

MINUTES - MORRO BAY CITY COUNCIL  
CLOSED SESSION – JANUARY 12, 2009  
CITY HALL CONFERENCE ROOM - 5:00 P.M.

Mayor Peters called the meeting to order at 5:00 p.m.

PRESENT:	Janice Peters	Mayor
	Carla Borchard	Councilmember
	Rick Grantham	Councilmember
	Noah Smukler	Councilmember
	Betty Winholtz	Councilmember

STAFF:	Andrea Lueker	City Manager
	Robert Schultz	City Attorney

CLOSED SESSION

MOTION: Councilmember Winholtz moved the meeting be adjourned to Closed Session. The motion was seconded by Councilmember Grantham and unanimously carried. (5-0)

Mayor Peters read the Closed Session Statement.

**CS-1 GOVERNMENT CODE SECTION 54956.8; REAL PROPERTY TRANSACTIONS.** Instructing City's real property negotiator regarding the price and terms of payment for the purchase, sale, exchange, or lease of real property as to 3 parcels.

- Property: 625 Harbor Street; Library.  
Negotiating Parties: SLO County and City of Morro Bay.  
Negotiations: Lease Terms and Conditions.
- Property: Whale's Tail - Lease Site 96/96W  
Negotiating Parties: Mandella and City of Morro Bay.  
Negotiations: Lease Terms and Conditions.
- Property: Salt Building - Lease Site 65-66/65W-66W  
Negotiating Parties: Imani and City of Morro Bay.  
Negotiations: Lease Terms and Conditions.

The meeting adjourned to Closed Session at 5:00 p.m. and returned to regular session at 5:55 p.m.

MOTION: Councilmember Borchard moved the meeting be adjourned. The motion was seconded by Councilmember Grantham and unanimously carried. (5-0)

The meeting adjourned at 5:55 p.m.

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REGULAR MEETING – JANUARY 12, 2009  
VETERANS MEMORIAL HALL - 6:00 P.M.

Mayor Peters called the meeting to order at 6:00 p.m.

PRESENT:	Janice Peters	Mayor
	Carla Borchard	Councilmember
	Rick Grantham	Councilmember
	Noah Smukler	Councilmember
	Betty Winholtz	Councilmember
STAFF:	Andrea Lueker	City Manager
	Robert Schultz	City Attorney
	Rick Algert	Harbor Director
	Bruce Ambo	Public Services Director
	John DeRohan	Police Chief
	Mike Pond	Fire Chief
	Susan Slayton	Administrative Services Director
	Joe Woods	Recreation & Parks Director

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

MAYOR AND COUNCIL MEMBERS REPORTS, ANNOUNCEMENTS &  
PRESENTATIONS

CLOSED SESSION REPORT - City Attorney Robert Schultz reported the City Council met in Closed Session, and no reportable action under the Brown Act was taken.

PUBLIC COMMENT

Ani Lyn stated the 28<sup>th</sup> Annual Poster Contest for the 2009 Harbor Festival with the theme of Uptown, Downtown, and Sailing Around are due to Morro Bay Harbor Festival Inc. by March 2, 2009. She said brochures on this year's Harbor Festival have been sent out throughout the United States as well as five other countries.

Jonni Biaggini requested the City Council not take action on an increase to the transient occupancy tax until they have received the presentation on the Business Improvement District proposal.

Joan Solu requested the City Council consider the proposal of a Business Improvement District in Morro Bay prior to considering an increase to the City's transient occupancy tax.

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Barbara Strassel stated she and her husband own three businesses on the waterfront and noted sales have dropped 30% within the last year. She requested the City Council consider rent reduction to the leaseholders in order to assist the businesses on the waterfront.

Bill Carlson stated he represents the Central Coast United for Change whose focus is to provide community service and supporting progressive solutions to local, state and national issues. He said representatives of this non-profit group would be going door-to-door to collect non-perishable foods that would be delivered to the Food Bank.

Joyce Lundy reviewed the statistics for the Chamber of Commerce. She also noted the next Chamber mixer would be held at Dr. Tiffany Smart's Optometry office on January 15<sup>th</sup>, and the Annual Chamber Installation Dinner would be held on January 24<sup>th</sup>.

Keith Taylor stated the Friends of the Morro Bay Fire Department, the George Hoag Family Foundation and Morro Bay Rotary Club presented the Morro Bay Fire Department \$70,000 for the Rescue II Vehicle.

Bill Woodson encouraged participation from the community to participate in the Adopt-a-Tree Program. He also presented Morro Bay license plate holders to Councilmembers Borchard and Smukler.

John Barta encouraged the City write a letter to Congresswoman Lois Capps stating the City is "shovel-ready" in order to receive federal funding for projects in Morro Bay.

Melody DeMeritt requested the City Council agendaize a discussion on the participation in the County's Annual Creek Clean-Up program.

Tammie Haas announced the Morro Bay Grange would be holding a reorganization meeting to reestablish membership on January 29<sup>th</sup>. She also noted there would be an art auction and barbeque in support of the Del Mar PTA on March 29<sup>th</sup> and requested items for the art auction.

Steve Seamus expressed concern with recreational vehicles parking overnight on Beachcomber Drive, and requested the City Council consider posting signs in order to enforce a 7-foot height limit and no overnight parking.

Joey Racano stated the City should be RV-friendly in order to assist the local economy. He also expressed the importance of a 301-waiver and tertiary treatment to protect the estuary.

Mayor Peters closed the hearing for public comment.

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A. CONSENT CALENDAR

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

- A-1 APPROVAL OF MINUTES FOR THE SPECIAL CITY COUNCIL MEETING AND REGULAR CITY COUNCIL MEETING ON DECEMBER 8, 2008; (ADMINISTRATION)

**RECOMMENDATION: Approve as submitted.**

- A-2 RESOLUTION NO. 01-09 ADOPTING THE CITY OF MORRO BAY INVESTMENT POLICY AND DELEGATING AUTHORITY TO THE CITY TREASURER TO INVEST IDLE FUNDS; (FINANCE)

**RECOMMENDATION: Adopt Resolution No. 01-09.**

- A-3 RESOLUTION NO. 02-09 DESIGNATING AND AUTHORIZING INVESTMENT TRANSACTION OFFICERS; (FINANCE)

**RECOMMENDATION: Adopt Resolution No. 02-09.**

- A-4 CONTINUATION OF EMERGENCY PER PUBLIC CONTRACT CODE SECTION 22050 FOR THE INSTALLATION OF ENERGY RECOVERY EQUIPMENT; (PUBLIC SERVICES)

**RECOMMENDATION: Determine the necessity to continue the emergency per Public Contract Code 22050 for the installation of desalination plant energy recovery equipment.**

MOTION: Councilmember Borchard moved the City Council approve the Consent Calendar. The motion was seconded by Councilmember Winholtz and carried unanimously. (5-0)

B. PUBLIC HEARINGS, REPORTS & APPEARANCES – NONE.

C. UNFINISHED BUSINESS – NONE.

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D. NEW BUSINESS

D-1 PRESENTATION FROM SAN LUIS OBISPO COUNTY AND CALIFORNIA  
STATE PARKS IN REGARD TO THEIR OPERATING AGREEMENT FOR  
USE OF VARIOUS STATE PROPERTY

The City Council received a presentation from Pete Jenny, Deputy Director for San Luis Obispo County Parks and Recreation, and Nick Franco, Superintendent for San Luis Obispo Coast District regarding their Operating Agreement for use of various State properties.

This was an informational item, and no action was taken by the City Council.

D-2 APPROVAL OF FUNDING FOR A REDEVELOPMENT FEASIBILITY  
STUDY; (PUBLIC SERVICES)

Public Services Director Bruce Ambo stated the City has preliminarily discussed the option of forming a Redevelopment Agency for some time now dating back to a presentation on the basics of redevelopment in July 2005. The City commissioned a “Revenue Enhancement Opportunities and Development Fee Options for the City of Morro Bay” study in April 2007, where redevelopment was identified as a prime revenue enhancing strategy, along with raising development impact fees. On August 4, 2008, the City Council authorized the application of CDBG – P/TA grant funding under the General Allocation and Economic Development programs. More recently in the “Management Partners Report – Assessment of City Organization and Financial Options” the City Council reaffirmed the need and priority to develop and implement a Redevelopment Agency following the authorization to submit for CDBG grant funding in August 2008. In order to complete the formal formation of the Development Agency and adoption of a Redevelopment Plan by the 2010 base tax year; it is necessary to begin the process as soon as possible. For better or worse, property values may be at their lowest in years, which leads to the opportunity to take advantage of increases in tax increment over a low base year. Conducting the Redevelopment Feasibility Study would be the first step in getting an expert opinion before committing significant resources to the formal formation process. Establishing a Redevelopment Agency has been an established goal and high priority of the City Council. Mr. Ambo recommended the City Council authorize the Public Services Director to execute the contract with Urban Futures Inc. to conduct a Redevelopment Feasibility Study with additional funding from the CDBG Loan Repayment Fund.

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Councilmember Smukler stated he would like to focus on good visioning process, developing community buy-in, low impact development, and green building designs as key components to redevelopment projects which could be a valuable addition to the City's portfolio.

Councilmember Borchard stated this is a great opportunity to look forward to some redevelopment in the City. She expressed some concern with the State end of this proposal and noted the City should proceed with caution as this investment is made.

Councilmember Grantham stated he supports funding this Redevelopment Feasibility Study.

Councilmember Winholtz stated she is supportive of the concept however the timing for funding is not appropriate.

Mayor Peters stated this has been a Council priority to create revenue for the City, and this is the time to take the risk to move forward.

**MOTION:** Councilmember Grantham moved the City Council authorize the Public Services Director to execute the contract with Urban Futures Inc. to conduct a Redevelopment Feasibility Study with additional funding from the CDBG Loan Repayment Fund. The motion was seconded by Mayor Peters and carried unanimously. (5-0)

**D-3 DISCUSSION ON PLACING THE DYNEGY FUNDS IN THE ACCUMULATION FUND; (FINANCE)**

Finance Director Susan Slayton stated the General Fund expenditures should be balanced against ongoing revenues, not one-time or limited duration funds. The \$500,000, which is annually received from Dynergy, is anticipated to end in 2012. This money should be removed from the General Fund revenue mix, and included as a budgeted transfer in. At the end of each fiscal year, only that portion of the \$500,000, needed to balance the fund, will be transferred. Ms. Slayton recommended the City Council approve placing the Dynergy Funds into the General Accumulation Fund, and transfer needed amounts of that money to the General Fund at the end of each fiscal year.

Councilmember Grantham stated these funds will not be ongoing and should be separated because the City will not be able to depend on it in the near future.

Councilmember Winholtz stated the City does depend on this money and she would prefer to leave it where it is.

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Councilmember Smukler stated transferring these funds does give the City a realistic idea and promotes further action to address the challenges facing the City.

Councilmember Borchard stated transferring these funds is just a bookkeeping technicality.

Mayor Peters stated she supports transferring these funds if it assists the Finance Director with budget predictions.

MOTION: Councilmember Grantham moved the City Council approve placing the Dynegy Funds into the General Accumulation Fund, and transfer needed amounts of that money to the General Fund at the end of each fiscal year. The motion was seconded by Councilmember Smukler and carried with Councilmember Borchard and Councilmember Winholtz voting no. (3-2)

D-4 REVIEW OF PERMIT FEE FOR WATERFRONT PROJECTS; (PUBLIC SERVICES)

Public Services Director Bruce Ambo stated in October 2007, the City Council asked to have a discussion on permit fees for waterfront projects. The subject fee is applied to all projects in the Planned Development Zone, and the “permit fee for waterfront projects” is 200% of the fee for a Conditional Use Permit. The fee for a Conditional Use Permit for new construction is \$3,620, which means that waterfront fee portion would be \$7,240, for a total of \$10,860. This fee does not include any environmental documentation fees or variance fees, which may add to this cost. Mr. Ambo recommended the City Council provide further direction to staff on the permit fee on waterfront projects.

MOTION: Councilmember Smukler moved the City Council direct staff to track current and future projects with an analysis of time spent and return to Council for discussion on the appropriate level of fees. The motion was seconded by Councilmember Winholtz and carried unanimously. (5-0)

D-5 REVIEW OF CHANGES TO CHAPTER 10 OF THE MORRO BAY MUNICIPAL CODE - VEHICLES AND TRAFFIC; (CITY ATTORNEY)

City Attorney Robert Schultz stated Chapter 10 of the Morro Bay Municipal Code provides for regulations for the placement and enforcement of Traffic Control Devices within the City of Morro Bay. Certain parts of the current Chapter 10 date back to 1964 and therefore are outdated, cumbersome and unenforceable. Mr. Schultz recommended the City Council review the proposed amendments and direct staff to return with an Ordinance for first reading and introduction.

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The City Council requested this item return to a future meeting addressing their questions.

No further action was taken on this item.

D-6 DISCUSSION ON REVENUE BALLOT MEASURES INCLUDING A PUBLIC UTILITIES USER TAX, TRANSIENT OCCUPANCY TAX AND 911 FEE; (CITY ATTORNEY)

City Attorney Robert Schultz stated the City of Morro Bay is in a difficult financial position, and is unable to continue with status quo operations. Many tough budgetary choices have already been made and yet the financial picture continues to grow bleaker. The City Council must decide whether there is a collective interest in placing a measure on a ballot to generate revenue sufficient to sustain the costs of delivering the current set of City services. For any revenue-generating measure to have a chance of succeeding, the services, goals and outcome must be clear, the Council must be united in its support, and an organized constituency and campaign is needed to move the initiative forward. If Council should elect to go forward with a revenue-generating ballot measure, staff will also need direction on which possible revenue measure(s) the Council would like to pursue. Mr. Schultz recommended the City Council direct staff to begin preparing a draft Emergency Communications (or 911) Tax Ordinance, a Utility User Tax Ordinance, and a Transient Occupancy Tax Ordinance, and to bring back the draft Ordinances for consideration at a City workshop.

Councilmember Grantham expressed support for drafting these ordinances, placing them on the ballot and obtaining revenue for the City.

Councilmember Winholtz stated she is willing to consider the Transient Occupancy Tax along with the proposed Business Improvement District before the City Attorney starts working on draft documents.

Councilmember Smukler stated this is a tough time to raise taxes in the community, and the City should focus on the community and consider internal expenses. He said he has strong hesitation on drafting an Emergency Communication Tax and Utility User Tax.

Councilmember Borchard stated she does not support drafting an Emergency Communication Tax and Utility User Tax. She said she could support considering the Transient Occupancy Tax and the proposed Business Improvement District.

Mayor Peters stated she supports directing the City Attorney to draft these ordinances in order to be prepared for upcoming elections. She said the City needs to act on increasing revenues now or it will be too late.

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MOTION: Councilmember Grantham moved the City Council direct staff to begin preparing a draft Emergency Communications (or 911) Tax Ordinance, a Utility User Tax Ordinance, and a Transient Occupancy Tax Ordinance, and to bring back the draft Ordinances for consideration at a City workshop. The motion was seconded by Mayor Peters and failed with Councilmember Borchard, Councilmember Smukler and Councilmember Winholtz voting no. (2-3)

MOTION: Councilmember Winholtz moved the City Council direct staff to begin preparing a draft Transient Occupancy Tax Ordinance that can be balanced with the Business Improvement District. The motion was seconded by Councilmember Borchard and carried unanimously. (5-0)

MOTION: Councilmember Winholtz moved the City Council continue discussion on the Emergency Communication Tax and Utility User Tax within the next two months. The motion was seconded by Councilmember Smukler and carried unanimously. (5-0)

E. DECLARATION OF FUTURE AGENDA ITEMS

Councilmember Smukler requested to agendize a discussion on development of a green building/low impact development incentive program with a potential tiered permit process; Council concurred.

Mayor Peters requested to agendize a discussion on a regional transit organization that would include County districts and Morro Bay; Councilmember Borchard and Councilmember Smukler concurred.

Councilmember Borchard requested to agendize a discussion on the term of Mayor from a two year to four-year term; Mayor Peters concurred.

ADJOURNMENT

The meeting adjourned at 10:00 p.m.

Recorded by:

Andrea Lueker  
City Manager