitor Center at 575 Embarcadero. That proposal was approved by the Chamber Board at their February Board meeting. Chamber Executive Director Erica Crawford submitted the proposal to City staff, which was shared with the TBID Board sub-committee (Attachment 1).

A summary of the main terms of the proposal are as follows:

- **Goals**
 - Locate Visitor Center where our visitors actually are.
 - Connect visitors to our lodging establishments and local businesses, encourage longer stays and repeat visits.
 - Significantly increase number of visitors into the Visitor Center.
 - Enhance the user experience at the Visitor Center.
- **Operations and Offerings**
 - Enhanced staffing, which would include an on-site manager at 32 hours a week and part-time staff
 - The Visitor Center will include a concierge desk/reception, printed collateral section, interactive feature, displays/graphics, small storage, option for local consignment space, and public ADA accessible restroom.
 - Open 362 days/year, 10am to 6pm (May to October), 10am to 5pm (November to April)
- **Facilities**
 - 5-year lease for 575 Embarcadero, 425 total square feet (compared to 200 square feet at existing VC location).

- Two-month build out, estimated cost of nearly \$40,000 to outfit.
- ADA restroom included, to be serviced via contract.
- **Parking**
 - On-street parking and two off-street parking spaces verbally committed by the nearby Shell Shop.
- **Management arrangement**
 - City would be the owner of the Visitor Center--the Chamber is the contracted operator.
 - Recommends a review committee, which could consist of TBID Board members, City staff and Chamber representatives.
- **Budget**
 - Total first year costs (two months for build out in March/April 2020, and operations from May 2020 to end of April 2021) are estimated to be \$157,000. Following the first year, the annual costs will level off at \$121,000 and then have modest increases from that year forward to account for cost of living increases. The Chamber is proposing a five-year term. When accounting for all projected costs, including build-out, start-up, and regular operations with modest increases, the total five year spend is approximately \$664,257.

Staff believes the Chamber's proposal would significantly improve the Visitor Center user experience and likely significantly increase the number of visitors to our Visitor Center. The enhanced offering does carry a much higher annual budget compared to the current Visitor Center budget of \$50,000. Staff believe the costs are reasonably estimated, and that the proposed budget is commensurate with the enhanced visitor experience the Chamber will provide in the proposed new setting and operation plan.

TBID Discussion and Recommendation

The TBID Board reviewed the proposal and provided feedback to staff at the February 20, 2020 TBID Advisory Board Meeting. The TBID Board expressed that the proposal was reasonable for what is being offered and would enhance the Visitor Center experience. However, they had several questions regarding the proportionality of benefit to hotels/motels and vacation rentals, given that TBID funds would be used to help offset increases in Visitor Center to move to a new location. By having answers to this and other important questions, it would allow the TBID Advisory Board to provide a more concrete recommendation to Council. Thus, the TBID Board recommended to Council that they request the Chamber to conduct a study on visitor centers to include:

- reviewing visitor center best practices,
- identify visitor center performance measures specific to tourism,
- develop recommendations regarding funding proportionality, and
- evaluate a small sampling of what other like size coastal communities (10K population) are doing in terms visitor centers

They believed a short-term study would help answers those questions and help connect the TBID, City and Chamber and broader business community.

Staff believes a study could be useful to answer those questions, so long as the study period is relatively short, and Chamber Board agrees to conduct such a study. There may be costs associated with the study, though those costs are unknown at this time. Council could consider funding a short-term study through use of the TBID Accumulation Fund or the City's Economic Development Fund.

Council Questions

With the aforementioned in mind, there are several questions for the City Council to consider:

- 1) Should the City relocate the Visitor Center to 575 Embarcadero?
- 2) Should the TBID contribute funds to support the new location?
- 3) If yes to question number 2, what is the appropriate amount for TBID to fund?
- 4) Does Council propose alternatives to the 575 Embarcadero, Chamber proposal and method of visitor center services?
- 5) Does Council support a short-term study for the visitor center as recommended by the TBID?
- 6) Does Council want to modify the proposed study?
- 7) How should such a short-term study be funded?

CONCLUSION

Staff recommends the City Council review the Chamber proposal to operate a new Visitor Center with enhanced service offerings compared to the existing Morro Bay Visitor Center and review the recommendation from the TBID Advisory Board regarding a short-term study of visitor center options.

ATTACHMENT

1. Morro Bay Chamber of Commerce Proposal to Open and Operate a Visitor Center at 575 Embarcadero
2. Staff Presentation



Proposal to Open and Operate a Visitor Center at 575 Embarcadero

February 10, 2020

Introduction

The Morro Bay Chamber of Commerce has operated a Visitors' Center (VC) for the community for a number of years. The VC has been at various locations including Main Street between MB Blvd and Harbor, the Boatyard on Embarcadero, MB Blvd between Main and Market, and presently at 695 Harbor co-located with the Chamber in a City-owned building. In 2019 the VC served 5,072 total visitor inquiries from its current location, a decrease from 8,225 visitors as recorded in 2016. Of the inquiries received in 2018, 60% were for Day-Stay Assistance (directions, maps, events, recreational activities), and 12% were for business referrals for lodging, retail, dining, and other similar activities. The staff at the VC also provide some administrative support to Community Resource Connections, Estero Bay Community Radio, Morro Bay Historical Society, Morro Bay Tourism Department and the Morro Bay Chamber of Commerce.

Since a principal purpose of the VC is to promote business for the area's businesses and hotels, the overall decline in total traffic, and the small fraction of inquiries oriented towards business referrals has caused the City and Chamber to evaluate service options and locations that would better serve the City and the Chamber's membership. To assess various alternatives, the Chamber held a small focus group of retail, restaurant, and accommodation operators in February 2019 to ask for their assessment of the performance of the Visitor Center. Overall, the recommendations of this small group was to make the VC more ubiquitous and "mobile", and to have VC Associates on the street to distribute trolley maps, restroom maps, posters for upcoming events, notification of upcoming events; to set up information stations/kiosks in multiple business locations throughout the city, stocked by the street team; and, to produce a fold out map for distribution with points of interest including museums, art galleries, otters, golf course, marina, Tidelands Park, Franklin Riley Park, and Cloisters Park.

The Chamber also convened a focus group of City Department heads and their advisory board members (2 each from Planning Commission, TBID, HAB, and City Council) and Chamber Board members in March/April of 2019 to investigate the ideal location and function of a Visitor Center in Morro Bay. The outcome of that effort was to keep the VC operations in its current location, with minor changes to outreach. A "Street Team" is scheduled for deployment on weekends in the high season to serve as City Ambassadors and an extension of our Visitor Center out into the field.

In late fall of 2019, the City competed for the designation as the San Luis Obispo County California Welcome Center (CWC) as the Pismo Beach Outlets location was closed. SLO CAL, the county

Destination Marketing Organization, issued a Request for Proposals (RFP) to the region's local agencies to assume operations of a CWC with support of Visit California, the statewide tourism marketing entity. Morro Bay's Tourism Business Improvement District (TBID) submitted a proposal to SLO CAL, identifying 575 Embarcadero (formerly The Paddleboard Company) as its proposed location for the CWC. The South County Chamber was successful in landing the CWC at the Pismo Beach Outlets.

It is obvious that there is substantial interest, and need, in relocating Morro Bay's current VC to a location with enough traffic to justify the expense, and to coordinate with the TBID in the operation of the VC. In early January, the City of Morro Bay and the Tourism Marketing District advisory board requested a proposal from the Morro Bay Chamber of Commerce to relocate and operate a Visitors Center at the 575 Embarcadero location. The proposal below is a response to that request.

Key Decision Points

In developing this proposal there are a number of key decision points and principles that have been addressed:

1. A relocated VC would need to have direct, tangible benefit to the Chamber's members, businesses subject to the TBID tax, and the City of Morro Bay. The total cost of operations for relocated VC is estimated to be up to \$665,000 over a five-year period (assuming a five-year lease). By comparison, the City would spend \$250,000 to \$275,000 to continue operations at the current location. To justify such an increase in expenses, there would need to be a measurable increase in visitor contacts, and an increase in Transient Occupancy Tax, TBID revenues, and Chamber member revenues to warrant the time and expense. However, it is unlikely that there will be a turnaround in the number of visitors at the current location, nor an increase in the number of direct business referrals, so some change is warranted.
2. The tangible results from these efforts will not be immediate. This is not a commitment that can be cut off after a year or so, and all parties would need to have a commitment. It is unclear whether the proposed site has adequate current traffic, and whether the VC will lure traffic to a portion of the Embarcadero where there is a limited amount of retail and foot traffic. The decline in visitation numbers over five years at 695 Harbor Street would, in fact, indicate that a Visitor Center is not a sought-after attraction in and of itself. Nonetheless, we project that we can expand the number of visitor inquiries/contacts to 15,500+ per year in the near term and 18,500+ by the end of the five-year term with a location in this south section of the Waterfront district. New programs and training will need to be established to convert these "contacts" to local purchases, and more "heads in beds."
3. There would need to be a different and expanded staffing solution to the VC, with a dedicated VC manager and some part time staff. The Chamber CEO currently oversees these operations directly because of the co-location with Chamber offices. However, the Chamber is not equipped, nor able to, perform the VC Manager function. This would be a new, key employee.
4. The proposed space is larger than the current VC space and it would need to be programmed correctly. The Chamber is not in a position to open a retail store, nor are there significant potential revenues from doing so. The Chamber only sees risk and ill will resulting from that approach. And, the Chamber does not wish to compete with its retailer members on the Embarcadero or elsewhere. There may be opportunities for some incidental sales of locally

produced goods and consumer products, and sale of fundraising items for local non-profits.

5. The Chamber’s direct and indirect management and development expenses would need to be completely compensated, and some additional “fee” for management. Any real net revenue to the Chamber from these operations would be used to support Chamber member education, information and advocacy.
6. The Chamber sees its role as contract manager and project manager, and not as an “owner-operator.” The Chamber is not in position to put its own funds into this venture, as most of these revenues are restricted to other uses, programs, events, and obligations. We see this as an opportunity for a new strategic economic development relationship with the TBID and City. Such a three-way strategic partnership is probably necessary to a meaningful effort and would be reinforced by a VC management committee populated by representatives from each entity to assist with decision making for the duration of the contract.
7. Finally, the proposal is focused specifically on the site proposed by TBID. Other sites could be considered and may or may not be more appropriate. If the current site is not found to be feasible and desirable, we would be pleased to work with the City and TBID on other locations and formats.

The Development and Operation Concept

The project site presents a number of opportunities and strategies to sell Morro Bay as a destination, to extend the experiences (and expenditures) of our current visitors, as well as to continue the information distribution functions that are performed at the current location. The proposed site has a total of 550 square feet, compared to the current 250 square feet of space at 695 Harbor. The concept would allocate that space as follows, based on the concept plan that is attached.

<u>Function</u>	<u>Square Feet</u>	<u>Square Feet at Current Location</u>
Printed Collateral information	200	60
Visitor Concierge Desk (ADA) and Reception	50	15
Guest Book/Interactive Feature	25	0
Local Goods/Consignment Retail	20	5
Public Bathrooms	60	30
Displays and Graphic Information	50	10
Storage	20	10
Total	425	200

The new space provides an opportunity to provide a higher quality visitor experience. One expectation is that it may be able to act as a draw to encourage visitors to venture south of Marina Street. Because of its location just south of the heavily trafficked section Embarcadero, prominent building signage and offsite signage at Pacific, Harbor and Beach Streets will be key. The project site does not have dedicated parking like the current location, and the project concept plan assumes (and depends on) securing dedicated parking from East side Embarcadero private lots and/or reserved and dedicated street parking. At least four parking spaces would be optimal, with a verbal commitment by The Shell Shop for two of their spaces received to date.

The Visitor Center will feel light, bright and open and will feature elements of Morro Bay life including a kayak, surfboard or paddleboard; a fishing pole, net or crab pot hanging light feature; an art mural made by a local artist; and artifacts from the historical, maritime and natural history museums.

Displays will be classified into the following categories:

- Eat and Drink - restaurants, coffeeshops, bars, wineries, breweries
- Stay - hotels, motels, vacation rentals
- Shop - Retail, farmers' markets
- Explore - bay, ocean, beach, trails
- Experience - watersports, sport fishing and boating, art and culture, museums, theater

There will be a "Made in Morro Bay" exhibit for locally made consumer products and commodities, some of which we may choose to sell on consignment, and a "Live Like a Local" area which will display relocation and promotional materials from resident-serving businesses.

Financial Plan

The Chamber's proposal funds the operation of a Visitor Center that is open 362 days a year each year from 2020-2025. Proposed hours are 10am to 6pm May to October and 10am to 5pm from November to April. VC would be closed Thanksgiving, Christmas and New Year's Day. A two-month build-out is anticipated as the Visitor Center transitions from its current location to the location proposed by TBID. During this transition, the Chamber would continue to operate the existing Visitor Center, and the Chamber CEO would provide project management for the development of the new space. Start-up costs include minor tenant improvements such as reception, display, and office installations, a custom interior mural, onsite and offsite sign fabrication and installation, perforated window graphics, a demi wall and sliding barn door; city permits and inspection fees; technology investments such as iPads and a cell phone to provide modern customer service; uniforms and name tags; refreshed design for signage in line with existing tourism branding; and 10% contingency. Total development costs as shown in the budget are estimated in the range of \$37,500 to \$40,000, including project management and start-up.

Once open, the VC will employ a 32 hour per week manager plus part time staff. Wages and staff costs vary with the high and shoulder seasons and are budgeted to increase 3.5% each year for the duration of the contract. The Chamber believes that paid staff who are professionally trained and managed are necessary. Volunteers will not be viewed as a replacement to paid positions, but as an enhancement. Quarterly staff training in customer service and trends in tourism and economic development will be provided by the Chamber CEO and business mentors from Chamber partner

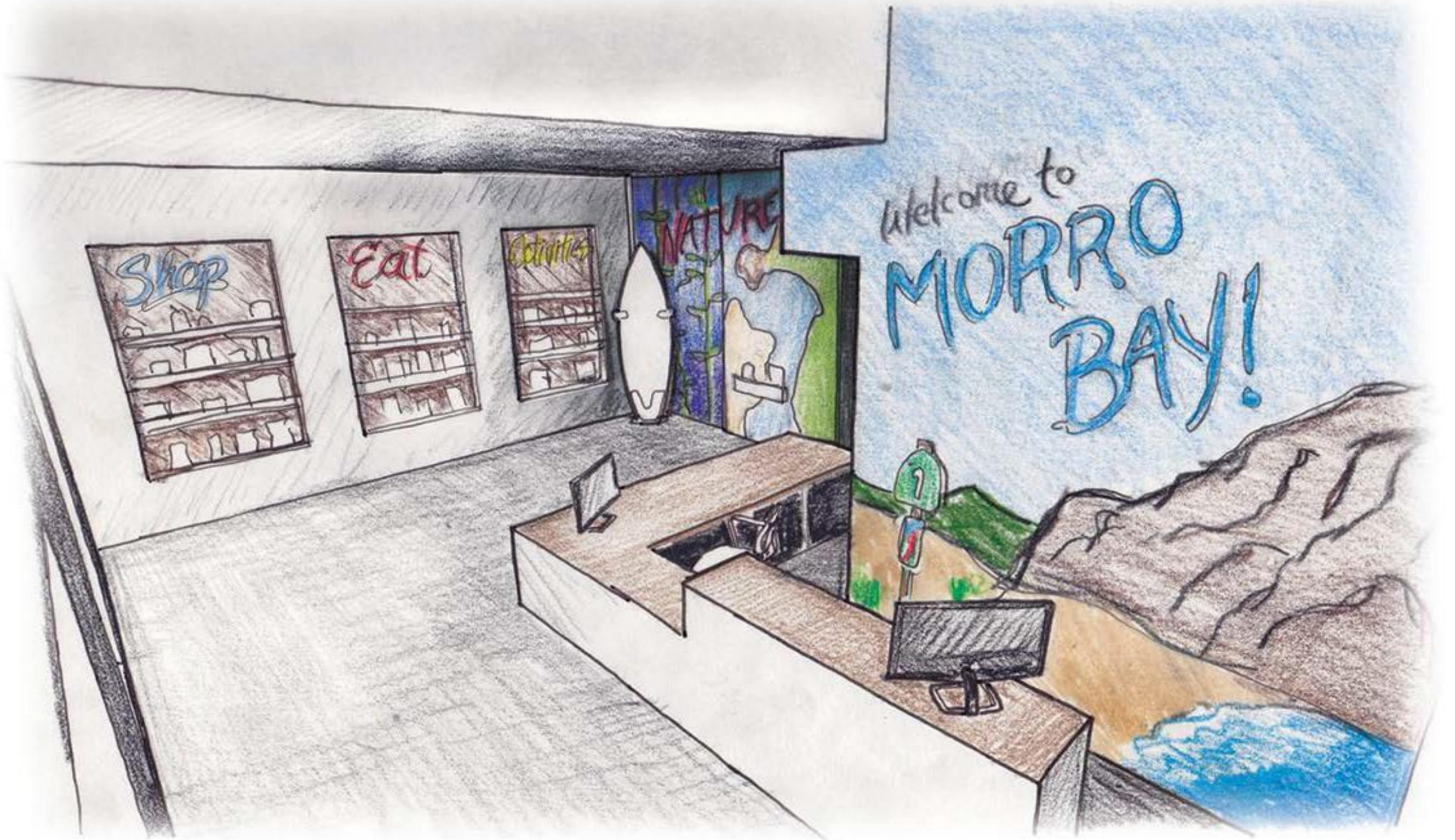
networks. First year staffing expenses are estimated to total \$54,150 per year, compared to the Chamber's current VC staffing costs of \$35,300 per year.

Restroom cleaning and trash disposal will be bid out to one company for a 362 days per year service contract valued at between \$9,000-\$10,500 annually. Restroom fixture maintenance and repairs and water and sewer are assumed to be the responsibility of the landlord and the City of Morro Bay is assumed as the named tenant responsible for making timely rent payments. Total annual facility costs, including rent, restroom supplies, utilities (trash, electric), mobile phone and internet, office supplies, and restroom cleaning are estimated to be \$37,700 in the first year, compared to less than \$1,500 per year for the current location.

Operational oversight would be provided by the Chamber CEO, in conjunction with representatives from the City and TBID representatives. The Visitor Center Manager would be responsible for the successful operation of the VC each day. The Chamber's oversight and allocated costs would be estimated to be \$15,700 per year, including a management fee of 12.5% of total expenses and allocated bookkeeping expenses. Current allocated costs under the current city contract is approximately \$8,500 per year.

Total first-year costs are estimated to be \$157,021, including tenant improvements, signage, furnishings and project management and 12 months of operation. Total costs for five years of operation (assumed minimum term of the building lease) would be approximately \$664,257, including contingency and assumed nominal increases in costs.

The City and TBID have suggested that some onsite retail operations could offset some of the increased operational costs. The Chamber has reviewed this concept and has not included it for a number of reasons: 1) a TBID and City funded program should not "compete" with local retailers and Chamber members; 2) the expanded space is better used to advertise the destination and not offer goods that are offered elsewhere; and, 3) purchasing inventory would substantially increase the upfront development costs. There may be opportunities to sell locally produced goods on a consignment basis, or goods offered elsewhere. Wine, avocado oil, beauty and wellness items, etc. can be offered, as well as discount books, theatre tickets, and tickets to local events. Proceeds from such sales could be split with City/TBID to defer operational costs. Alternatively, excess space may be sublet to another user. These concepts are not represented in the proposal.



G-Uf_S(Boo"-/ £)l,J'oll...E--

11 i;'(A

EA1

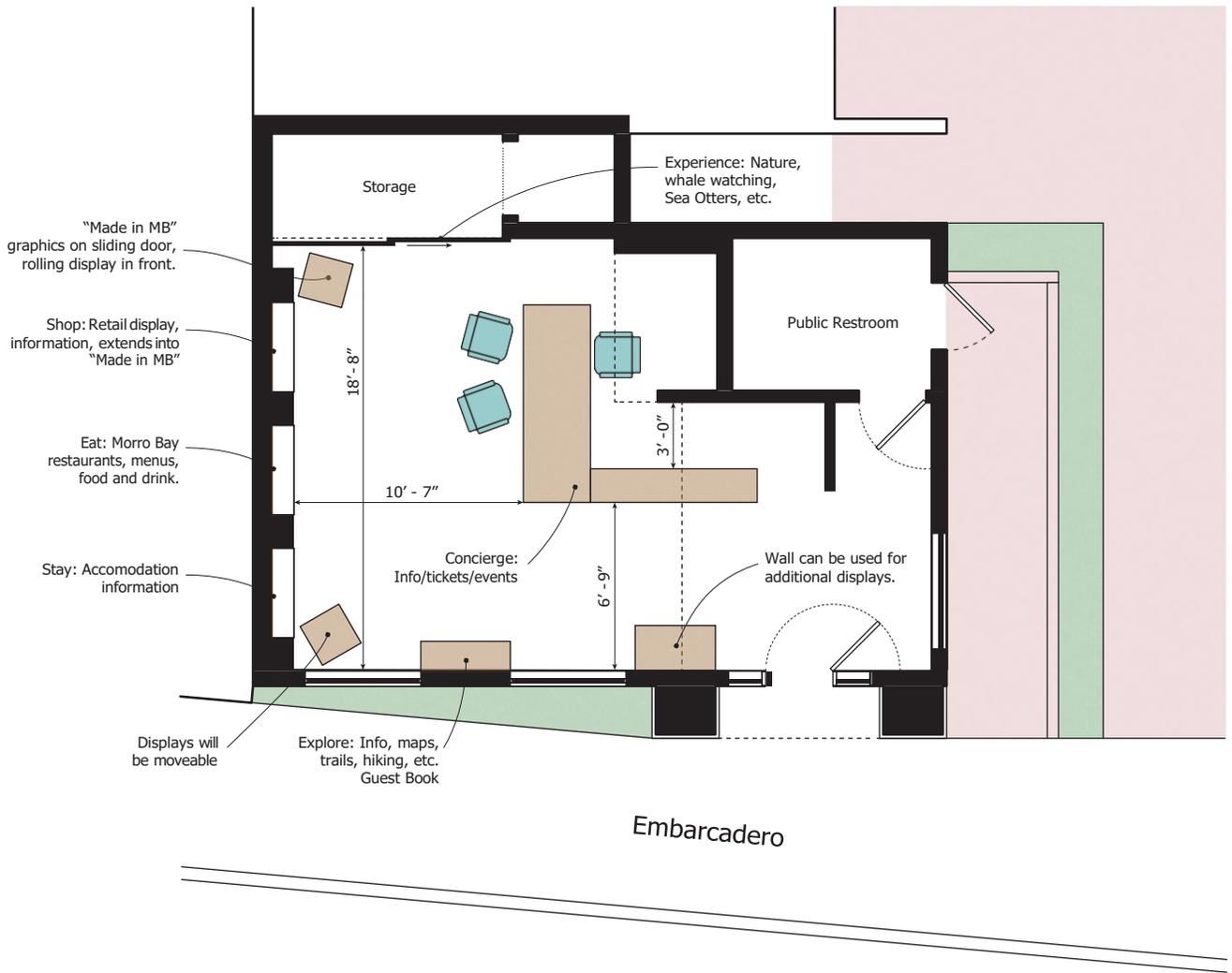
L..t\ / Sl-Of w MoUO l;#l.f

1"• - \. U,, 11<l'OJtil.< &A'/(!¥'.f, AVOS,FISI(IN'-)

*E.,x?f i. \E Nc..E NA1V

'VIS\ioV- DE , C.ONC.\E-





Scale: 1/8" = 1'

CHAMBER PROPOSAL

575 Embarcadero Years 2-5 Budget	2020												2021		2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2020/2021-2023/2024	
	March	April	May	June	July	August	September	October	November	December	January	February	March	April	Annual	Annual	Annual	Annual	Annual	Five Years	
Income																					
City Contribution (Current + 3.5% annual increase)			\$ 4,168	\$ 4,166	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 4,312	\$ 51,452	\$ 53,253	\$ 55,117	\$ 57,046	\$ 59,042	\$ 275,910	
MB TBID Contribution (Balance+Startup)	\$ 19,326	\$ 19,326	\$ 6,315	\$ 6,317	\$ 6,171	\$ 6,171	\$ 6,171	\$ 6,171	\$ 4,934	\$ 4,934	\$ 4,934	\$ 4,934	\$ 4,934	\$ 4,934	\$ 105,569	\$ 68,377	\$ 69,886	\$ 71,449	\$ 73,066	\$ 388,347	
Merch Revenue																				\$ -	
Sponsorships/Fees																					\$ -
Other Revenue																					\$ -
Total Funding	\$ 19,326	\$ 19,326	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 157,021	\$ 121,630	\$ 125,003	\$ 128,495	\$ 132,108	\$ 664,257	
Expenses																					
Start Up	\$ 19,326	\$ 19,326													\$ 38,651					\$ 38,651	
Admin/Staff Payroll (at mid of wage range)																					
Wages & Salaries			\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 3,545	\$ 3,545	\$ 3,545	\$ 3,545	\$ 3,545	\$ 3,545	\$ 47,946	\$ 49,624	\$ 51,361	\$ 53,159	\$ 55,019	\$ 257,109	
Payroll Taxes @ 11%			\$ 489	\$ 489	\$ 489	\$ 489	\$ 489	\$ 489	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 5,274	\$ 5,459	\$ 5,650	\$ 5,847	\$ 6,052	\$ 28,282	
Worker's Compensation			\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 420	\$ 435	\$ 450	\$ 466	\$ 482	\$ 2,252	
Payroll Processing Fees			\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 43	\$ 510	\$ 528	\$ 546	\$ 565	\$ 585	\$ 2,735	
Total Admin/Staff Payroll			\$ 5,013	\$ 5,013	\$ 5,013	\$ 5,013	\$ 5,013	\$ 5,013	\$ 4,012	\$ 4,012	\$ 4,012	\$ 4,012	\$ 4,012	\$ 4,012	\$ 54,150	\$ 56,045	\$ 58,007	\$ 60,037	\$ 62,138	\$ 290,378	
Facility																					
575 Embarcadero Rent			\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400	\$ 102,000	
Restroom Supplies			\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 2,496	\$ 2,583	\$ 2,674	\$ 2,767	\$ 2,864	\$ 13,385	
Utilities (trash, electric) Landlord to pick up water/sewer			\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 2,400	\$ 2,484	\$ 2,571	\$ 2,661	\$ 2,754	\$ 12,870	
Mobile Phone Contract and Internet			\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 2,700	\$ 2,795	\$ 2,892	\$ 2,994	\$ 3,098	\$ 14,479	
Office Supplies			\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 720	\$ 745	\$ 771	\$ 798	\$ 826	\$ 3,861	
Restroom cleaning			\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 9,000	\$ 9,315	\$ 9,641	\$ 9,978	\$ 10,328	\$ 48,262	
Total Facility			\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 3,143	\$ 37,716	\$ 38,322	\$ 38,949	\$ 39,599	\$ 40,271	\$ 194,856	
Allocated Overhead																					
Contract Administration Fee *12.5%			\$ 1,019	\$ 1,019	\$ 1,019	\$ 1,019	\$ 1,019	\$ 1,019	\$ 894	\$ 894	\$ 894	\$ 894	\$ 894	\$ 894	\$ 11,483	\$ 11,796	\$ 12,120	\$ 12,454	\$ 12,801	\$ 60,654	
Bookkeeping			\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 355	\$ 4,260	\$ 4,409	\$ 4,563	\$ 4,723	\$ 4,888	\$ 22,844	
Total Allocated Overhead	\$ -	\$ -	\$ 1,374	\$ 1,374	\$ 1,374	\$ 1,374	\$ 1,374	\$ 1,374	\$ 1,249	\$ 1,249	\$ 1,249	\$ 1,249	\$ 1,249	\$ 1,249	\$ 15,743	\$ 16,205	\$ 16,683	\$ 17,178	\$ 17,690	\$ 83,498	
Contingency @ 10%			\$ 953	\$ 953	\$ 953	\$ 953	\$ 953	\$ 953	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840	\$ 10,761	\$ 11,057	\$ 11,364	\$ 11,681	\$ 12,010	\$ 56,873	
Total Expense	\$ 19,326	\$ 19,326	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 10,483	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 9,245	\$ 157,021	\$ 121,630	\$ 125,003	\$ 128,495	\$ 132,108	\$ 664,257	
Visitor Inquiries and Contacts			1,500	1,500	1,750	1,750	1,750	1,750	1,500	750	750	750	750	750	15,250	16,013	16,813	17,654	18,536	84,266	
Cost per Inquiry/Contact			\$ 6.99	\$ 6.99	\$ 5.99	\$ 5.99	\$ 5.99	\$ 5.99	\$ 6.16	\$ 12.33	\$ 12.33	\$ 12.33	\$ 12.33	\$ 12.33	\$ 10.30	\$ 7.60	\$ 7.43	\$ 7.28	\$ 7.13	\$ 7.88	
Net Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

9.85804 is current cost per visitor

Build Out

Reception Counter, desk, displays	\$7,000.00
Mural	\$5,000.00
Rolling Barn Door	\$500.00
Demi Wall	\$4,000.00
iPads with keyboard	\$2,000.00
iPhone	\$600.00
Perforated window decal/images	\$300.00
Pub Sign 36inch x 18 inch	\$350.00
Building Signs	\$1,500.00
Offsite Directional and Wayfinding	\$1,500.00
Parking Agreement/Signage	\$500.00
Uniforms	\$500.00
Utilities	\$1,500.00
Design	\$1,500.00
City Permits and Inspection	\$2,500.00
VC sign/brand design	\$500.00
Moving Expense	\$1,000.00
Chamber/City Project Management @ 15%	\$4,387.50
Contingency @ 10%	\$3,513.75
Total	\$38,651.25

Visitor Center Relocation Opportunity

CITY COUNCIL MEETING

SCOTT COLLINS, CITY MANAGER

FEBRUARY 25, 2020

Morro Bay Visitors Center

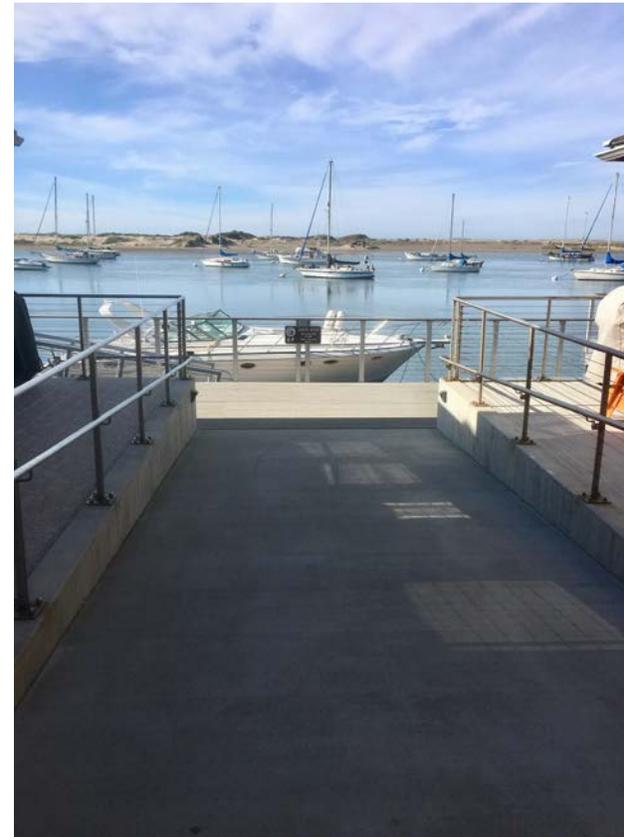
- 575 Embarcadero

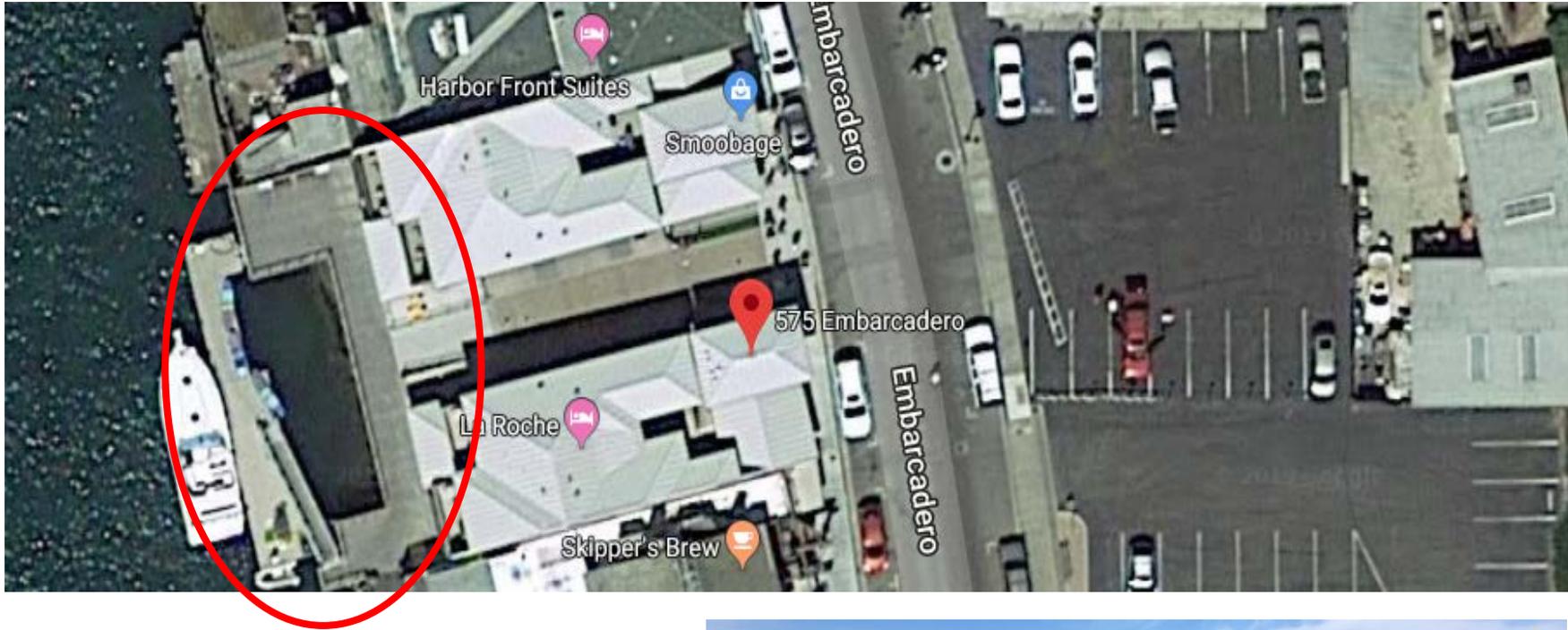




575 Embarcadero

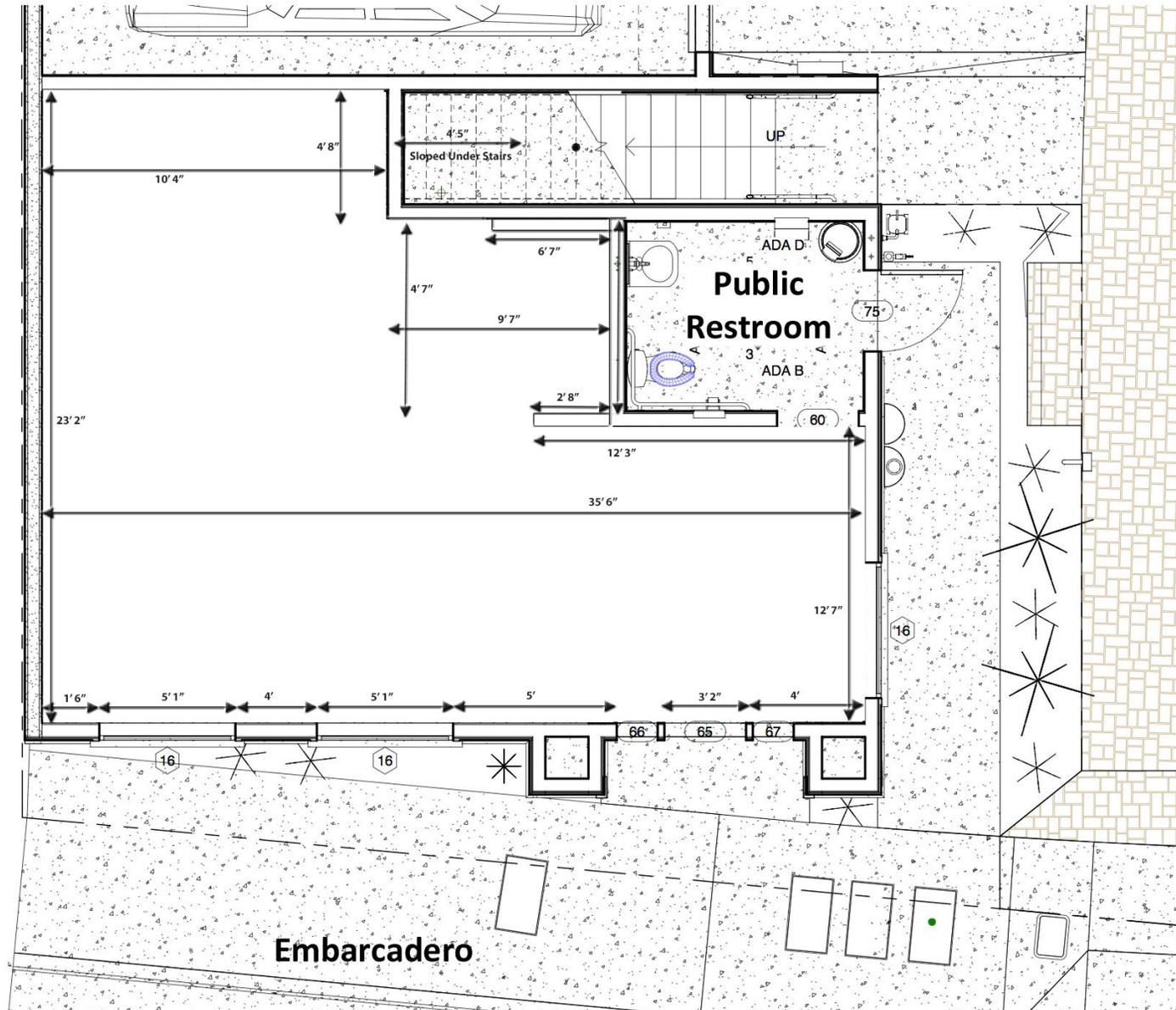
ADA walkway and public view-deck and public boat dock.

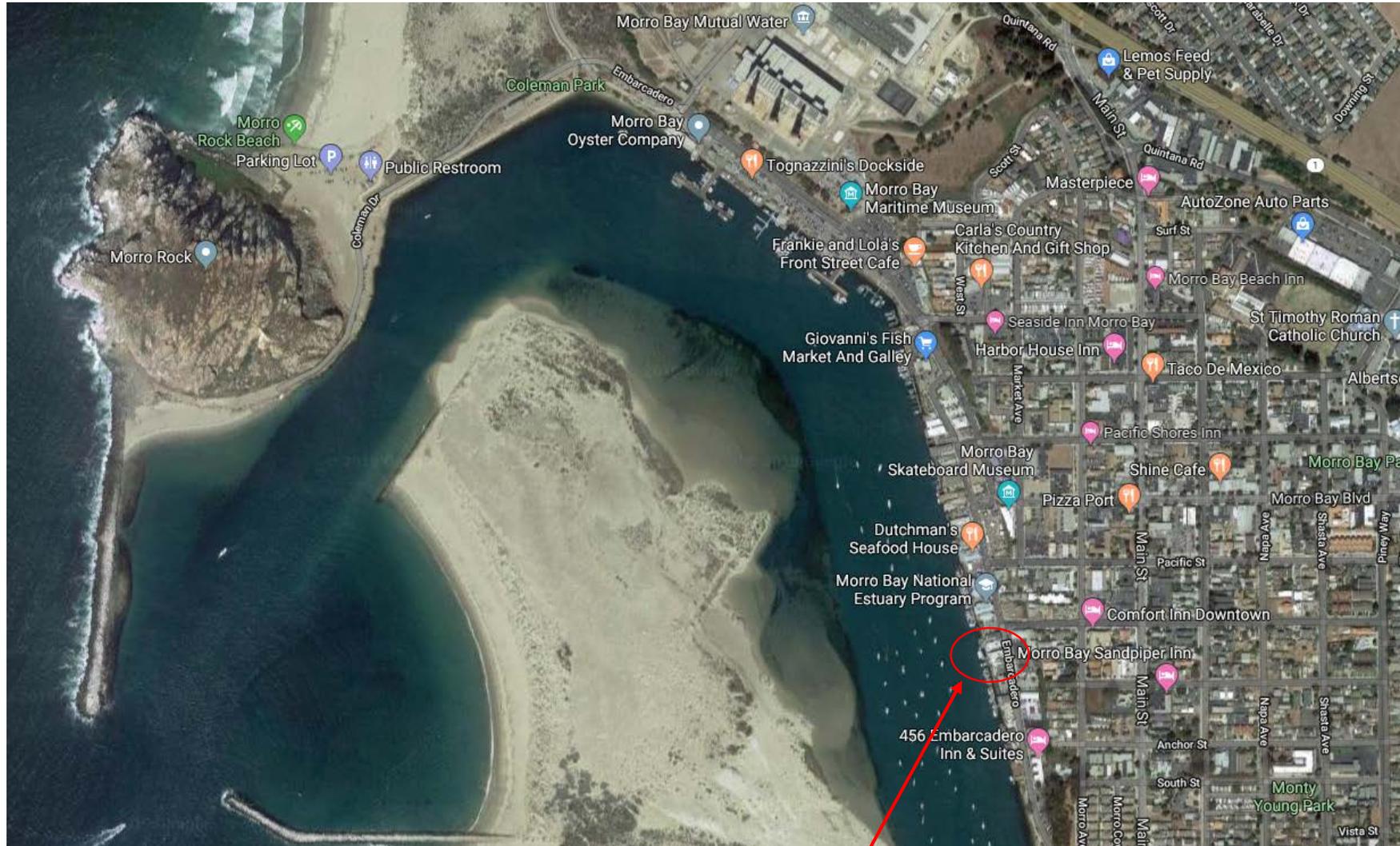




Public View Deck and Boat Dock Very large and extremely accessible







575 Embarcadero

Origin of Chamber Proposal

- ▶ City staff requested Chamber proposal for 575 Embarcadero, following Visit SLOCAL passing on opportunity to relocate California Welcome Center to this location
 - ▶ Current VC – less than ideal location
- ▶ Submitted proposal for TBID and Council review in February

Proposal Goals

- ▶ Significantly improve VC user experience
- ▶ Significantly increase number of visitors to VC
 - ▶ From current 8,000 to up to 18,000
- ▶ Connect visitors to Morro Bay lodging options, attractions, businesses, etc.
 - ▶ Revenues for hotels, VRs and other businesses
 - ▶ Revenues to City

Proposal Terms

- ▶ Outfitting/Start-up costs
- ▶ 3.25% COLA
- ▶ Management Fee
- ▶ Onsite manager and part time help
 - ▶ Open 362 days/yr, 10am-6pm during peak time
- ▶ ADA restroom cleaning service
- ▶ Off-street parking at Shell Shop
- ▶ Advisory committee of City, TBID and Chamber

Current VC Budget

- ▶ City currently contracts with Chamber for VC services (Harbor Street). City pays Chamber \$50,000/year.
- ▶ No rent at current facility (City owned building)

Chamber Proposal Budget

- ▶ FY2019/20 – \$101,300
 - ▶ GF – \$50,000 (per existing contract), TBID – \$51,300
- ▶ FY2020/21 - \$116,000
 - ▶ GF – \$51,850; TBID – \$64,150
- ▶ FY2021/22 - \$121,600
 - ▶ GF – \$53,250; TBID – \$68,350
- ▶ FY2022/23 - \$125,000
 - ▶ GF – \$55,100; TBID – \$69,900
- ▶ FY2023/24 - \$128,500
 - ▶ GF – \$57,050; TBID – \$71,450

Questions for City Council

- ▶ Should the City relocate the Visitor Center to 575 Embarcadero?
- ▶ Should the TBID contribute funds to support the new location?
- ▶ If yes, to question number 2, what is the appropriate amount for TBID to fund?
- ▶ Does Council propose alternatives to the 575 Embarcadero, Chamber proposal and method of visitor center services?
- ▶ Does Council support a short-term study for the visitor center as recommended by the TBID?
- ▶ Does Council want to modify the proposed study?
- ▶ How should such a short-term study be funded?

TBID Recommendations to Council

- ▶ the TBID Board recommended to Council that they request the Chamber to conduct a study on visitor centers to include:
 - ▶ reviewing visitor center best practices
 - ▶ identify visitor center performance measures specific to tourism
 - ▶ develop recommendations regarding funding proportionality, and
 - ▶ evaluate a small sampling of what other like size coastal communities (10K population) are doing in terms visitor centers

This Page Intentionally Left Blank