

City of Morro Bay

City Council Agenda

Mission Statement

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

**REGULAR MEETING
TUESDAY, MARCH 24, 2015
VETERANS MEMORIAL HALL - 6:00 P.M.
209 SURF ST., MORRO BAY, CA**

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CLOSED SESSION REPORT

MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

PUBLIC PRESENTATIONS

- SLO Regional Rideshare and Bike Month Update
- POST Executive Certificate for Chief Christey

PUBLIC COMMENT - 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.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Mayor, please come forward to the podium and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall 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.

A. CONSENT AGENDA

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 HELD ON MARCH 3, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE SPECIAL CLOSED CITY COUNCIL MEETING HELD ON MARCH 5, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE CITY COUNCIL MEETING HELD ON MARCH 10, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-4 AWARD OF CONTRACT TO DUKE'S ROOT CONTROL, INC. FOR SEWER LINE ROOT CONTROL SERVICES; (PUBLIC WORKS)

RECOMMENDATION: Authorize the Public Works Director to execute contract with Duke's Root Control, Inc..

A-5 AWARD OF CONTRACT TO ALPHA ELECTRICAL SERVICE FOR CONTROL SYSTEM UPGRADES AT LIFT STATION 3; (PUBLIC WORKS)

RECOMMENDATION: Authorize the Public Works Director to execute contract with Alpha Electrical Service.

A-6 AWARD OF CONTRACT TO MUNICIPAL MAINTENANCE EQUIPMENT, INC. (MME) FOR MAINTENANCE AND REPAIR OF THE VAC-CON TRUCK; (PUBLIC WORKS)

RECOMMENDATION: Authorize the Public Works Director to execute contract Municipal Maintenance Equipment, Inc.

A-7 REVIEW AND APPROVAL OF THE MEMORANDUM OF UNDERSTANDING BETWEEN THE MORRO BAY SENIOR CITIZENS INC. AND THE CITY OF MORRO BAY; (RECREATION)

RECOMMENDATION: Review and approve the proposed Memorandum of Understanding (MOU) between the Morro Bay Senior Citizens Inc. and the City of Morro Bay.

B. PUBLIC HEARINGS - NONE

C. UNFINISHED BUSINESS / SECOND READING AND ADOPTION OF ORDINANCES

C-1 REVIEW AND ENDORSEMENT OF LEAP ACTION TEAM INITIATIVES; (ADMINISTRATION)

RECOMMENDATION: Review and endorse LEAP initiatives, with modifications as required.

C-2 REVIEW PRELIMINARY RECOMMENDATIONS FOR NEW WATER AND SEWER RATES, APPROVE THE PROPOSITION 218 NOTICE AND SET MAY 26, 2015, AS THE DATE FOR A PUBLIC HEARING AND TO ESTABLISH NEW WATER AND SEWER RATES; (PUBLIC WORKS)

RECOMMENDATION: Review and discuss preliminary recommendations and provide direction to staff regarding the Proposition 218 Notice and set May 26, 2015 as the date for a Public Hearing and to Establish New Water and Sewer Rates.

C-3 ADOPTION OF RESOLUTION NO. 12-15 EXPANDING THE DUTIES OF THE CITIZENS OVERSIGHT COMMITTEE TO INCLUDE DUTIES AS THE CITIZENS FINANCE COMMITTEE FOR THE CITY OF MORRO BAY; (ADMINISTRATIVE SERVICES)

RECOMMENDATION: Adopt Resolution No. 12-15.

C-4 UPDATE AND DISCUSSION OF CITY OWNED PROPERTIES FOR POTENTIAL SALE; (PUBLIC WORKS)

RECOMMENDATION: Review information on various City-owned properties and provide direction to staff.

D. NEW BUSINESS

D-1 DISCUSS ADVISORY BOARD JOINT MEETINGS AND RECOGNITION EVENT FOR ADVISORY BOARD MEMBERS; (CITY COUNCIL)

RECOMMENDATION: Discuss Advisory Board Joint Meetings and a Recognition Event for Advisory Boards and provide direction to staff.

E. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

F. ADJOURNMENT

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 772-6205 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.

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

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – MARCH 3, 2015
MORRO BAY VETERAN’S HALL
209 SURF STREET – 4:00 P.M.

PRESENT:	Jamie Irons	Mayor
	Christine Johnson	Councilmember
	John Heading	Councilmember
	Matt Makowetski	Councilmember
	Noah Smukler	Councilmember
STAFF:	David Buckingham	City Manager
	Dana Swanson	City Clerk
	Rob Livick	Public Works Director
	Joe Woods	Recreation Director
	Amy Christey	Police Chief
	Susan Slayton	Administrative Services Director
	Scot Graham	Community Services Manager
	Todd Gailey	Fire Captain

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT RE: ITEMS ON THE AGENDA

The public comment period for Item I was opened.

Robert Davis, Morro Bay, shared his recommendations for budget priorities. 1) bicycling projects, including the following: Preserve Class 1 multi-use trail from Main Street to Cloisters, provide City-wide parking at popular destinations and public buildings, and look at intersection of Main Street and Quintana to help northbound bicyclists get from Main Street onto the bike trail; 2) vehicle parking – he asks the City move slowly with changes to parking management as the update to the General Plan Land Use and Circulation Elements will address future business district designs; 3) support coordinated event management at the City level; 4) link the Embarcadero with downtown; 5) broadband is important to the telecommuting workforce; and 6) economic development strategic plan.

Keith Taylor, Morro Bay, spoke on behalf of Friends of Morro Bay Fire Department, asking the City to 1) maintain and strive to continue to improve paramedic service, an extension of local emergency rooms, 2) ensure sufficient staffing for simultaneous emergency incidents in our community, 3) ensure firefighters have proper equipment to perform their jobs through true equipment depreciation accounts, and 4) improve response times to North Morro Bay.

Lisa Ludovici, Government Affairs Senior Manager of Charter Communications and Morro Bay resident, provided information on high speed fiber network currently running through Morro Bay and available services and programs, including last mile production grants available for

businesses. She and other Charter representatives recently met with City staff regarding available programs and would be happy to return with more information.

Brent Haugen, Morro Bay Tourism Bureau, encouraged the City to continue funding the Morro Bay Visitor Center which plays a vital role for visitors and the business community and also shows our great hospitality.

Linda Fidell, Morro Bay, along with Nancy Castle co-coordinates community dinners each Monday night at the Vet's Hall, asks the City to continue to waive facility rental fees. Since January 6th, they have served meals to 2,540 people. Their use of the Vet's Hall is relatively light; meals are cooked off site, and there is minimal use of electricity and water. More information will be provided at the March 10 City Council Meeting.

The public comment period was closed.

SPECIAL MEETING AGENDA ITEM:

I. 2015/16 BUDGET PRIORITIES STUDY SESSION

<https://youtu.be/EJ52kBgjW5g>

City Manager Buckingham presented the staff report, asking the Council to provide initial guidance to assist staff in preparing the 2015/16 budget.

Mayor Irons suggested that Goals 3 thru 9 be priorities for discussion, as funding for others are already decided.

Councilmember Johnson noted the Council has received support request letters from SCORE, NOOR Clinic, and Monday Night Community Dinners. She expects more requests are forthcoming, including EVC membership dues, SLO Housing Trust Fund and others, and suggests staff keep a running list and compare to last year's donations. City Manager Buckingham will reach out to those agencies to ensure requests are received in a timely manner for Council review.

Staff noted some one-time Dynegy funds are available that can be allocated to specific projects or one-time events. Councilmember Smukler suggested these funds be considered for the GP/LCP update; Councilmember Johnson agrees.

Councilmember Smukler recommended that with regard to traffic safety/calming measures, the following locations be top priorities: Main Street & Hwy. 41, San Jacinto & Main Street and Del Mar School area. Other requests include Radcliffe & Main, Pacific & Main and Easter Street as you enter or exit Hwy. 1. Councilmember Johnson notes citizen input and efforts will help in the Del Mar area, and likely will not require funding.

Councilmember Makowetski asked staff if the pavement management index and pavement management plan priorities can be manipulated and updated based on new projects, such as the

bike park. Director Livick responded noting there are both street repair and traffic issues in that location. City Manager Buckingham affirmed this is the type of discussion that's helpful to staff; a location may not be high on the pavement management index, but may be a community priority for other reasons.

Mayor Irons asked staff to discuss pavement management efforts. Director Livick noted that due to limited funding, staff is able to negotiate better pricing on a 2-year pavement contract rather than an annual contract. Funds from FY 2015/16 will be combined with FY 2016/17 for a larger project.

Mayor Irons asked Brent Haugen to comment regarding the Visitor's Center and last year's plan for self-funding. Brent shared the Tourism Bureau Board is looking at various structures and getting ideas from other cities, including a funding mechanism through ticket sales. He will be working with new board members and hopes to have more information by end of calendar year. He asks the City continue funding the Visitor's Center this fiscal year while they continue working on plans to become more self-sufficient.

Bob Keller, Morro Bay resident, shared his priority on traffic control is Main/Radcliffe, particularly with new Bike Park. This intersection is very congested at tourist and holiday time and he asks this to be priority #1.

Councilmember Smukler noted traffic calming that will be implemented on Main will help with the Radcliffe area.

Mayor Irons initiated discussion of Code Enforcement. Councilmember Makowetski prefers a proactive vs. reactive approach. He understands budget and staffing is a challenge, but wants to see Code Enforcement brought forward in the budget process. Councilmember Johnson noted a Code Enforcement position was almost budgeted last year. She feels parking and other public works and community development issues would be resolved with proactive code enforcement. There was Council consensus for code enforcement, noting there is an intangible return on investment. They recommend a strong community outreach and public education to allow citizens some time to clean up their properties.

Councilmember Johnson asked if body worn cameras are eligible for Measure Q funding. Chief Christey noted some funding has been allocated and more will likely become available in the next few months. She agrees there's a need and will be working on policies and a presentation to the Council. Measure Q funds would be appreciated, but she believes other funding sources are available.

Councilmember Heading provided thoughts regarding the budget process: 1) enterprise funds should be self-funding, 2) watch interdepartmental transfers, 3) identify any previously taboo or unidentified funding sources and areas where there was low hanging fruit, such as the MAS audit, 4) policy review in areas related to improving financial sustainability of City, such as review of the risk management accumulation fund policy, and, 5) with regard to Management Partners report, it will be important to prioritize as there are limited resources, so items that are most manageable with the highest potential for return should be top priority.

City Manager Buckingham advised the Council that in order to comply with City ordinance, on April 28 staff will present a full fee recovery master fee schedule and ask Council to discuss the level of subsidy for various items. The 2015/16 budget will be based on recovering close to the appropriate level of fees. Mayor Irons noted any significant changes in fees must be advertised.

Mayor Irons asked staff to review and bring back for discussion policies related to the Risk Management Accumulation Fund and General Fund Reserve, which is currently 27.5% of budget, including whether that should be a flat number or percentage of the budget.

Councilmember Heading noted economic development seems to happen in a disparate manner and he wants staff to look at bringing that closer to home. Although it may require a resource, the return on investment could be great. He notes the development of an economic vision may lend itself to a longer range strategic economic development plan, but things change so rapidly in economic development five years without that vision may be difficult. He would however support a longer term strategic plan.

Councilmember Smukler noted that he would prefer to use the limited funds available for the GP/LCP update, as that document will support economic development in so many ways. Councilmember Makowetski agrees the LEAP Process is instrumental in driving the 5-year process and suggests that under Goal #6 we need some sort of coordinator or consultant to continue progress with stakeholders 5-10 years down the road. He supports priorities listed under Goal #6, with the exception of Tri-W Property which is further down the road.

Councilmember Johnson noted the City is currently spending \$152,000 on activities that fall under economic development (Visitor's Center, events and Chamber business support program) and this year allocated \$49,000 for LEAP. She suggests preparing an RFP for a strategic plan to and is willing to spend some money in that area because it's bringing revenue to the City in the future.

Mayor Irons is glad to hear correlation between GP/LCP update and economic development and notes updated planning software could be an economic driver also. City Manager Buckingham agrees, noting the Information Technology (IT) shortfalls citywide are significant. An IT strategic plan would help determine the priorities and timing of all improvements that need to be made. There is significant cost, but current systems are woefully inadequate.

Councilmember Heading suggested some of the one-time Dynegy funds be allocated to efforts related to reuse of that property. Council concurred.

Staff asked for Council input on the following remaining issues:

1. Information Technology – Council supports this item.
2. Embarcadero/Downtown link – Staff asked for Council support to fund visioning for this area. Mayor Irons commented regarding need to determine available funding from property owner and perhaps there may be some SLOCOG funds available. Councilmember Makowetski suggests this area be tied strategically to the bike path as this small section touches several other goals.

3. Parking Management Study – Is the current Parking Management Study adequate, or do we need a new one? Councilmember Johnson suggests the document be refreshed in-house. Council concurred.
4. ADA Compliance Assessment – Staff notes a new assessment is recommended to determine the items required to comply with the law. Council concurs.

Mayor Irons asked that staff bring back the financial obligations related to improved water supply diversification.

No further Council action was taken

The Council recessed at 6:01 to Closed Session at City Hall Conference Room, located at 595 Harbor Street.

II. CS-1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: City Manager

The City Council was reconvened to Open Session.

The Mayor reported that with regards to the Closed Session Item, the Council did not take any reportable action pursuant to the Brown Act.

ADJOURNMENT

The meeting adjourned at 9:10p.m.

Recorded by:

Dana Swanson
City Clerk

MINUTES – MORRO BAY CITY COUNCIL
SPECIAL CLOSED SESSION MEETING –
MARCH 5, 2015
CITY HALL CONFERENCE ROOM – 4:30 P.M.

AGENDA NO: A-2
MEETING DATE: May 24, 2015

PRESENT: Jamie Irons Mayor
 Christine Johnson Councilmember
 Matt Makowetski Councilmember
 Noah Smukler Councilmember

STAFF: David Buckingham City Manager
 Joe Pannone City Attorney

ESTABLISH QUORUM AND CALL TO ORDER

A quorum was established with Mayor Irons, Councilmember Johnson, Councilmember Makowetski and Councilmember Smukler present. The meeting was called to order at 4:45pm.

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

CLOSED SESSION PUBLIC COMMENTS - Mayor Irons opened the meeting for public comments for items only on the agenda; seeing none, the public comment period was closed.

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

CS-1 CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
PURSUANT TO GOVERNMENT CODE 54956.9(d)(1)
Medina v. City of Morro Bay, San Luis Obispo Superior Court Case #14CV0214

The City Council reconvened to Open Session.

The City Attorney reported that with regards to the Closed Session Item, the Council did not take any reportable action pursuant to the Brown Act.

ADJOURNMENT

The meeting adjourned at 4:54pm.

Recorded by:

Dana Swanson
City Clerk

MINUTES - MORRO BAY CITY COUNCIL
REGULAR MEETING – MARCH 10, 2015
VETERAN’S MEMORIAL HALL – 6:00P.M.

PRESENT:	Noah Smukler John Heading Christine Johnson Matt Makowetski	Councilmember / Mayor Pro Tempore Councilmember Councilmember Councilmember
ABSENT	Jamie Irons	Mayor
STAFF:	Susan Slayton Joe Pannone Jamie Boucher Rob Livick Amy Christey Scot Graham Cindy Jacinth	Administrative Services Director City Attorney Deputy City Clerk Public Works Director Police Chief Community Development Manager Associate Planner

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:00pm

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CLOSED SESSION REPORT

MAYOR AND COUNCILMEMBERS’ REPORTS, ANNOUNCEMENTS &
PRESENTATIONS

Mayor Pro-Tempore Smukler asked to pull Item A-8 to present a Proclamation Commending and Honoring Police Sergeant David Bergantzel on his Retirement. Council concurred.

<https://youtu.be/MBjpBila5QU?t=3m7s>

PUBLIC PRESENTATIONS

- Tourism Bureau Quarterly Presentation <https://youtu.be/MBjpBila5QU?t=8m34s>

Executive Director Brent Haugen provided the Tourism Bureau’s activities from July 1, 2014 through January 31, 2015. Included in the presentation were year-to-date statistics; year-to-date visitor center statistics; the 2015/16 current budget; the 2014/15 visitor center and event funding budget trending-to-date numbers; 2015/16 event funding grantees; the 2014/15 TOT report to-date to include a significant increase in midweek business and overall occupancy; the 2014/15 adjusted budget; and, the 2014/15 budget trending to-date. Brent and the Bureau are very proud of the increased marketing efforts and share these successes with all lodging, business and community partners

- CivicSpark Presentation <https://youtu.be/MBjpBila5QU?t=45m49s>

Anna Olsen gave a presentation on CivicSpark, an organization helping local governments implement their climate action goals. CivicSpark is hosted by the SLOAPCD. Presented were 9 common measures to each of the 8 jurisdictions being aided by CivicSpark. The top 3, ~small-scale, on-site photovoltaic (PV) incentive program; ~energy efficiency outreach and incentive program; and the ~energy audit and retrofits program are all currently being worked on by CivicSpark staff. They reviewed the City’s implementation goals; they are helping us with our AB 2188 compliance; they reviewed how they are aiding the local jurisdictions; and they invited the public to a local Simple Steps workshop being held on May 28th from 6-9pm where they will showcase successful retrofits and sustainable technologies.

PUBLIC COMMENT

<https://youtu.be/MBjpBila5QU?t=56m48s>

Nancy Castle, Sharon O’Leary and Linda Fidel, all with the Estero Bay Alliance for Care (EBAC) provided the business spot. Nancy spoke on the overall successes of EBAC; they have brought 2 projects – Monday Meals and the Community Resource Center – to fruition. Sharon provided an update on the Community Resource Center stating they are a direct resource community action office and made available copies of their biannual report and resource checklist. Linda is a co-coordinator of the Monday Night Dinners which was started back on January 6, 2014; to date 2590 persons have been fed with an average of 45-55 each evening. There are many volunteers, organizations and donors involved that all deserve our thanks. Nancy advertised that EBAC will be part of the City-wide Yard Sale in an effort to raise additional funds.

Dane Senser, Arroyo Grande, spoke representing “Hands Out – “Show love and respect – nothing else matters; “Don’t show love and respect – nothing else matters.” He hoped that campaign would be a healing process for the recent “hands up, don’t shoot”. He went on to say he was upset with the author of Cal Coast Fraud as he feels he was slandered on the site.

Linna Thomas, Morro Bay business owner presented additional signed petitions objecting to the parklet on Main Street. She stressed that it wasn’t a bad idea, just not a good location. She also presented a letter to the editor as was printed in the Bay News about the parklet for Council to read.

Alex Bettie, Morro Bay/Modesto resident, spoke on the disruptions caused by hunting in Morro Bay. The hunting disrupts access to the bay, disrupts human activities and it is distressful to dogs. Past councils have taken an interest in this; he proposed we send a letter to the Fish and Game Commission; he also proposed that we eliminate hunting during the Morro Bay Bird Festival.

Ken Vesterfelt, Morro Bay resident, was concerned at the lack of signage for the City’s public restrooms. He announced the upcoming Emergency Car Show on April 18th and the Morro Bay Cruisn’ Car Show on April 30th and May 1st, 2nd, & 3rd. He is also spoke on the current business

license audit; he's been a realtor for 17 years and has never heard about the need for a license, why are they being punished going back for years, for not knowing?

Jeremiah O'Brien spoke representing the Morro Bay Commercial Fishermen's Association on the sanctuary issue. He wanted Council to be aware that NOAA put a letter on their website (he presented a copy to the Clerk for distribution). It stated that NOAA has concluded the nomination wasn't sufficient to move forward; it's been rejected but he's sure it will be resubmitted. They have fought this for the 3rd time in as many years. They will continue their education on the sanctuary process.

Bill Martoney, Morro Bay resident, heard we are considering taking down the 6 foot wall at the triangle property parking lot. He was concerned as the wall serves a purpose, it buffers the view of cars and the switchyard and hopes we reconsider. He also urged us to consider a portion of that lot for a boat haul-out yard.

Reginald Corella, spoke out advocating for our local Grange; farmers are the backbone of society, he hopes we support them; our Grange - Morro 27 has quite a history.

The public comment period was closed.

A. CONSENT AGENDA

<https://youtu.be/MBjpBila5QU?t=1h28m55s>

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 REGULAR JOINT MEETING OF THE CITY COUNCIL, PLANNING COMMISSION, HARBOR ADVISORY BOARD, RECREATION & PARKS COMMISSION, TOURISM BUSINESS IMPROVEMENT DISTRICT ADVISORY BOARD, CITIZENS OVERSIGHT COMMITTEE, PUBLIC WORKS ADVISORY BOARD AND WRF CITIZENS ADVISORY COMMITTEE HELD ON FEBRUARY 23, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE SPECIAL CITY COUNCIL MEETING HELD ON FEBRUARY 24, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE CITY COUNCIL MEETING HELD ON FEBRUARY 24, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-4 STATUS REPORT OF A MAJOR MAINTENANCE & REPAIR PLAN (MMRP) FOR THE EXISTING WASTEWATER TREATMENT PLANT; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

A-5 WATER RECLAMATION FACILITY (WRF) PROJECT UPDATE; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

A-6 AWARD OF CONTRACT FOR LEASE OF A SKID STEER TO CAT FINANCIAL; (PUBLIC WORKS)

RECOMMENDATION: Authorize the Public Works Director to execute Lease Agreement.

A-7 DEDICATION OF RIGHT-OF-WAY EXTENSION FOR IRONWOOD AVENUE AND ACCEPTANCE OF IRONWOOD AVENUE RIGHT-OF-WAY AND A PUBLIC STORM DRAIN EASEMENT; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution 11-15 making and accepting a Right-of-Way Dedication, accepting a storm drain easement, authorizing the Mayor to sign necessary documents and directing staff to record those documents.

A-8 APPROVAL OF PROCLAMATION COMMENDING AND HONORING POLICE SERGEANT DAVID BERGANTZEL ON HIS RETIREMENT; (ADMINISTRATION)

RECOMMENDATION: Approve and file.

Councilmember Johnson pulled Item A-5.

MOTION: Councilmember Johnson moved the Council approve the Consent Agenda items A-1, A-2, A-3, A-4, A-6, A-7 and A-8. The motion was seconded by Councilmember Heading and carried 4-0-1 with Mayor Irons being absent.

A-5 WATER RECLAMATION FACILITY (WRF) PROJECT UPDATE; (PUBLIC WORKS)

<https://youtu.be/MBjpBila5QU?t=1h29m13s>

Councilmember Johnson pulled Item A-5 to allow Public Works Director Rob Livick the opportunity to give a verbal update on the WRF Project. Mr. Livick spoke on the letter received from Ken Harris of the Regional Water Quality Control Board. Mr. Harris congratulated the City on our site selection. He also encouraged us to look towards ground water recharge as the primary use for the reclaimed water. We have until December 21, 2021 to complete the project.

The public comment period was opened for Item A-5.

Barry Brannin, Morro Bay resident stated the letter was a nice kudo to all the work done but there's a large section we've never talked about - we still need to discuss groundwater recharge. Cayucos is facing this as they are running out of water, the type of plant built will greatly affect how we do our groundwater recharge and will be a tremendous cost; we shouldn't wait; he hopes we can receive money to help us do that.

The public comment period was closed.

MOTION: Councilmember Johnson moved the Council approve Consent Agenda item A-5. The motion was seconded by Councilmember Headding and carried 4-0-1 with Mayor Irons being absent.

The public comment period was opened for the remaining Consent Calendar items; seeing none, the public comment period was closed.

B. PUBLIC HEARINGS

B-1 REVIEW AND ADOPT FINAL FUNDING RECOMMENDATIONS FOR THE 2015 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS; (COMMUNITY DEVELOPMENT)
<https://youtu.be/MBjpBila5QU?t=1h48m9s>

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

The public hearing was opened for Item B-1; seeing none, the public hearing was closed.

MOTION: Councilmember John Headding moved to accept staff recommendation and adopt the final funding recommendations for the 2015 Community Development Block Grant Funds and forward recommendations to the San Luis Obispo County Board of Supervisors for inclusion with other funding requests from the Urban County Consortium according to the amounts as allocated in the recommendation. The motion was seconded by Councilmember Makowetski and carried 4-0-1 with Mayor Irons being absent.

C. UNFINISHED BUSINESS / SECOND READING AND ADOPTION OF ORDINANCES

C-1 DISCUSSION AND DIRECTION REGARDING INCREASED FINES FOR USE OF ILLEGAL FIREWORKS; (POLICE)
<https://youtu.be/MBjpBila5QU?t=1h57m22s>

Police Chief Amy Christey presented the staff report and responded to Council inquiries.

The public comment period for Item C-1 was opened; seeing none, the public comment period was closed.

Councilmember Headding stated this is an important safety issue and concurs that anything we can do to deter the number of infractions that we have is important. He is in support of increasing our fine to \$500-\$1000 without a first warning.

Mayor Pro-Tempore Smukler is also in support of the fines for use of illegal fireworks. He is concerned about fire, public health and personal safety.

Councilmember Johnson agrees with moving forward on this, allowing no first warning. In addition, we are in a drought and without this; she sees the potential for fire hazards.

City Attorney Joe Pannone asked if Council meant to allow the use of Safe and Sane fireworks all year or just during the 4th of July holiday.

Councilmember Makowetski stated as long as they are safe and sane and on private property, he would be inclined to allow them all year.

Councilmember Johnson stated that since we haven't seen a lot of complaints, she is willing to go with safe and sane on private property.

Councilmember Headding isn't so sure he would support this on a year round basis.

Mayor Pro-Tempore Smukler requested Council move forward with staff recommendation and then revisit it in a year from now.

MOTION: Mayor Pro-Tempore Smukler moved to adopt staff's recommendation to increase fines for violation of Morro Bay Municipal Code 14.08.090 regarding use of dangerous fireworks and direct staff to bring back for a 1st reading that includes one alternative allowing safe and sane as currently designated 365 days of the year on private property and another more restrictive on the use of safe and sane fireworks. The motion was seconded by Councilmember Headding and carried 4-0-1 with Mayor Irons being absent

D. NEW BUSINESS

D-1 DISCUSSION AND CONSIDERATION OF AN ORDINANCE TO BAN THE POSSESSION AND SALE OF SYNTHETIC SPICES AND/OR SYNTHETIC BATH SALTS; (POLICE)
<https://youtu.be/MBjpBila5QU?t=2h26m2s>

Police Chief Amy Christey presented the staff report and responded to Council inquiries.

The public comment period for Item D-1 was opened; seeing none, the public comment period was closed.

Councilmember Makowetski has seen the use of these drugs and really wants to keep this out of Morro Bay; if we can be proactive about this that would be great.

Councilmember Headding stated this is pandemic throughout the country. He highly suggests moving forward.

Both Mayor Pro-Tempore Smukler and Councilmember Johnson agree.

MOTION: Councilmember Johnson moved approval for staff to return with an ordinance to ban the possession and sale of synthetic spices and/or synthetic bath salts within Morro Bay. The motion was seconded by Councilmember Headding and carried 4-0-1 with Mayor Irons being absent.

E. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
<https://youtu.be/MBjpBila5QU?t=2h38m3s>

There were no future agenda items declared.

ADJOURNMENT

The meeting adjourned at 8:38 p.m.

Recorded by:

Jamie Boucher
Deputy City Clerk



AGENDA NO: A-4

MEETING DATE: March 24, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: March 16, 2015

FROM: Bruce Keogh, Wastewater Division Manager

SUBJECT: Award of Contract to Duke's Root Control, Inc. for Sewer Line Root Control Services

RECOMMENDATION

Staff recommends City Council authorize the Public Works Director to execute a contract for sewer line root control services to Duke's Root Control, Inc. in the amount not to exceed \$80,000 for fiscal years 2014/15 and 2015/16.

ALTERNATIVES

- 1) Direct staff to prepare a request for proposal thereby delaying root control services until summer of 2015.

FISCAL IMPACT

The fiscal year 2014/15 budget for the Collections Division contains funding for sewer line root control services. Staff will recommend that additional funding be allocated in fiscal year 2015/16 for sewer line root control.

BACKGROUND

In 2008, the City established a contractor-based sanitary sewer integrated root control program to avoid sewer main line stoppages, collection system structural deterioration from root intrusion, and protect staff and public health and the environment by reducing/eliminating root caused sanitary sewer overflows (SSOs). The City's root control program consists of chemically treating approximately 13 miles of the City's 60 miles of main lines over a three-year recurring treatment cycle. This proactive maintenance program is an indispensable element of the City's adopted Sewer System Management Plan. Chemical root control is integrated with traditional maintenance programs, such as hydroflushing main lines and collection system structural repair, rehabilitation, and replacement. The goal of these programs is to prevent SSOs that can negatively impact human health and the environment, damage public and private properties, result in potential regulatory fines or penalties, and extend the life expectancy of City infrastructure.

Prepared By: BK

Dept Review: RL

City Manager Review: _____

City Attorney Review: _____

Collection System staff initiated this program with Duke's Root Control (Duke's) and coordinates with Duke's to continuously maintain product warranty over the three-year recurring treatment cycle. In order to continue the established program and stay within product warranty, staff recommends Council award a contract to Duke's for at least two more treatment cycles.

DISCUSSION

One of the tools the City uses in its proactive maintenance program is sewer line root control. The goal of the program is to prevent root infestation in the sewer system because they may well cause stoppages resulting in SSOs and/or infrastructure deterioration. The City has utilized Duke's since 2008 to apply chemical root treatment within the sewer infrastructure, including manholes. Collection system infrastructure on this program are discovered by City staff through CCTV and manhole inspections, field observations during hydroflushing, historical records, operator knowledge, and SSOs caused by root stoppages. Chemicals are used only where necessary to achieve acceptable levels of control with least possible harm to non-target organisms and the environment.

Duke's utilizes certified applicators and specialized equipment to apply chemical laden thick foam that is released and sprayed into sewer lines and manholes. The foam adheres to roots killing them on contact inside and outside the pipe and manhole walls, without harming trees. After application, roots decay naturally and slough away over time, and their regrowth is delayed for two to three years. The City has had better results with this procedure than mechanically removing the roots with a specialized root cutting head on the Vac-Con hydroflushing truck. Currently, approximately 68,000 lineal feet of sewer line has been identified as needing root control.

Staff is proposing to enter into a two year contract with Duke's that would cover FY14/15 and FY15/16 expiring on June 30, 2016 for an amount not to exceed \$40,000 per fiscal year. The total value of the contract would be for an amount not to exceed \$80,000 over the two fiscal years. Since 2008, City costs for root control services have averaged approximately \$37,000 per year with Duke's.

This contract would allow Duke's to conduct root control on approximately 23,000 lineal feet of sewer line during the last three months of this fiscal year and to conduct root control on another 23,000 feet of sewer line in FY15/16. This would sustain Collection Division integrated maintenance goals and retain product warranty for the next sixteen months. At that time, the City could extend their contract or go out to bid for the next contract.

Staff recommends Council award the contract to Duke's for sewer root control services for the following reasons:

- They have a proven and successful track record with the City providing this service. As stated previously, they have successfully provided this service for the City since 2008.
- Duke's provides a warranty on all lines receiving root control. The guarantee states, *“If live roots are found within six months of application, or if a treated sewer plugs due to roots during the guaranteed period, Duke's will re-treat that section at their expense.”* From the onset of the program, Duke's honored their warranty and have re-treated about a dozen lines at no cost.
- Duke's utilizes a proprietary chemical root control product known as Razorrooter II, it is the only diquat-based herbicide registered by the USEPA and classified as *“evidence of non-carcinogenicity for humans”* for controlling tree roots in sewer lines. Duke's competitors use

metam sodium which is likely a human carcinogen and can be disruptive to wastewater treatment plants.

- This integrated root control program reduces traditional energy-intensive maintenance efforts.
- In the years that Dukeø has applied this chemical in the Cityø collection and conveyance system, the plant has not experienced upsets following application of the foam, and Dukeø coordinates application schedules with City Collections and Wastewater Treatment Plant staff.
- Dukeø has over thirty-five years of experience in applying root control products and provide their own specialized equipment and trained personnel for product application.
- They are utilized by numerous municipalities within SLO County, the state, and nationally.

For the past 6 years, the City did not have a formal contract with Dukeø. Collections staff received and signed a proposal provided by Dukeø and the work was completed. Per Chapter 3.08 of the City Municipal Code, the City Attorney is now requesting that a contract be approved and signed prior to work commencing. As the contract authority is not defined in the municipal code for street or sewer maintenance or repair, it is the City Attorneyø position, by default all contracts for sewer maintenance or repair should be approved by the City Council.

CONCLUSION

Staff recommends City Council authorize the Public Works Director to execute a contract with Dukeø Root Control Service in the amount not to exceed \$80,000 for fiscal years 2014/15 and 2015/16.



AGENDA NO: A-5

MEETING DATE: March 24, 2015

Staff Report

TO: Honorable Mayor and City Council **DATE: March 16, 2015**
FROM: Bruce Keogh, Wastewater Division Manager
SUBJECT: Award of Contract to Alpha Electrical Service for Control System Upgrades at Lift Station 3

RECOMMENDATION

Staff recommends the City Council authorize the Public Works Director to execute a contract for Control System Upgrades at Lift Station 3 to Alpha Electrical Service in the amount of \$29,784.

ALTERNATIVES

- 1) Direct staff to prepare a request for proposals, thereby delaying upgrades to the control system at Lift Station 3.

FISCAL IMPACT

The FY14/15 budget for the Collections Division contains funding for upgrading the control systems at Lift Station 3.

BACKGROUND

The proposed project is to install a new supervisory control and data acquisition (SCADA) capable control system at Lift Station 3, located at the intersection of South Bay Boulevard and Quintana Road. The lift station has an existing control system used for operating the station, including cycling pumps as needed to match influent flow, monitoring critical station parameters, activating alarms, and recording station data; however, that control system is not compatible with the proposed OPTO 22 based control system, which is SCADA compatible. This system offers a non-proprietary program platform, so authorized staff can make basic parameter changes without delay or involving third-party vendors.

The new OPTO 22 control system would allow the station to link with the current SCADA system used for Lift Station 2 and pump station data would be readily accessible on staff computers, cell phones, and stored on a remote drive. This equipment upgrade provides uniformity with Lift Station 2's control system and logic. Collection staff anticipates performing a similar upgrade at Lift Station 1 in the next fiscal year. Following these upgrades, all three stations will be SCADA compatible and have like control system equipment and logic, thus providing continuity at all City lift stations.

DISCUSSION

Collections staff's long-term goal is to equip all City lift stations with identical controllers and control logic. This system-wide uniform construction yields increased operator familiarity and

Prepared by: BK Dept. Review: RL

City Manager Review: _____

City Attorney's Review: _____

understanding from station-to-station, including troubleshooting. Lift Station 2 was upgraded to the OPTO 22 SCADA system in June 2014. In addition to City lift stations using this equipment, the City's Water Division utilizes an OPTO 22 based platform SCADA system to operate the water distribution system and they can monitor key parameters such as tank levels from remote locations. Alpha Electrical Service currently maintains and supports this system for the Water Division.

SCADA capability allows for remote monitoring and operations of the lift station by Collection Division staff. Also, it provides data acquisition capability for storing and retrieving lift station operational parameters. This is especially critical during emergencies when staff can remotely monitor pumps and wet well levels and prioritize where to allocate staff for maximum efficiency. The system can also provide historical flow-related data for use in the event of a sanitary sewer overflow or lift station failure.

Collection Division staff requested and received a proposal from Alpha Electrical Service to install a new control system at Lift Station 3. A copy of the proposal is attached.

Staff recommends that Council award the contract to Alpha Electrical Service for the following reasons:

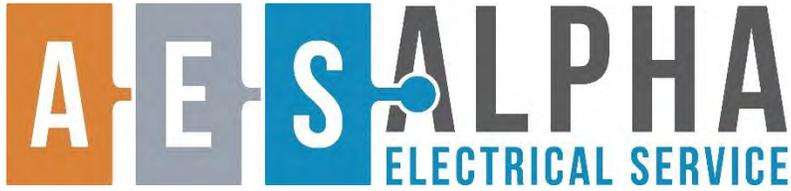
- 1) Alpha Electrical Service successfully completed an OPTO 22 control systems upgrade project at Lift Station 2 in June 2014. They completed the project on-time and within budget, and the system has been operating as designed.
- 2) They currently work with the Water Division to support and maintain the OPTO 22 control system used to monitor and control the City water system. This will provide consistency with the Collections Division as both will be running the same OPTO based control systems. This plans for redundancy and shared critical parts inventory in the event a component fails for either utility, and all crews will have a basic understanding of how the systems operate.
- 3) They are proposing to install an OPTO 22 based control system. The OPTO 22 system is not a proprietary system so no annual license fee is required, and the manufacturer who based in Rancho California, California, offers free of charge in-depth training and product assistance to all end users.
- 4) Alpha Electrical Service is familiar with the lift stations as they currently provide electrical and control system support for these stations.
- 5) Water, Wastewater Treatment Plant, and Collections staff are all satisfied with Alpha Electrical's work product and performance. They bring a professional attitude and years of experience.

CONCLUSION

Staff recommends the City Council authorize the Public Works Director to execute a contract for Control System Upgrades at Lift Station 3 to Alpha Electrical Service in the amount of \$29,784.

ATTACHMENT

Alpha Electrical Service Proposal



**Morro Bay Waste Water – Collections Dept
Lift Station 3**
*A PROPOSAL TO:
City of Morro Bay Wastewater Collections Division*

February 20, 2015

Scope of System

Alpha Electrical will provide:

- Opto 22 Control System with Sunlight Readable Touchscreen
 - Program Lift Station into Groov
 - 48 Hour Battery Backup System
 - Flow Data reading directly from Badger Flow Meter via Serial connection
1. Pump Control System to replace existing control system
 - a. 17" Sunlight Readable Touchscreen HMI Interface
 - b. Opto 22 Ethernet TCP/IP Based SCADA Capable Controller
 - c. Program will match Lift Station 2 except will be a duplex pump controller:
 - i. Provides easy visual access to all parts of control including but not limited to
 1. Lead, Lag, Off, Hi Alarm, Lo Alarm Setpoints
 2. Individual Pump Runtimes Weekly (or other) and Totalized
 3. Individual Pump Counters 24hr (or other) and Totalized
 4. Flow, 24hr (or other) and Totalized
 5. Power Monitoring and Alarms
 6. Alarm System including both real-time and historical view
 7. Real-time and historical 5 min (or other) and 24 hour trends showing wet well level against setpoints
 8. Historical Data logging to Local hard drive as standard Excel compatible date stamped CSV file
 - d. User Manual

Alpha Electrical will perform:

1. Removal of existing controller and HMI
2. Installation of new Opto 22 Control system
3. Calibration with field devices (flow meter and pressure transducer)
4. Test of all alarms that are feasible to test.
5. Test of all system operations

Proposed Cost as of February 20, 2015*:

Total Proposed amount	\$29,784.00
-----------------------	-------------

Alpha Electrical requires 35% down payment (\$10,424.40), 35% upon starting job, and last 30% due within 10 days of completion.

City of Morro Bay Wastewater Dept.

Approves this proposal x _____ printed name _____

Exclusions: Any additional functions or redesigns to the system are considered to be another job, not included in this proposal.

* Price good for 30 days

*Must have at least 2 months of scheduling window to complete work



ALPHA

ELECTRICAL SERVICE

LIC.764884

PO Box 1978 Atascadero, CA 93423 | ph 805.595.2720

www.alphaelectrical.com | andy@alphaelectrical.com

Andy Thomson | cell 805-459-2910



AGENDA NO: A-6

MEETING DATE: March 24, 2015

Staff Report

TO: Honorable Mayor and City Council DATE: March 16, 2015

FROM: Bruce Keogh, Wastewater Division Manager

**SUBJECT: Award of Contract to Municipal Maintenance Equipment, Inc. (MME) for
Maintenance and Repair of the Vac-Con Truck**

RECOMMENDATION

Staff recommends the City Council authorize the Public Works Director to execute a four-year maintenance contract with MME in the amount not to exceed \$50,000.

ALTERNATIVES

- 1) Direct staff to prepare a request for proposals for heavy-equipment general maintenance mechanic services, in lieu of servicing by a factory-trained and authorized mechanic.

FISCAL IMPACT

The FY14/15 budget for the Collections Division contains funding for maintenance and repair activities on the Vac-Con truck. Staff will recommend that additional funding be allocated in future fiscal years for the on-going maintenance and repair of the Vac-Con.

BACKGROUND

The Vac-Con is a key component of the collection system maintenance and emergency response activities. It is used to flush and clean sewer lines, vacuum water and debris, and assist other departments on a constant and proactive basis. In addition, the Vac-Con is one of, if not the most important tool collections staff utilizes when responding to emergencies within the sewer system, especially for stoppages in the sewer system that could result in sanitary sewer overflows. It is imperative that the Vac-Con be proactively maintained and at the ready for both normal operation and maintenance activities as well as emergency response.

DISCUSSION

The Vac-Con is an expensive and complex piece of machinery requiring scheduled maintenance procedures as part of the preventative maintenance program. It was purchased through MME in 2001 for a price of about \$275,000, and current models are priced at over \$350,000. The collections crew and city vehicle maintenance staff perform daily checks and minor maintenance, but the specialized nature of the machine requires outside expertise to perform inspections, maintenance, and emergency repairs. MME is the exclusive authorized Vac-Con dealer for California to sell equipment, parts and accessories, install equipment and parts and provide warranty support for all of the Vac-Con products.

Prepared by: BK Dept. Review: RL

City Manager Review: _____

City Attorney's Review: _____

MME has provided regular maintenance and repair services since the City purchased the Vac-Con in 2001. Over the past four years (including FY14/15), the maintenance activities have averaged \$7,233 dollars, with the highest year being 2013 when maintenance and repair activities totaled \$12,565.

Staff is proposing a four year contract with MME that would cover FY14/15, 15/16, 16/17, and 17/18, expiring in June 30, 2018. The total value of the contract would be for an amount not to exceed \$50,000 over the four fiscal years (\$12,500 per fiscal year). A copy of the proposal from MME is attached.

While staff does not anticipate this level of expenditure for regular routine maintenance, this contract should provide adequate funding for factory authorized maintenance activities as well as emergency repairs. An example would be the 2013 when service invoices totaled \$12,565. In 2013, in addition to regular inspection and preventative maintenance, MME replaced the hydraulic pump cylinder head, pistons, and cylinder sleeves because City staff observed low water pressure at the jetter reel and water leaking from the pump. MME had these parts in stock and a trained service mechanic repaired the problem onsite within one week of the repair request.

Staff recommends award of contract to MME for the following reasons:

- MME is the exclusive authorized Vac-Con dealer for California to sell equipment, parts and accessories, install equipment and parts and provide warranty support for all of the Vac-Con products.
- MME has successfully performed maintenance on the Vac-Con for the past 5 years.
- Collections staff has been satisfied with MME's work product as well as their responsiveness to any requests for both preventative maintenance as well as emergency repairs.

For the past 5 years, the City did not have a formal contract with MME. Collections staff received and signed a proposal provided by MME and the work was completed. Per section 3.08 of the City Municipal Code, the City Attorney is now requesting that a contract be approved and signed prior to work commencing. As the contract authority is not defined in the municipal code for street or sewer maintenance or repair, it is the City Attorney's position, by default all contracts for sewer maintenance or repair should be approved by the City Council.

CONCLUSION

Staff recommends that the City Council authorize the Public Works Director to execute a four-year maintenance contract with MME in the amount not to exceed \$50,000.



2360 Harvard Street • Sacramento, CA 95815 • (916) 922-1101 • Fax: (916) 922-1034
 1913 Nancita Circle • Placentia, CA 92870 • (714) 528-8770 • Fax: (714) 528-8744
 4750 Caterpillar Rd., Unit D • Redding, CA 96003 • (530) 243-4856 • Fax: (530) 243-1447
 1930 W. Winton Ave., Suite 8 • Hayward, CA 94545 • (510) 670-0230 • Fax: (510) 670-9003
 www.source-mme.com • California State Contractor's License #980409

SERVICE CONTRACT PROPOSAL

February 25, 2015

Prepared for the City of Morro Bay

For One (1) Each Vac-Con Combination Sewer and Storm Drain Cleaner

Interval: Annual PM Inspection and As-Needed for Repairs

Service: Preventative Maintenance and As-Needed for Repairs

Scope: Complete General Inspection/Operational Check of entire unit (per attached Vac-Con Guidelines).
 Lube all points of movement with grease provisions.
 Inspect all areas for wear and/or damage.
 Inspect all lights, warning system, and related controls.
 Clean up and proper disposal of oil and parts.
 Provide written report of work performed and findings/recommendations.
 Any repairs found to be needed during PM Inspections will be invoiced separately – Parts & Labor.

Parts:	1 ea. Tube	Lube	Included	Included
Enviro:	(1) Lot	Disposal	Included	Included
Labor:	4.0 Hours	Travel (one way)	Included	Included
	4.0 Hours	Service	Included	Included
Total				\$ 960.00

Recommended Annual Estimate for Contract for all repairs, service, and consumable parts replacement: \$12,500.00



969 Hall Park Drive
Green Cove Springs, FL 32043
Tel: 904.284.4200 • Fax: 904.284.3305
www.vac-con.com

January 27, 2015

To Whom It May Concern:

This letter will confirm that Municipal Maintenance Equipment is the exclusive authorized Vac-Con dealer for California to sell Vac-Con equipment, parts and accessories, install equipment and parts and provide warranty support for all of the Vac-Con products.

Municipal Maintenance Equipment
2360 Harvard Street
Sacramento, CA 95815
Tel: 916-922-1104

1913 Nancita Circle
Placentia, CA 92870
Tel: 714-528-8770

1930 Winton Ave., Suite 8
Hayward, CA 94545
Tel: 510-670-0230

4750 Caterpillar Road, Unit D
Redding, CA 96003
Tel: 530-243-4856

Should you need anything else, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Zangla', is written over a faint, illegible typed name.

Brad Zangla
Parts & Warranty Manager
Vac-Con Inc.

MORE POWER TO YOU

VAC-CON SERVICE DEPARTMENT INSPECTION

USED UNIT NUMBER _____
 UNIT MODEL NUMBER _____ UNIT SERIAL NUMBER _____
 CHASSIS HRS _____ CHASSIS MILES _____ AUX. ENG. HRS _____

1. BOOM OPERATION:

ROTATION	RIGHT _____	LEFT _____
UP / DOWN	UP _____	DOWN _____
IN / OUT	IN _____	OUT _____
PENDANT	ALL FUNCTIONS _____	
GREASE ENTIRE BOOM ASSEMBLY	_____	
90-DEGREE ELBOW	OK	_____
KANAFLEX HOSE	OK	_____

LIST ANY RECOMMENDED REPAIRS _____

2. HOSE REEL OPERATION:

ARTICULATION	180 DEGREES _____
PIVOT BUSHINGS	OK _____
ARTIC. CHAIN TENSION	OK _____
OUT RIGGER LEG	½ TO 1 INCH LIFT _____
OUT RIGGER LEG SAFETY LIGHT	OK _____
SPOOL ROTATION	OK _____
CROSS VALVE LEAKAGE	OK _____
ROTATION CHAIN TENSION	OK _____
CHANGE #4 HOSE TO #8 FROM DIVERTER VALVE TO FLOW CONTROL	_____
GREASE ENTIRE HOSE REEL ASSEMBLY	_____
CHECK TRANSPORT PINS	OK _____

LIST ANY RECOMMENDED REPAIRS _____

3. WATER PUMP OPERATION:

RATED SYSTEM PRESSURE	ACTUAL _____
HOSE REEL BALL VALVES	OK _____
HAND GUN BALL VALVE/S	OK _____
DEBRIS BODY FLUSHOUT VALVE	OK _____
VARIABLE FLOW VALVE	OK _____
AIR PURGE	OK _____
WINTER RECIRCULATION CONNECTION	OK _____
LUBRICATE PLUNGERS IF NEEDED	_____
GREASE WATER PUMP DRIVE ASSEMBLY	_____
WATER PUMP MANUFACTURER	_____

LIST ANY RECOMMENDED REPAIRS _____

CHECK HYDRAULIC OILTANK LEVEL OK _____ ADDED _____

4. AUXILLIARY ENGINE:

ENGINE RPM	IDLE _____	GOVERNED SPEED _____
OIL LEVEL		OK _____
COOLANT LEVEL		OK _____
BELTS AND PULLY'S		OK _____
THROTTLE CABLE OPERATION		OK _____
AUXILLIARY ENGINE MANUFACTURER		_____

LIST ANY RECOMMENDED REPAIRS _____

5. VACUUM SYSTEM:

HYDRO. CHARGE PRESSURE _____ HIGH PRESSURE _____
BELT DRIVE BELT TENSION _____
CLEAN OUT BOX CLEAN _____ DIRTY _____
BLOWER VIBRATIONS YES _____ NO _____
VIBRATION METER READING: 1ST STAGE _____ 2ND STAGE _____ 3RD STAGE _____
CHECKED FOR VACUUM LEAKS _____
VACUUM BREAKER DOOR SEALS OK _____
GREASE BLOWER BEARINGS OK _____
KANAFLEX HOSE ANY RIPS OR TEARS _____
GREASE FRONT DRIVELINE OK _____

LIST ANY RECOMMENDED REPAIRS _____

6. DEBRIS TANK:

DEBRIS TANK SCREENS CLEAN OK _____
DOOR SEAL OK _____
DOOR ADJUSTMENT NEEDED YES _____ NO _____
TANK WATER TESTED YES _____ NO _____
VACUUM BREAKER OK _____

LIST ANY RECOMMENDED REPAIRS _____

7. ALL OPTIONS ON THIS UNIT TESTED O.K YES _____ NO _____

LIST ALL OPTIONS IN NEED OF REPAIR

8. TRUCK CHASSIS:

CHECK ENGINE OIL OK _____ QUARTS ADDED _____
CHECK COOLANT LEVEL OK _____ ADDED _____
TRANSMISSION FLUID OK _____ ADDED _____
CHECK ALL LIGHTS OK _____ INOPERATIVE _____

Signature _____ Date _____

MEMORANDUM OF UNDERSTANDING (MOU)

*Between Morro Bay Senior Citizens Inc.
And
the City of Morro Bay*

This Memorandum of Understanding ("this MOU") is made and entered into by and between the City of Morro Bay, a municipal corporation, hereinafter referred to as "City" and Morro Bay Senior Citizens Incorporated, a California non-profit corporation hereinafter referred to as "Seniors."

WHEREAS, City and Seniors entered into the certain agreement, dated January 23, 2008, related to the use and operation of City's Community Center (the "Facilities"), hereinafter referred to as "Agreement."

WHEREAS, City and Seniors desire to ratify the Agreement, as well as clarify and amplify and responsibilities set forth in the Agreement.

Now, therefore, City and Seniors do mutually agree as follows:

A. RATIFICATION OF THE AGREEMENT

City and Seniors hereby ratify the Agreement and except as modified herein, the terms and conditions of the Agreement remain in full force and effect. Unless otherwise expressly stated or the context requires, all terms used in this MOU shall have the same meaning as defined in the Agreement.

B. THE DEPARTMENT

City will perform its duties through the Recreation Department (the "Department") (previously known as the Recreation and Parks Department) and as directed by the City Manager through the Recreation Director or his/her designee (the "Director").

C. OPERATING HOURS

Seniors' operating hours for the Senior Center Office and Lobby portions of the Facilities (the "Senior Center") shall be Monday through Friday, 9:00 a.m. to 4:00 p.m. only. The Facilities shall be closed for all City-observed holidays. Other operating times or uses of the Facilities, must be authorized in writing by City.

D. PROVISION OF SERVICE

Unless otherwise stated, all services provided by Seniors shall be during hours of operation of the Senior Center. Compliance with Article 4. of the Agreement is intended to include those services identified in the Older American Act and specifically as listed below:

- a. Nutrition Funder/Provider: Senior Nutrition of San Luis Obispo (SLO) County Service provides meals for congregate and in-home delivered meals. Seniors may provide volunteers. The Department furnishes space, as needed, and permits that service directly with the Senior Nutrition Program of SLO County.

- b. Legal Services Funder: Area Agency on Aging (AAA)
Provider: SLO Legal Alternatives Corp
Seniors shall provide information regarding Senior Legal Services Project services and make appointments with follow-up, along with scheduling space as needed with the Department.
- c. Health Insurance Counseling Funder: AAA
Provider: Health Insurance Counseling and Advocacy Program (HICAP)
Seniors shall provide information regarding HICAP services and schedule space, as needed with the Department.
- d. AARP Tax-Aide Program Funder/Provider: American Association of Retired Persons (AARP)
Initial appointments and coordination shall be provided by Seniors, as needed.
- e. Information and Referral Funder/Provider: United Way of SLO County (211 SLO County)
Seniors shall provide 211 SLO County information to the public.
- f. Medical Equipment Lending Funder/Provider: Seniors
Seniors shall provide, coordinate, and maintain medical equipment for lending to the public.
- g. Legislative Information Provider: Seniors
Seniors shall make legislative information (especially information effecting senior citizens) available to the public during Senior Center hours of operation.
- h. Activities, Clubs, and Exercise Funder/Provider: Seniors
During Senior Center hours of operation, Seniors shall coordinate various activities, including, but not limited to, pool games, card clubs, crafting groups, and senior exercise opportunities.
- i. Food Distribution Funder: State and Federal Government
Provider: The Food Bank Coalition of SLO County
Seniors may provide volunteers for this program through the Food Bank. Seniors shall coordinate the use of space with the Department.
- j. Senior Health Screening Provider/Funder: Community Action Partnership of SLO County
Seniors shall provide information and schedule space with the Department.
- k. Newsletter Funder/Provider: Seniors
In accordance with Seniors Bylaws, Seniors shall provide a monthly newsletter to membership and the Department may assist with this coordination.
- l. Monthly Reports Provider: Seniors

Seniors shall complete required reports specifying the number of individuals using the facility for each program listed in the Sections E. and F., below,

- m. Meals on Wheels Funder/Provider: Meals on Wheels, Inc.
Seniors may provide volunteers for delivery of meals. The Department shall provide a space at the Facilities.

E. ADDITIONAL SERVICES

In addition to those services required in Paragraph D., above, Seniors willingly offer volunteers to the Department in compliance with Article 4. of Agreement. Those volunteered hours reported in for servicing the below programs shall be included in the volunteer hours total required in Article 4., Section f. of Agreement.

BINGO PROGRAMS	
MAINTENANCE PROJECTS	VOLUNTEER COORDINATION
RECORD KEEPING	YOUTH PROGRAMS
PROMOTION DISSEMINATION	SENIOR EXERCISE CLASSES
SENIOR GAME CLUBS	SENIOR SOCIAL ACTIVITIES
SENIOR ARTS AND CRAFTS CLUBS	
SENIOR CENTER LIBRARIAN DUTIES	

Seniors hereby stipulates all recreational services offered in the Facilities or by Seniors shall first be approved by Department and sponsored by Department, wherever fees are collected from participants.

F. SENIOR ACTIVITIES

The Department recognizes Seniors have other activities, which benefit seniors directly to include the following items, as examples. Seniors recognizes those programs are not part of Agreement, Article 4 Section f. Compliance with this section shall be deemed compliance with Article 4., Section b. of Agreement.

- RETIREMENT PLANNING SEMINARS
- TRANSPORTATION FOR SENIORS
- HEALTH CARE SEMINARS
- TRIPS
- MBSCI FUNDRAISERS

Seniors shall submit to the Department a calendar of senior activities for the calendar year of January 1 to December 31 each year. The Department shall consider that calendar a request for use of the Facilities and confirm the Facility uses for calendar activities within one week after the Department received that calendar.

G. FACILITY USE PROCEDURES

It is clearly understood and agreed by Seniors the Agreement requires use of the Facilities by seniors or other groups/individuals permitted by the Department in order to consistently and equally administer public building use by the entire community. Procedures shall be followed, as required in Agreement Article 4., Section d. and as further clarified, below:

Senior Uses - Seniors President shall request all uses of the Facilities, other than those covered by Sections D., E. and F. of this MOU, from the Department by completing a "Request For Use" and receiving written approval from the Department.

Notice of City Use, by Others, of Certain Areas of the Facilities - City shall notify Seniors President regarding use, by others, of the Lounge, Game Room or Multi-purpose (Assembly) Room during Seniors' operating hours described in Section C. of this MOU.

Outside Users of Certain Areas of the Facilities - All uses of the Lounge, Game Room or Multi-purpose (Assembly) Room by Seniors for services not listed in this MOU or by any other group or individual shall require application to and permission of use by the Department in accordance with Article 2 of Agreement.

H. FORMS

Forms referenced in the Agreement or this MOU to be used by Seniors include the following:

Request For Use – Document used by Seniors to request the use of a facility.

Citizen's Report - For handling complaints/suggestions.

Incident Report - For reporting unusual occurrences, vandalism, etc. in Senior area.

Work Services Request - For requesting maintenance work, special services or repair in Senior area.

Sign-In Sheet - For all users to sign when using Senior area. All forms completed are to be submitted to Department office monthly.

Participation Report – For reporting monthly participation in programs offered by Seniors.

Volunteer Hours Report – For reporting monthly volunteer hours for activities listed in section C and D.

I. DEPARTMENT SERVICES

The Department agrees to the following additional services for Seniors:

Copies - Copies of Senior Board agendas, letters, minutes, records, brochures, newsletters, and/or flyers will be provided by Department within five business days of notice. When more than 100 copies are required, Seniors will provide the paper.

Board Meetings – The Department shall provide staff to attend Seniors' Board meetings for the purpose of reference and advice regarding Senior Center operations; provided, that if the Board meets more than once a month, then the Director shall decide whether any of the Department's staff will need to attend those meetings.

Technical Assistance - Department shall provide technical assistance to Seniors in areas of word processing of documents, by-law revision, procedure outlines or other areas as reasonably requested by Seniors and approved by the Director.

J. NOTICE

- Written notice to Seniors for the term of this MOU shall be:
 Morro Bay Senior Citizens, Inc.
 P.O. Box 603
 Morro Bay, CA 93443-0603
 ATTN: PRESIDENT
- Written notice to the Department for the term of this MOU shall be:
 Recreation Department
 City of Morro Bay
 1001 Kennedy Way
 Morro Bay, CA 93442
 ATTN: DIRECTOR
- Verbal notice to the parties for proposals, suggestions, concerns, or other matters is encouraged in the following order:

<u>Seniors</u>	<u>Department</u>
1. President	1. Recreation Supervisor
2. 1st Vice-President	2. Department Director
3. Senior Board	

At request of Seniors, City agrees all concerns, questions or discussions regarding senior activities, services or uses of the Senior Center shall be directed to Seniors for disposition by its President and Board in recognition of Seniors status as independent contractor responsible for Senior Center operations (Agreement Article 1).

K. MODIFICATION TO AGREEMENT

It is clearly understood by both the Department and Seniors this MOU does not modify or change the spirit of the Agreement. It is understood this MOU is intended to amplify and clarify the responsibilities of Seniors in meeting the terms of the Agreement.

L. DURATION OF TERM

This MOU, and the Agreement, have a term of two years from the effective date of this MOU, as described in Section P., below, and can only be modified in writing if agreed to by both parties. Extension of this MOU and the Agreement can only be done by a written amendment to this MOU or the Agreement or by a new MOU or agreement after review and approval by Seniors' President and Board and by the City Council.

M. COMPLIANCE

Seniors understand provision of the services written in this MOU and meeting the terms found in the Agreement Article 1, *Assignment of Operations*; Article 4, *Responsibilities of Seniors* and Article 17, *Liability Insurance* will result in full compliance with the Agreement and this MOU. It is understood by both parties that compliance would include:

- 30 to 40 hours/week of the Senior Center
- Provision of MOU services
- Conform to practices of City
- Approval of senior promotion by City
- Volunteer services hours of 800 or greater
- Provision of Liability Insurance

N. SENIOR OPERATIONS/SERVICES RESPONSIBILITY

The programs described in Section B., above, are offered through the auspices of the Senior Center and are scheduled and coordinated by the volunteers of Seniors. Seniors are chartered through the Secretary of State as a 501 (C)(3) non-taxable corporation.

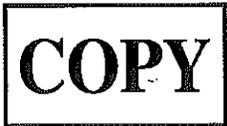
O. SERVICES IDENTIFIED THROUGH THE OLDER AMERICANS ACT

The services described in Section N., above, are identified by the Older Americans Act and most are made available through the California State Department on Aging using Federal and State funds. The providers of those services are responsible to the Older Americans Act and provide equity of programming to each organization that represents seniors in any given area. It is the duty of Seniors to make available space for the provider to schedule any given program or service. Seniors, as a representative group in City, have the responsibility to schedule individual appointments for the providers, if requested.

P. EFFECTIVE DATE OF MOU

This MOU will be effective upon the date it is signed on behalf of the City, as long as it has also been signed on behalf of Seniors. IN WITNESS WHEREOF, the parties hereto have caused this MOU to be executed at Morro Bay, California.

<p>CITY</p> <p>_____</p> <p>Jamie L. Irons, Mayor</p> <p>Date:</p> <p>ATTEST:</p> <p>_____</p> <p>Dana Swanson, City Clerk</p> <p>APPROVED AS TO FORM:</p> <p>_____</p> <p>Joseph W. Pannone, City Attorney</p>	<p>SENIORS</p> <p>By: _____</p> <p>_____</p> <p>Its _____</p> <p>Date:</p> <p>By: _____</p> <p>_____</p> <p>Its _____</p> <p>Date:</p> <p>APPROVED AS TO FORM:</p> <p>_____</p>
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Agreement
between the
City of Morro Bay
&
Morro Bay Senior Citizens, Inc.

This Agreement is made and entered into this 23rd day of January 2008, by and between the City Morro Bay, a municipal corporation, hereinafter referred to as "CITY", and Morro Bay Senior Citizens Inc., a non-profit corporation, hereinafter referred to as "SENIORS".

WHEREAS, CITY desires to offer its senior adult residents services and recreational opportunities; and

WHEREAS, SENIORS has been a formally organized group of senior adults since 1973, having by-laws dated July 19, 1991 indicating its mission is serving the senior population; and

WHEREAS, CITY operates a community building known as **MORRO BAY COMMUNITY CENTER**, hereinafter referred to as "CENTER", that is used by the community for social and recreational services; and

WHEREAS, SENIORS offer to contribute Twenty Five Thousand dollars (\$25,000) for the term of the agreement toward repair, maintenance and operations of CENTER; and

WHEREAS, CITY and SENIORS jointly provide senior adult programs and services and have done so since 1980; and,

WHEREAS, SENIORS is an independent contractor, its employees, volunteers, agents and principals are likewise independent of CITY and are not employees or officials of CITY; and are not eligible to receive salary or benefits from CITY.

NOW, THEREFORE CITY and SENIORS mutually agree as follows:

ARTICLE 1. ASSIGNMENT OF OPERATIONS

- a. SENIORS will have possession, control and use of the Senior Office and Work Room within the CENTER and in coordination with the Recreation and Parks Department of the CITY at all times pursuant to this Agreement.
- b. SENIORS shall, during the term of this Agreement, operate and schedule use of the lounge and game room within the CENTER and in coordination with the Recreation and Parks Department of the CITY between the hours of 8:00 a.m. and 6:00 p.m., each day pursuant to this Agreement.

- c. SENIORS shall during the term of this Agreement, operate and control use of the Multi Purpose room within the CENTER and in coordination with the Recreation and Parks Department of CITY between the hours of 8:00 a.m. and 11:30 a.m. and between 1:30 p.m. and 5:00 p.m., Monday through Friday pursuant to this Agreement.

ARTICLE 2. CITY USE OF ASSIGNED FACILITIES

- a. CITY shall not rent or otherwise use the game room or lounge within the CENTER except as provided in paragraph b, below.
- b. CITY scheduled use of game room, lounge or multi purpose room will only occur under the supervision of CITY and such use may occur only during hours not otherwise assigned to SENIORS as provided in Article 1, above.
- c. CITY will inform SENIORS of any pending CITY use of facilities assigned to SENIORS in Article 1, above, through an agreed upon representative.
- d. Any damage to SENIORS personal property resulting from CITY use of such property beyond reasonable wear and tear will be repaired by CITY at no cost to SENIORS.

ARTICLE 3. RESPONSIBILITIES OF CITY OF MORRO BAY

The CITY shall:

- a. Determine and provide reasonable custodial, repair and maintenance services for CENTER.
- b. Pay the cost of utilities for SENIORS operation of CENTER as defined in Article 1, excluding telephone installations, repairs, modification, and monthly telephone charges.
- c. Schedule and facilitate SENIORS use of CENTER and other CITY facilities for uses approved by CITY at an agreed upon rate.
- d. Provide priority to SENIORS over non-CITY uses for CITY approved SENIORS programs in CITY recreation facilities.

ARTICLE 4. RESPONSIBILITIES OF SENIORS

Seniors shall:

- a. Administer and operate an active Senior Center open at least 40 hours per week and available to all adults eligible for membership in SENIORS. Such service to include providing telephone information and monthly newsletters, keeping records and publishing reports as required by CITY.
- b. Present to City by November 1, of each year, a listing of all activities and tentative dates of such activities for the next calendar year.
- c. Seek advance approval of CITY for any and all service agreements SENIORS may desire to create with other groups or organizations.
- d. Agree to conform to, practice, and follow all CITY guidelines, policies and procedures. Such procedures include but are not limited to reporting injuries, accidents and incidents, requesting repairs, following safety policies and adhering to facility use rules.
- e. Obtain advance approval of CITY for any SENIORS promotion. Any such promotion shall list any services, events or activities for seniors clearly identified as SENIORS sponsored.
- f. Agree to provide a minimum of 800 volunteer hours annually in programs or services sponsored by or co-sponsored by CITY. All volunteer hours must be logged and registered with CITY volunteer coordinator.

ARTICLE 5. IMPROVEMENTS TO CENTER

- a. SENIORS and CITY agree that title to and ownership of the CENTER including any capital or real property improvements existing or hereafter erected thereon, rests with CITY.
- b. No improvements of any kind may be made to CENTER by SENIORS without prior express written approval by CITY.
- c. Title to, responsibility for and maintenance of, all personal property provided by SENIORS and additions thereto shall remain the sole responsibility of SENIORS.

ARTICLE 6. ASSIGNMENTS

SENIORS shall not transfer or assign, this Agreement or any part thereof or interest therein, directly or indirectly, voluntarily or involuntarily, without prior written consent of CITY.

ARTICLE 7. TERMS BINDING ON SUCCESSORS

All the terms, covenants and conditions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. The provisions of this paragraph shall not be deemed as a waiver of any of the conditions contained in Article 6.

ARTICLE 8. DURATION OF PUBLIC FACILITIES

By entering into this Agreement, CITY stipulates that the size, type, location and duration of public facilities hereinbefore set forth in CENTER for SENIORS use shall be maintained for the term of this Agreement.

In the event of destruction, loss or damage of public facilities described in this agreement for SENIORS use in CENTER, during the term of this agreement, and if such destruction, loss or damage to public facilities is to such an extent as to render these facilities unusable by SENIORS, CITY agrees to replace facilities with comparable facilities to the extent reasonable, or, in the alternative pay SENIORS an amount determined to be full value of SENIOR cash contributions to these facilities less depreciation. CITY shall not be responsible for reimbursement or replacement of lost, damaged or destroyed personal property owned by SENIORS.

ARTICLE 9. PARAGRAPH TITLES

The paragraph titles in this Agreement are inserted as a matter of convenience and for reference only. They in no way define, limit or describe the scope or intent of this Agreement or in any other way affect the meaning of this Agreement

ARTICLE 10. AGREEMENT COUNTERPARTS

This Agreement is executed in counterparts, each of which shall be deemed an original.

ARTICLE 11. AGREEMENT IN WRITING

It is understood and agreed that neither this Agreement, amendments or modifications thereto shall be effective unless and until approved by the Seniors Board of Directors, by the majority vote of a quorum of SENIORS general membership at a meeting held for said purpose and by the CITY Council.

This Agreement contains and embraces the entire agreement between the parties hereto and neither it nor any part of it may be changed, altered, modified, limited or extended orally, or by any agreement between the parties unless such agreement be expressed in writing, signed and acknowledged by the Mayor and Clerk of the CITY and SENIORS, or by their successors in interest.

Parties to this Agreement may by mutual consent agree to modifications, additions or termination thereof, in writing unless such changes are forbidden by law.

ARTICLE 12. TERM

The term of this Agreement shall be for a period of twenty (20) years and shall commence on January 16, 2009, and end on January 15, 2029, both dates inclusive.

ARTICLE 13. WAIVER OF CLAIM

SENIORS hereby waive any claim against CITY, its officers, agents, or employees for damage or loss caused by any suit or proceeding directly attacking the validity of this Agreement, or any part thereof, or by any judgment or award in any suit or proceeding declaring this Agreement null, voidable, or delaying the same, or any part thereof from being carried out.

ARTICLE 14. BREACH OF AGREEMENT

Failure of SENIORS to pay any sums which SENIORS have herein agreed to pay and if any part thereof shall be unpaid on the date on which payment shall become due, the lack of such payment shall be deemed a breach of the terms, conditions, or covenants herein on the part of SENIORS. In such event and at the option of CITY, this Agreement shall cease and terminate upon 90 days written notice to SENIORS. Upon such notice of breach SENIORS shall vacate CENTER within thirty (30) days of termination of this Agreement.

ARTICLE 15. PAYMENT

Within ten days of the beginning of the term of this agreement by all parties, SENIORS shall pay to the CITY the sum of Twenty-five Thousand dollars (\$25,000). Payments shall be used by CITY for the express purpose of maintaining and enhancing the CENTER.

ARTICLE 16. HOLD HARMLESS AGREEMENT

SENIORS hereby waive all claims and recourse against CITY including the right to contribution for loss or damage to persons or property arising from, growing out of, or in any way connected with or incident to this Agreement except claims arising from the sole negligence of CITY, its officers, or employees.

ARTICLE 17. LIABILITY INSURANCE

SENIORS shall procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property, which may arise from or in connection with, the SENIORS operation, and use of the CENTER. The cost of such insurance shall be borne by the SENIORS. The scope of Insurance shall be as described in "Exhibit A".

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

MORRO BAY SENIOR CITIZENS, INC.

A non profit corporation

BY: Breva Salvey
PRESIDENT

DATE: 1-18-08

CITY OF MORRO BAY

A municipal corporation

BY: [Signature]
MAYOR

DATE: 1/23/08

BY: M. Rubie Stansbury
RECORDING SECRETARY

DATE: 1-15-08

BY: Bridgett Bauer
CITY CLERK

DATE: 1/23/08

Approved as to form and legal effect:

BY: R. Salg
CITY ATTORNEY

DATE: 1/23/08

Exhibit A
Insurance Specifications

Scope of Insurance

Coverage shall be at least:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001 or similar).
2. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance (for lessees with employees).
3. Property insurance against all risks of loss to any tenant improvements or betterments.

Minimum Limits of Insurance

SENIORS shall maintain limits no less than:

- | | |
|--------------------------|--|
| 1. General Liability: | \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. |
| 2. Employer's Liability: | \$1,000,000 per accident for bodily injury or disease. |
| 3. Property Insurance: | Full replacement cost with no coinsurance penalty provision. |

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the CITY. At the option of the CITY, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the CITY, its officers, officials, employees and volunteers; or the SENIORS shall provide a financial guarantee satisfactory to the CITY guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The general liability policy is to contain, or be endorsed to contain, the following provisions:

1. The CITY, its officers, officials, employees, and volunteers are to be covered as additional insureds with respect to liability arising out of ownership, maintenance or use of that part of the premises leased to the Lessee.
2. The SENIORS insurance coverage shall be primary insurance as respects the CITY, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the CITY.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-:V.

Verification of Coverage

SENIORS shall furnish the CITY with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the CITY or on

other than the CITY's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the CITY before SENIORS use of CENTER. The CITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

Sub-lessee

SENIORS shall include all sub-lessees as insureds under its policies or shall furnish separate certificates and endorsements for each sub-lessee. All coverages for sub-lessees shall be subject to all of the requirements stated herein.

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AGENDA NO: C-1

MEETING DATE: March 24, 2015

Staff Report

TO: Honorable Mayor & City Council

DATE: March 18, 2015

FROM: David W. Buckingham, City Manager

SUBJECT: Review and Endorsement of LEAP Action Team Initiatives

RECOMMENDATION

Staff recommends the City Council:

1. Review and endorse, with modifications as required, the current LEAP initiatives. Endorse simply means a general endorsement of the activity, ideas and initiatives included in the plan. Endorsement is not akin to adoption or approval.
2. Approve some / all of the specific requests made in the various initiatives and identified by staff in this staff report.

ALTERNATIVES

- Council may make changes to any initiatives, including removing them, before endorsement.
- Council may make changes to any specific requests before approving the list of requests.

FISCAL IMPACT

- There is no fiscal impact to endorsing the LEAP plan.
- Fiscal impact of approval of specific requests is noted in that request.

BACKGROUND and SUMMARY

The City Council approved the Local Economic Action Plan (LEAP) program in October 2014 as a first step in a process of improving the Economic Revitalization of Morro Bay. In a sense, LEAP was designed to jump-start the economic redevelopment / revitalization of the City by harnessing the ideas and energy of a broad group of residents and business owners and implementing those ideas during the 12-month LEAP period. The plan is not a plan in the sense of a written document that might then get implemented; the plan is a plan to actually implement promising ideas from around the community. As such, LEAP is and remains a somewhat evolving initiative. The approved Oct 2014 LEAP proposal included an opportunity for the City Council to Review and Endorse the plan / initiatives in March 2015. This item fulfills that requirement.

Prepared By: DWB

Dept Review: _____

City Manager Review: DWB

City Attorney Review: _____

DISCUSSION

Part 1 – LEAP Endorsement. The current (March 18) LEAP Action Team Initiatives with Support Requests is attached. Each initiative has a topic, targeted benefits, key steps, key people and timeline. Some of the initiatives have one or more detailed support requests attached. These requests may be for particular support from the City or from other potential partners. Some requests are recommended by staff for Council approval in Part II below.

Part II – Request Approvals. The primary purpose of this item is for the Council to provide general endorsement of the various LEAP initiatives in their current form. City provided direct support for most initiatives will come to Council for approval in future, specific, action items. For example, any rezoning of the downtown business district will be addressed in the normal Planning Commission / City Council process, and now likely in the General Plan / Local Coastal Plan rewrite.

However, in order to demonstrate an additional measure of support and encouragement for one or more initiatives, and to keep the implementation moving, staff recommends Council consider and approve the following specific requests for support made in various LEAP initiatives. This list also serves as a specific staff recommendation for endorsement of each initiative.

1. Initiative #1 – Expedite Processing for Targeted Businesses.

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: The “LEAP” Team, consisting of Mayor, City Manager and Community Development Manager is up and running and has met with various potential businesses.
- c. Support requests: None

2. Initiative #2 – Revitalize and Link Business Districts.

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: This very broad initiative has many long-term issues already adopted by the City for 2015-2016 actions (parking, Embarcadero – Downtown link at Centennial Stairway) and a number of specific short term requests.
- c. Support requests. Recommend Council approve each of the following support requests:
 - i. Recommend the City grant permission for service minded groups to perform basic cleaning and maintenance on tree-wells in the general downtown business district.
 - ii. Reference the request for increased trash pickup, the City is currently reviewing trash levels and schedules.
 - iii. Centennial Stairway – the City is actively working the process / plans for redevelopment of the Centennial Stairway area.
 - iv. Parking Striping – the City intends to repaint striping in the general downtown area in the next 2 months.

3. Initiative #3 – Reinvent Events.

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: The Harborfest has reinvented itself for 2015 as a 1-day open event on the Embarcadero. The City has established several specific 2015-2016 objectives related to better synchronization between the City, Tourisms and Events.
- c. Support requests.
 - i. The City has already committed to make part of the Embarcadero a pedestrian-only zone for the 2015 Harborfest.

4. Initiative #4 – Promote Environmental Assets

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: There are a number of excellent actions springing from this broad initiative.
- c. Support requests. Recommend Council approve each of the following support requests:
 - i. Gateway Beautification. Recommend the Council approve \$2,000 for the Gateway beautification and watering cart request. On approval in this meeting, staff will execute with current year funds.

5. Initiative #5 – Pilot Parklet

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: The parklet initiative is ongoing with evaluation due by mid-summer.
- c. Support requests. None.

6. Initiative #6 – Fiber Optic Access

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: Staff is working this initiative with various telecom providers.
- c. Support requests. None.

7. Initiative #7 – Commercial Properties Inventory

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: This very promising initiative needs additional attention. The goal is a single resource listing all available, or potentially available, commercial properties in Morro Bay. Council may want to consider allocating some assets to this project in the future.
- c. Support requests. None.

8. Initiative #8 – Business Incubator

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: There are a number of promising businesses ventures in the City but few using the business incubator model.

- c. Support request. Recommend Council approve the following support request:
 - i. Survey of business needs. / Business Walk. Recommend Council approve up to two water bill mailer surveys (~\$500 each) in support of the Morro Bay Business Walk.

9. Initiative #9 – Outreach to Attract Businesses

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: There is significant positive activity in this area with many new leads being developed.
- c. Support requests.
 - i. Staff intends to invest time in many of the proposed outreach actions.
 - ii. Staff is working with the Central Coast Aquarium, The Trust for Public Lands and the SLO EVC on projects as varied as the Aquarium lease, possible Tri-W property environmentally balanced development and Morro Bay Power Plant futures.

10. Initiative #10 – Support for Commercial and Recreational Marine Interests

- a. Endorsement: Recommend Council endorse as is.
- b. Comments: The “Boatyard” initiative is progressing. The market analysis looks positive.
- c. Support requests.
 - i. A Cable Grant for \$15K for the Feasibility Study was not granted. Council might consider directing \$15K from Tidelands Trust funds to be executed to pay for the \$15K funding gap for the Feasibility Study. Unallocated funds are on hand. Recommend giving the City Manager authority to execute those funds if the Market Analysis makes a feasibility study worthwhile.

CONCLUSION

The LEAP initiative is bearing fruit. Staff recommends the Council endorse the initiative in general and approve the specific requests noted in Part II above.

ATTACHMENTS

LEAP Initiatives as of March 18, 2015.

***LEAP Forward* in Morro Bay** **Local Economic Action Plan**



Action Team initiatives
with support requests

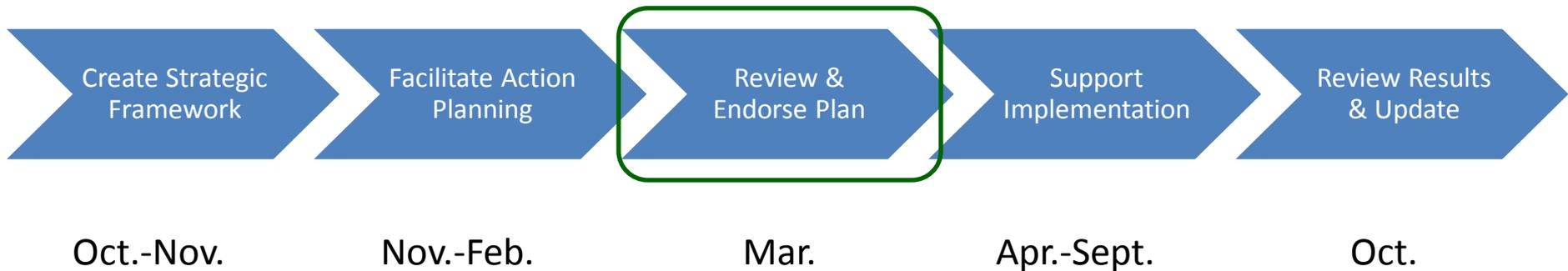
March 18, 2015

facilitated by Don Maruska & Company, Inc.

Strengthening the community



Process for Morro Bay Local Economic Action Plan (LEAP)



Strategic Framework Objectives

Sustain and enhance quality of life for residents focused on the following benefits:

- Provide desired goods and services
- Offer engaging activities and events
- Attract visitors who wish to enjoy these benefits
- Strengthen tax revenues to support public services
- Diversify economy with sustainable head of household jobs

Develop a Local Economic Action Plan (LEAP) through facilitated workshops in which **business leaders and community members take the lead** in identifying and committing to desired initiatives with City support.

Focus Areas for LEAP

Businesses – ways to increase sales of goods and services for residents and visitors

Tourism – ways to boost and differentiate Morro Bay's offerings and activities of interest to residents and visitors alike

Selective Diversification – ways to leverage Morro Bay's distinctive assets for sustainable businesses with an emphasis on opportunities for head-of-household jobs

City Participation

- 2 Council members as LEAP liaisons (all welcome)
- City Manager (plus other City staff as needed) and a City LEAP Team to assist businesses that fit the LEAP Strategic Framework
- Information resources (e.g. inventory of available space for commercial and clean, light industry)
- Website support (information updates about Morro Bay LEAP program and opportunity for community to offer online input)

Note

The following initiatives arose from the work of more than one hundred business and community leaders participating in the November 19, 2014 LEAP kick off workshop, the January 21, 2015, LEAP Community Workshop, and numerous Action Team meetings. They represent the latest versions of draft plans from those groups and any requests they submitted for City support (policies, staff, or funding). As Morro Bay operates in a dynamic economy, the specifics of the initiatives will evolve over time.

LEAP Program Action Initiative #1

Topic: Expedite processing for targeted businesses

Targeted Benefits	Key Steps	Key People *=lead	Schedule
Retain, attract, and grow clean businesses offering multiple head-of-household jobs (metric: number of head-of-household jobs saved or added, target: # by date)	1. Confirm parameters for targeted businesses (clean businesses offering multiple head-of-household jobs) to receive expedited attention	Council and input from workshops (City Manager*)	Completed
	2. Form City LEAP Team with desired expertise and clout (Mayor, City Manager, and Community Development Director)	Mayor*	Completed
	3. Energize Staff and Council “scanning” for promising businesses.	Mayor / City Manager / Community Development Manager*	Completed
	4. Review objectives of LEAP Team with Planning Commission for comments and suggestions	Community Development Manager*	April 2015
	5. Publicize objectives and process for tapping LEAP Team support.	Chamber of Commerce	Spring 2015

Early win

LEAP Program Initiative #2

Topic: Revitalize and link business districts to boost activity

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Revitalized and enhanced business districts that boost appeal to locals and visitors (metric: plans for high-value improvements, target: date tbd; improvements completed and enhanced business activity, target: tbd)</p>	<ol style="list-style-type: none"> 1. Develop a vision for Downtown Morro Bay and each business district with identity and zoning that supports them (include hotel survey for visitors) [Assess timing and coordination with General Plan and Local Coastal Plan updates] 2. Explore ways to link Embarcadero and Morro Bay Boulevard 3. Identify near-term improvements that can make a difference in attracting business activity while longer-term planning occurs. [See detailed list of suggestions from Merchants' Association and others] <ol style="list-style-type: none"> a. clean up, lighting, maintenance b. refresh striping for parking c. add public parking (Main/Market on MB Blvd. d. improved signage e. banner program f. basic maintenance, trash etc. g. public art; refreshing 4. Longer-term planning and action <ol style="list-style-type: none"> a. downtown retail and restaurant business dist. b. consider Property Business Improvement Dist c. possible weekly event to stay open later 	<p>Susan Stewart* Cyndee Edwards Red Davis Kay Crocker Walter Heath Jeff Eckles Brent Haugen Christine Johnson Jamie Irons Dave Buckingham Joan Solu Barbara Jo Osborne Jeannie Palermo Kelly & Paul Boisclair</p>	<p>Spring 2015</p> <p>Budget cycle for FY 2015-2016</p> <p>Post completion of GP/LCP</p>

Support request: *General clean up*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
<p>Downtown Morro Bay revitalization. General cleanup and enhancement</p>	<p>Permission from city staff to work with local community groups and businesses to clean tree wells, and generally enhance appearance of downtown. Waive encroachment permit if necessary.</p> <p>Ask City to consider increased trash pickup on weekends during summer months, adding doggie bag dispensers, and getting street lights on timers sensitive to changes in ambient light.</p> <p>Consider installing a "Big Belly" trash organizer somewhere in the downtown core.</p>	<p>Benefits community, visitors, and businesses with cleaner appearance and better night lighting.</p> <p>A meeting is already scheduled to coordinate the various public service and beautification groups in town</p>	<p>Downtown revitalization LEAP action team/Walter Heath</p>

Support request: *Downtown tree lighting*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Tree lighting in the downtown core.	<p>Waive encroachment permit fee for relighting of city trees.</p> <p>City support for exploration of possibilities for lighting additional trees with solar energy. (This would not be financial support, but institutional support.)</p>	<p>Rotary of Morro Bay has offered to facilitate the repair of outlets and relighting of city trees where there are existing outlets.</p> <p>The group will further explore options for solar lighting on additional trees in the downtown core. A suggestion was made to see if Topaz Solar Farm would provide matching funds.</p>	Downtown revitalization LEAP action team

Support request: *Lighting enhancements*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Downtown Morro Bay revitalization. Lighting	Have staff work with PG&E on lighting enhancement projects on Morro Bay Blvd and Main Street	PG&E may be able to provide assistance in installation of more decorative light posts, removal of old poles, and possibly putting utilities underground. Continuity and aesthetics will contribute to overall attractiveness.	Downtown revitalization LEAP action team/Cyndee Edwards

Support request: *Centennial Stairway*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
<p>Revitalize & link business districts to boost activity</p>	<p>Continue to work with City Staff in design and development plans for Centennial Stairway, and consider signage, streetscape designs, lighting and perhaps an archway that links the downtown with the Embarcadero.</p> <p>This group supports the idea of an outdoor amphitheater, along with a people-mover at this location.</p>	<p>This is intended to entice visitors who climb the stairway or walk out of Dorn's to walk two blocks to Main street where they will be captivated by the abundance of attractive shopping and leisure activities.</p>	<p>Red Davis and Downtown Action Plan group</p>

Support request: *Parking/trolley upgrades*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Downtown Morro Bay revitalization. Parking part II	<p>Paint parking stripes (new and refresh current) on Main, Harbor, Morro Bay Blvd, and side streets to maximize parking places. (Consider diagonal parking where feasible) Suggest new signage on Main Street and Morro Bay Blvd. be 60 minute parking, with no limits on side streets. Action would involve city staff, planning department, public works, and use parking-in-lieu funds.</p> <p>Have appropriate department review trolley routes, and consider a continuous loop between the downtown and Embarcadero.</p>	<p>With hopes of revitalizing the business district, and in summer and holiday or event weekends, parking can and will be at a premium in the downtown area. Clear signage and marked spaces will maximize parking, and freshen the look of the street. Regular trolley service will encourage mobility between the Embarcadero and downtown.</p>	<p>Downtown revitalization LEAP action team/ Susan Stewart Penny Harrington</p>

Support request: *Parking lot request*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Downtown Morro Bay revitalization. Parking part I	Identify and develop vacant private lots in the downtown area. Use parking-in-lieu funds to lease/purchase lots and/or provide improvements and liability insurance and develop at least one public parking lot. This could be tried as a pilot project through the summer.	There are multiple empty lots or minimally used lots in the blocks between Main and Market which are both a blight and a missed opportunity. Providing public parking lots with minor improvements and landscaping will be visually more appealing and functionally more appropriate. Property owners have blocked access to private lots, leaving business owners adding to street parking.	Downtown revitalization LEAP action team

Support request: *Downtown zoning*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
<p>Downtown Morro Bay revitalization. Downtown specific zoning ordinance changes.</p>	<p>As the city moves forward in updating it's general plan, consider identifying a specific zone in the downtown area as restaurant and retail only.</p>	<p>Currently downtown is the lowest sales tax revenue generating district in Morro Bay, due in part to the concentration of non-tax generating businesses, and also to the preponderance of thrift stores and other low revenue businesses. Requiring specific blocks on Main Street and Morro Bay Blvd to house restaurant and retail businesses on the ground floor will stimulate a more cohesive district. Mixed use could still be accepted and encouraged on side streets and second floors.</p>	<p>Downtown revitalization LEAP action team/Susan Stewart</p>

LEAP Program Initiative #3

Topic: Reinvent events to better serve residents, businesses, and visitors

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Events that benefit more businesses and residents as well as attract visitors (metric: number of businesses and organizations participating, target: #; number of residents and visitors participating, target: tbd; increased business activity (sales tax, TOT, etc.)</p>	<ol style="list-style-type: none"> 1. Use Harbor Festival redesign as a pilot for events that open up the City and its attractions to residents and visitors alike for all to benefit. 2. Prepare a master calendar of events for better coordination with a semi-annual review with Chamber, Merchants Assn., MBTB, and City to avoid conflicts, align efforts (e.g. publicity), and boost success. [Current core events are Bird Festival, Car Show, 4th of July, Avocado & Margarita, Harbor Festival, Kite Festival with priority renewals] 3. Create an events process guide and develop planning page on City website and single point of coordination across City departments (see examples from Santa Barbara, etc.) 4. Explore interest of collaboration among core events to share costs and benefits of professional staff <ol style="list-style-type: none"> (a) events coordinator to facilitate planning, promote sponsorship packages (similar to Chamber's Circle of Excellence), etc. (b) volunteer coordinator to mobilize a cadre of volunteers (see Savor example and local PTA) 	<p>John Solu,* Paul Nagy*</p> <p>City established 2015 goal to improve City / Tourism relationship, and event coordination. Steps at left to be addressed in that City assessment.</p> <ul style="list-style-type: none"> - Master Calendar - Process Guide - Collaboration <p>Dave Buckingham* Red Davis*, Shaun Farmer, Cyndee Edwards, Joan Solu, Brent Haugen, Janice Peters, Glenn Silloway, Marlys McPherson,</p>	<p>December 2014</p> <p>February-March 2015</p> <p>Jun / July 2015 TBD Ongoing</p>

LEAP Program Initiative #4

Topic: Promote environmental assets of the area for residents and visitors to enjoy and to expand business and tourism results

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Leverage partnerships with Cal Poly, National Estuary Program, aquarium, etc. to attract residents and visitors for in-depth experiences (metric: programs created or enhanced, target: tbd; number of residents and visitors participating and economic activity generated)</p>	<ol style="list-style-type: none"> 1. Catalogue key assets 2. Identify 3 to 4 initiatives to begin working on <p>Initiative #1: Develop identity and awareness of Morro Bay as a beach community to increase tourism attraction</p> <ol style="list-style-type: none"> 1) determine existing marketing efforts in community targeting beach identity 2) identify potential partners in community to assist in promoting beach identity 3) develop inventory of beach related activities 4) coordinate single effort to align initiatives for expanding beach identity 5) develop aligned marketing plan <p>[Note: collaborate with GP/LCP and visioning.]</p> <p>Initiative #2: Expand community inventory of recreational activities to promote tourism</p> <ol style="list-style-type: none"> 1) Identify pickle ball development as a community resource to improve community health and attract tourists 2) Determine resources necessary for pickle ball court development 3) quantify tourist attraction opportunity if development occurs 4) determine feasibility of developing initiative/determine action plan for implementation if feasibility is positive 	<p>John Heading*Ginny Garelick, Lynda Merrill, Rigmor Samuelson, Noah Smukler, Walter Heath</p> <p>Action Team, TBID, Chamber, Embarcadero business representative, Tourism Director</p> <p>Action Team</p> <p>John Heading, Kathy Thomas, Joe Woods (same as above)</p> <p>Joe Woods, Kathy Thomas</p>	<p>January 12, 2015</p> <p>Completed at TBID meeting March 12, 2015</p> <p>Draft submitted to City for review during budget cycle</p> <p>February</p> <p>March 15, 2015</p> <p>March 15, 2015</p> <p>April 15, 2015</p>

Support request: *Expand recreational activity inventory*

<i>Enter Action Team topic</i>	<i>Please specify request</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Expand community inventory of recreational activities to promote tourism	<p>City support to accomplish short/long term expansion goals.</p> <p>Team is working on:</p> <ul style="list-style-type: none"> Gather information regarding the indirect economic impact a developed Pickleball facility has on a community; Explore possible funding sources and likely partners who have an interest in the Pickleball project; Contact SLCUSD regarding possibilities of space usage at Morro Elementary for long range goals. 	<p>The expansion of Pickleball and the development of permanent dedicated courts would enable the City to host continual play for residents and bring non-residents to town for large special events such as tournaments.</p>	<p>Persons to follow up on initiative are: Joseph Woods, staff, and Kathryn Thomas, MB Pickleball Ambassador.</p>

LEAP Program Initiative #4 *continued*

Topic: Promote environmental assets of the area for residents and visitors to enjoy and to expand business and tourism results

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Leverage partnerships with Cal Poly, National Estuary Program, aquarium, etc. to attract residents and visitors for in-depth experiences (metric: programs created or enhanced, target: tbd; number of residents and visitors participating and economic activity generated)</p>	<p>Initiative #3: <i>Create an attractive and appealing gateway entrance to a key area of the city exploiting the environmental/recreational aspects of the city creating visitor curiosity to further explore the city</i></p> <ol style="list-style-type: none"> 1) identify team members for initiative 2) determine rough design/scope and resources necessary for project 3) evaluate planning/zoning/sign ordinance issues 4) determine feasibility project based on cost/benefit analysis 5) if the project is feasible, develop detailed action plan for implementation and completion of project <p>[consider possible partner agencies for grants, etc]</p>	<p>John Heading*Ginny Garelick, Lynda Merrill, Rigmor Samuelson, Noah Smukler, Walter Heath, Paul Boisclair, Maggie June, BJ Osborne, Neil Farrell, Jan Goldman, Bill Fageol, Linda Estes, Liz Moore, Katrina Osborne, Taylor Newton, Ann Reisner Noah Smukler/team Community Development Manager LEAP Team, Rob Livick, Susan Slayton LEAP Team</p>	<p>February 28, 2015 March 15, 2015 March 22, 2015 April 15, 2015 June 1, 2015</p>

Support request: *Gateway beautification*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
<p>Create an attractive and appealing gateway entrance</p>	<p>Morro Bay in Bloom volunteers propose to submit designs for landscaping the areas beneath 5 welcome signs in Morro Bay, areas that will be approximately 4' x 10'. Upon approval, Morro Bay in Bloom volunteers will acquire the plants and landscaping materials at wholesale cost. Morro Bay in Bloom volunteers will install the landscaping at all 5 areas and conduct regular maintenance. A maintenance schedule will be developed and submitted to Public Services. These areas are currently in their natural state and are not irrigated. Our total budget for 75 one-gallon plants (\$300), decorative rock (\$200) and a 50-gallon watering cart with battery-powered pump (\$1500, delivered) is \$2000. Our organization requests the full budgeted amount so that this project can proceed.</p>	<p>Provides a concrete option to enhance gateway appearance and appeal to residents and visitors</p>	<p>Walter Heath on behalf of Morro Bay in Bloom and the promotion of environmental assets Action Team</p>

LEAP Program Initiative #4 *continued*

Topic: Promote environmental assets of the area for residents and visitors to enjoy and to expand business and tourism results

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Leverage partnerships with Cal Poly, National Estuary Program, aquarium, etc. to attract residents and visitors for in-depth experiences (metric: programs created or enhanced, target: tbd; number of residents and visitors participating and economic activity generated)</p>	<p>Initiative #4: <i>Leverage partnerships with Cal Poly, National Estuary Program, or other identified major organizations to determine the feasibility of developing a state of the art marine education center or aquarium for Morro Bay. The end result will be to promote ecological educational experiences, preserve natural resources, and attract tourists and local residents all to promote environmental assets in Morro Bay and improve the economy.</i></p> <p>1) Re-evaluate existing information and studies on the feasibility of marine education center or aquarium development 2) catalog potential partners to consider in the development of a public private partnership 3) evaluate scope of potential project with identified private partners by reaching out to determine their interest 4) if project is determined to be potentially feasible, bring forward to key constituencies for further evaluation [The potential scope of this project is large in both financial and personal resources. At this point, the goal is to determine the feasibility and desire to move forward with a full development plan.]</p> <p>Initiative #5: <i>Explore the idea of a green belt preservation effort</i> (determine community’s interests and concerns; learn from efforts elsewhere; consider public-private partnership; etc.); public meeting held March 12</p>	<p>John Heading* LEAP Team, other interested individuals, Jeannie Palermo, Ginny Garelick, Dick Reynolds John Heading, Christine Johnson Dave Buckingham</p> <p>Noah Smukler, BJ Osborne, and other interested attendees</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>April/May 2015</p> <p>Spring 2015</p>

Are You Interested in a
"Green Belt" for Morro Bay?

A **green belt** is a policy and land use designation used to preserve areas of largely undeveloped, wild, or agricultural land surrounding or neighboring urban areas.

Green Belts can provide benefits such as: Increased Property Values, Recreational Opportunities, Trails, Preserved Agricultural Operations, Natural Resources (water, energy, timber, carbon credits, etc.), Habitat Restoration & Nature Preserves



Public Meeting: Thursday, March 12th (9 - 10:30 am)
Morro Bay Community Center Studio (1001 Kennedy Way)

Lead staff from the **Land Conservancy of San Luis Obispo** (www.lcslo.org) will present info about how other communities have successfully established Green Belts. The meeting will include discussion about the potential viability and interest in establishing a citizen based Morro Bay Green Belt preservation effort.

Questions? Contact City Councilmember Noah Smukler (805) 772-7668

An initiative of the City of Morro Bay's Local Economic Action Plan (LEAP)

LEAP Program Action Initiative #6

Topic: Assess fiber optic connectivity opportunities

Targeted Benefits	Key Steps	Key People *=lead	Schedule
<p>Apply distinctive MB assets of fiber telecom, power, and coastal appeal to enhance and attract businesses with head of household jobs in info tech (metric: decision, if pursued, # of businesses connected by date; target: tbd)</p>	<ol style="list-style-type: none"> 1. City <ol style="list-style-type: none"> a. Identify City assets (conduit , etc.) b. Estimate City’s telecom spend and future telecom needs c. Identify businesses in area with broadband telecom needs d. Check with SLO and GB for telecom RFP 	<p>Dave Buckingham* + IT</p>	<p>Completed</p>
	<ol style="list-style-type: none"> 2. Telecom possibilities <ol style="list-style-type: none"> a. Determine costs of build out in Morro Bay b. Benefits of high-speed business service for local businesses and residents c. Potential interest of SLCUSD for connections 	<p>Tim Williams, Digital West Lisa Ludovici, Charter</p>	<p>Nov – Mar 2015</p>
	<ol style="list-style-type: none"> 3. Profile of opportunity <ol style="list-style-type: none"> a. check interest with area businesses for satellite locations (IQMS, MindBody, etc.) b. Interview realtors for availability of space c. Explore interest for hotels, home-based businesses ,and residential use 	<p>Don Maruska* and Jeff Weir</p>	<p>Complete Complete</p>
	<ol style="list-style-type: none"> 4. Release RFP, Review proposals, get Council input as appropriate, decide on way ahead. 	<p>Dave Buckingham*</p>	<p>November-January 2015</p> <p>Apr – Jul 2015</p>

LEAP Program Initiative #7

Topic: Create inventory of commercial properties and their features to expand and attract targeted businesses

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Aid existing businesses to expand and attract targeted businesses (metric: commercial realtors and property owners submit spaces available, Chamber features on website, target: # of businesses tapping, # of businesses expanding/ locating in Morro Bay)</p>	<ol style="list-style-type: none"> 1. Connect with commercial realtors to identify demand and desired features for an inventory 2. Gather information from realtors, property owners, City and other sources to develop inventory of available spaces (including available lots) 3. Establish business district Ambassadors with Chamber to identify opportunities and help connect interested parties. 4. Develop a “Doing Business in Morro Bay” page on Chamber website with information on spaces available (by district), commercial realtors, and other resources. 5. Feature available commercial spaces in Chamber news blast (with link to City’s Public Services department for more detailed information about allowable uses) 6. Engage commercial realtors and others to use the inventory to attract targeted businesses 7. Examine opportunities for re-use of power plant and sewage treatment plant when those spaces become available. 	<p>Kelly Wells* Monica King Rigmor Samuelson Jamie Irons, Jeannie Palermo, Eric Endersby (waterfront leases) Additional commercial realtors (Janne Reddell, Jack Franklin) Chamber* Chamber* Chamber*</p>	<p>January-February 2015 Spring 2015 Before summer 2015 season Monthly news blasts starting in May 2015 June 2015 +</p>

LEAP Program Initiative #8

Topic: Reassess business incubator and enhance local business building efforts

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Stimulate awareness and interest in Morro Bay as a place for business development (metric: # of business inquiries, target: tbd; businesses aided and head-of-household jobs added, target: tbd)</p>	<ol style="list-style-type: none"> 1. Connect with Cal Poly Hot House to benefit from shared learning and to explore potential collaborations. 2. Assess current business incubator experience. (Concluded hot house is not fit for Morro Bay.) 3. Evaluate needs and interests of community for business development – coordinate with Chamber for listening sessions, surveys, etc. 4. Identify and pursue some focus areas (e.g. high tech, healthy living and food [vBar, Wholesome Chow, Stephanie’s Soups, Elemental Goods], fishing [South Bay Wild], marine sciences [NEP, Cal Poly, Aquarium, TNC], etc.) 5. Enhance local business building efforts— developing new software, interactive website, social media marketing to enhance the Chamber’s technology. This new technology along with educational meetings will offer current business owners promotional opportunities, event sharing, and business planning ideas. Also, it will enhance local marketing through social media and networking with residents and businesses. Continued work on other programs to help build a stronger business community. 	<p>Jennifer Redman* Jeff Weir Mike Manchak Christine Johnson Judy Mahan (SLO Hot House)</p> <p>Jennifer Redman* and Kelly Wells, BJ Osborne, Jeannie Palermo</p> <p>[divide among team members]</p> <p>Chamber*</p>	<p>December 2014</p> <p>December 2014</p> <p>Winter/spring 2015</p> <p>Spring 2015</p> <p>Spring 2015 +</p>

Support request: *survey of business needs*

<i>Enter Action Team topic[name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative's Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Enhance local business building efforts	Support to Chamber for Morro Bay Business Walk (in person and written survey) – staff time, mail survey in water bill, etc.	Provides positive connection with businesses, identifies key needs and opportunities to boost local businesses	Jennifer Redman, Red Davis, Travis Ford, and Kelly Wells on behalf of Chamber and LEAP initiative team

LEAP Program Initiative #9

Topic: Outreach to attract businesses

Targeted Benefits	Key Steps	Key People * = lead	Schedule
<p>Position Morro Bay favorably with targeted businesses offering head-of-household jobs (metric: completion of pitch sheet, target: at least 10 connections with qualified prospects in various areas).</p>	<ol style="list-style-type: none"> Identify key referral sources and business associations (e.g. EVC, local realtors, Cal Poly, etc.) to attract businesses into the area Develop a pitch sheet to stimulate interest (distinctive benefits of Morro Bay, LEAP Team support for businesses, etc.). Update: Instead of a pitch sheet, an email was created that was sent personally to contacts that offered the following two links highlighting economic development Morro Bay's story. 1. New York Times, November 24, 2014:http://www.nytimes.com/2014/11/24/us/a-power-plant-in-california-goes-quiet-but-the-stacks-still-tower.html?_r=0, and 2. Pacific Coast Business Times, February, 27, 2015: http://www.pacbiztimes.com/2015/02/27/morro-bay-gets-down-to-business/ Connect with referral sources and business prospects in a series of 30-minute meetings. Potential targets include: Nick Tompkins (NKT Commercial) [Mike], Chris Richardson (Richardson Properties) [Christine], Steve McCarty [Christine], Kimberly Walker [Ermina Karim], Bill Lee [Christine] Update: Informational meetings were held with Nick Tompkins NKT Commercial; Kevin Meyer, Gemba Academy, Steve McCarty, McCarty/Stafford. More meetings will be set-up in March/April/May. 	<p>Christine Johnson* Dave Buckingham, Mike Manchak, EVC Don Maruska</p>	<p>December 2014</p> <p>February 2015</p> <p>February – March 2015</p> <p>Spring 2015</p>

Support request: *Update “Doing Business in Morro Bay”*

<i>Enter Action Team topic [name of initiative]</i>	<i>Please specify request (policy, staff, and/or funding)</i>	<i>Explain link to the initiative’s Action Plan and targeted benefits</i>	<i>Enter names of persons requesting on behalf of the initiative</i>
Outreach to Attract Business	Update the “Doing Business In Morro Bay” pages on the City’s website. Correcting out of date info can be done in-house. Some of the information from the LEAP program can be transferred to the “Doing Business in MB” page. Links to articles and data can be added. A “spring cleaning” of the data is needed but a larger update will come as the City deals with IT overall. But, quick fixes are needed now. Needed: Staff time with volunteer support from business community/council members to help streamline information	Up-to-date information on the City’s website is the best first chance we have to gain the interest of potential investors and provide basic information. Currently, the information is out of date and does not reflect the City’s current efforts to outreach to business (ex: LEAP Team names and contact numbers; links to recent articles about economic development in MB).	Christine Johnson Mike Manchak

Support request: *Include Tidelands leases in commercial inventory*

<p>Outreach to Attract Business</p>	<p>For Tidelands Leases: compile and keep current a list with contact names/numbers for all master leaseholders to post on the City's website under "Doing Business in Morro Bay" and on the Harbor page. Needed: Staff time in Harbor</p>	<p>The Harbor Department receives frequent requests from interested investors/individuals about commercial availability on the waterfront. This list would help the Harbor Department staff to direct interested parties quickly to master leaseholders regarding the specifics of subleases on the waterfront. Also, having more info available to answer questions reduces the time needed in the Harbor Department to answer basic questions.</p>	<p>Christine Johnson Eric Endersby</p>
<p>Outreach to Attract Business</p>	<p>Include Tidelands Subleases to overall commercial space availability list. This item is connected to the LEAP Initiative: "Create inventory of commercial properties". Needed: Staff time in Harbor/Community Development</p>	<p>There are many exciting retail/restaurant opportunities on the waterfront that are available as subleases. Highlighting these opportunities along with all commercial property reminds investors/interested parties of opportunities in this part of the city.</p>	<p>Christine Johnson Eric Endersby</p>

Support request: *Develop 5-year Economic Development Strategic Plan*

<p>Outreach to Attract Business</p>	<p>Develop a five-year economic development strategic plan (EDSP). Through our EVC partner, contacts have been made with 4+ consultant firms who specialize in EDSP. Informational phone calls were held/will be held to learn more about what services are offered and what potential costs would be for the city. Needed: Staff time City Manager, Community Development, Finance, Council Budget Allocation, Consultant expense.</p>	<p>In order to continue the work the LEAP program began and have a document to share with potential investors that shows the City's long-term commitment to ED, the City's would be wise to consider the creation of an EDSP with robust public input in order to: establish mission/vision/definition of ED for MB; establish who will implement the EDSP program (city staff, contract employee, other?); set measurable goals to be accomplished over five years; evaluate the program.</p>	<p>Christine Johnson Mike Manchak</p>
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Support request: *Outreach to capable investors*

<p>Outreach to Attract Business</p>	<p>Reach out, with EVC introduction to some, to investors from both Morro Bay and SLO County who have created unique projects who may have ideas that could be a good fit for Morro Bay. Highlight current commercial availability (reuse of WWTP, infill development in all business districts). The goal is to remind investors that MB has opportunity. Needed: Time from City Council appointed LEAP Liaisons, Council Members Johnson and Headding, to do outreach to contacts via EVC or other partner agencies; or community members to suggest possible contacts for LEAP Liaisons to reach out to.</p>	<p>Morro Bay has a great deal of opportunity for future commercial development, including businesses that offer head-of-household jobs, in all areas of our City: especially in regard to vacant commercial space; beneficial reuse of property and infill projects. However, Morro Bay has not generated much interest recently among investors who have created vibrant businesses and/or projects in other cities. Spending some time highlighting the action steps of the LEAP program, the creation of the LEAP Team and other Economic Development initiatives will get business owners to also think about MB when they have an idea for a new business or an expansion of an existing business.</p>	<p>Christine Johnson Mike Manchak</p>
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Support request: *Investigate seasonal concessions at Rock*

<p>Outreach to Attract Business</p>	<p>Investigate seasonal concessions at The Rock for food/beverage/rentals. Needed: Staff time in City Manager, Harbor, and Finance.</p>	<p>In five years, the Harbor Department has seen an increase in beach visits at the Rock beach from 50k visitors to 110k visitors in summer of 2014. Researching what other beach towns do in re: to concessions would be worth the time given the large increase in visitors.</p>	<p>Christine Johnson Eric Endersby</p>
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Support request: *Examine other opportunities*

These ideas were gathered at the January 21, 2015 LEAP workshop and there are updates to present here:

1. **Power Plant redevelopment:** City Council appointed Mayor Irons and Council Member Heading to lead the Power Plant Redevelopment subcommittee.
2. **Redevelop Morro Elementary for office space or senior housing or other idea:** City Manager will meet with San Luis Coastal School District Superintendent to best understand their plans for this property for the future as it is school district owned.
3. **Hotel/Convention Center:** Ongoing opportunities pursued by the LEAP Liaisons as well as the Power Plant Redevelopment subcommittee.
4. **Marine Facility/boatyard/boat storage:** Currently under review by consultant firm to study economic benefit. Watch for item to return to Harbor Advisory Board then the Council in a few months.
5. **Attract small/national chains like Trader Joe's:** LEAP Liaisons are ready to reach out to possible investors.
6. **Certified Farmers Market in downtown:** Chamber of Commerce currently operates the Saturday Farmers Market in downtown. Suggestion for this market can be directed to the Chamber and/or City Manager.
7. **Create incentives for downtown investment:** LEAP Team (Mayor, City Manager, Community Development Manager) is available ASAP to meet with interested investors to discuss possibilities. Please contact the City Manager/Mayor.

LEAP Program Initiative #10

Topic: support for commercial and recreational marine interests

Targeted Benefits	Key Steps	Key People * = lead	Schedule
Boat yard, boat storage, fuel dock, chandlery	<ol style="list-style-type: none">1. Feasibility study – draft complete2. Draft plan for implementation (land availability, financing, etc.)	Ad Hoc Committee for consideration of boat yard at Harbor Advisory Board Ron Reisner* Harbor Advisory Board at large Jeremiah O’Brien and others of MBCFO Eric Endersby	2015

Stay connected

See www.Morro-Bay.ca.us/LEAP for additional information.



For email notices: LEAP@donmaruska.com.

LEAP *Forward*

Updates: www.morro-bay.ca.us/LEAP

Email notices: LEAP@donmaruska.com

BACKGROUND

The City Council reviewed the water and sewer rates at a Special Study Session on February 24, 2015. The Council formed a consensus regarding the basic sewer and water rates for residential and non-residential users. That consensus was to proceed with the needed studies and noticing requirements for the Council to consider necessary increases in those rates. The below charts show a summary of the information regarding the potential increases in those rates.

 Proposed Water Rates							
	Current	Projected Water Rates					
		2015/16	2016/17	2017/18	2018/19	2019/20	
Fixed Monthly Charge	\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00	
Water Quantity Charges (\$/hcf)							
Tier 1	0 - 3 hcf	\$0.00	\$3.00	\$4.00	\$5.00	\$5.50	\$6.00
Tier 2	4 - 10 hcf	5.56 - 5.74	6.00	7.00	7.50	8.00	8.50
Tier 3	11- 50 hcf	5.77 - 7.81	9.00	9.50	10.00	10.50	11.00
Tier 4	>50 hcf	7.85 - 13.68	12.00	12.50	13.00	13.50	14.00
<small>1 hcf = one hundred cubic feet = 748 gallons</small>							

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 Proposed Sewer Rates							
	Current	Proposed					5-Year
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Impact
RESIDENTIAL							
<i>Charge per residential dwelling unit</i>							
Single Family	\$45.59	\$55.00	\$62.50	\$70.00	\$77.00	\$83.00	\$37.41
Multi-Family/Condo	45.59	44.00	50.00	56.00	61.60	66.40	varies
% of Single Family		80%	80%	80%	80%	80%	
NON-RESIDENTIAL							
<i>Rate per hcf of metered water use</i>							
Class A - Low Strength	\$4.63	\$6.50	\$7.95	\$9.37	\$10.57	\$11.40	\$6.77
Class B - Domestic Strength	5.82	7.98	9.65	11.29	12.67	13.61	7.79
Class C - Moderate Strength	8.03	10.19	11.86	13.50	14.89	15.82	7.79
Class D - Mod-High Strength	10.45	12.55	14.18	15.78	17.13	18.03	7.58
Class E - High Strength	13.38	15.89	17.84	19.75	21.36	22.46	9.08
Minimum Annual Charge	51.77	44.00	50.00	56.00	61.60	66.40	14.63

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The bulk of the Council discussion and deliberation then focused on the other rate issues, specifically three optional pass through charges and water shortage surcharges.

DISCUSSION

“Special” Water Rate Issues

The Three special water rates are summarized in the following list:

- Temporary Surcharge for Desalination Facility Use
 - Only charged when desal is in use
 - Seawater treatment: about \$1600/AF less \$300/AF offset = \$3.00 per hcf
 - Brackish water treatment: about \$1,000/AF less \$300/AF = \$1.60 per hcf
- Water Shortage Emergency Rates
 - During times of severe mandatory numeric restrictions, i.e water rationing
- Automatic Pass-Through for State Water Contract Costs
 - Impact of \$25 Billion Bay Delta Conservation Plan

1. Temporary Surcharge for Desalination Facility Use

The City’s desalination plant was originally constructed in 1992 to provide water supply during a drought emergency and was subsequently upgraded in 2009. The plant served as the City’s primary source of water supply for a few months of 2010 and is currently used on a very limited basis to treat high-nitrate groundwater to supplement supply from the State Water Project. The plant provides a source of backup and emergency water supply in case of future State Water Project supply reductions or service outages. In future years, the plant may potentially be used as a primary source of supply.

The plant treats water via reverse osmosis to produce high-quality drinking water. The relatively

high operating costs for running the plant during potential future water shortage emergencies are not factored into the proposed water rate increases. As such, BWA recommends adoption of a surcharge to recover the plant's operating costs during periods of use. The surcharge would be billed based on a customer's metered water use and would only be levied for periods when the desalination plant is in operation.

Because the cost of producing potable water can vary substantially depending on the source and quality of the untreated supply (e.g. seawater, brackish water, high-nitrate well water), BWA recommends the City adopt a maximum allowable surcharge via the Proposition 218 process based on the most expensive cost of water production: untreated seawater. This would give the City authorization and flexibility to levy a surcharge up to the maximum allowable level as needed.

The proposed maximum surcharge is based on the cost of producing drinking water from seawater. These costs would be partially offset by reduced purchases from the State Water Project. A preliminary draft of the maximum surcharge based on treatment of seawater is as estimated as follows:

- Cost of seawater treatment totals approximately \$1,600 per AF or about \$3.70 per hcf. This total would be offset by a) roughly \$45 per AF in variable State Water Project expenses, and b) \$250 per AF of staffing expenses which are not incremental costs, but simply a transfer of existing staffing costs. This results in a total offset of about \$0.70 per hcf and a net maximum surcharge of \$3.00 per hcf.
- For comparison, the total cost of treating brackish water is about \$1,000 per AF, approximately \$600 per AF lower than seawater treatment. The incremental costs for treating brackish water, less applicable offsets, would result in a net surcharge of \$1.60 per hcf.

The Proposition 218 notice and Resolution adopting the surcharges should allow for automatic annual inflationary adjustments to keep the charge in line with future costs of water treatment, which include substantial costs for electricity and chemicals.

2. *Water Shortage Emergency Rates*

BWA recommends consideration of Water Shortage Emergency Rates designed to help the water enterprise remain financially stable during periods of emergency water shortages and reduced water sales. Water Shortage Emergency Rates can be phased in by future Council authorization in response to the escalating water shortage stages identified in the Water Shortage Contingency Plan of the 2010 UWMP.

The City is currently in a Stage 3 Water Shortage and has implemented conservation requirements for "Severely Restricted Water Supply Conditions". More severe water shortage stages could require additional cutbacks in customer demand and result in future revenue shortfalls. As such, the City could adopt Water Shortage Emergency Rates that could be triggered with a Stage 4 or 5 Water Shortage.

Water Shortage Emergency Rates can be adopted along with regular water rate increases via the Proposition 218 process in order to give the City authority to implement emergency rates when needed. If adopted, the City can opt to phase in emergency rates as needed provided the rates do not exceed the maximum levels noticed and adopted via the Proposition 218 process.

If ever implemented, Water Shortage Emergency Rates should be gradually phased out as water sales return to normal levels. Emergency Rates should not immediately be rescinded when a water shortage stage is declared over as it typically takes additional time for water sales to return to normal-year levels.

The City has already taken substantial steps to help ensure adequate water supply during periods of drought. According to the 2010 Urban Water Management Plan (UWMP), “it is not anticipated that the City will face a chronic shortage condition at which the City would need to implement any additional measures to reduce the demand” other than basic conservation measures outlined in the UWMP. The UWMP only foresees the need for more extreme measures, such as water rationing, during catastrophic interruptions that would reduce water supplies by 50% or more.

3. *Automatic Pass-Through for State Water Contract Costs*

State Water Contract costs currently account for roughly half of annual water enterprise expenses. These costs may increase substantially in future years due to implementation of the \$25 billion Bay Delta Conservation Plan. The timing of the future expenditures and impacts on the City and other recipient of State Water Project water are not currently known. The financial projections incorporated 5% annual cost escalation for State Water Contract expenses. While substantial cost increases may not impact the City until after the next five years, the City can consider adopting an automatic pass-through to account for unanticipated increases in State Water Contract costs above the modest projected increases incorporated in the draft rate projections.

California Government Code Section 53756 became effective on January 1, 2009 and authorizes public agencies providing water, sewer, and garbage services to adopt automatic pass-through rate adjustments to account for a) cost inflation, and b) increases in wholesale water charges or wastewater treatment charges. Pass-throughs must be adopted via the Proposition 218 process and can be effective for up to five years without additional Proposition 218 authorization. The Proposition 218 Notice informing ratepayers of the proposed pass-throughs must include a clearly defined formula indicating how any inflationary or wholesale adjustments will be implemented. After adoption of a pass-through formula, agencies do not need to go through the Proposition 218 process to implement a pass-through. However, agencies must send ratepayers a notice informing them of the pass-through not less than 30 days before the effective date of the adjustment. Regardless of the pass-through authorization, rates must continue to comply with the substantive provisions of Proposition 218 including that any inflation adjustment cannot exceed the cost of providing service.

In order for the City to impose any of those *special rates* it requires the pass-through formula, i.e. *special rates* to be included on the Proposition 218 notice. We also recommend the proposed special rate recommendations include provisions for annual inflationary increases. The law allows that inflationary increases to be imposed for 5 years, without another Proposition 218 process. Additionally, those *special rates* would only be implemented by Council authorization in response to the extreme conditions specified in the Proposition 218 notice and approving resolution and only after 30-day notice is given to the rate payers. The extreme conditions that would trigger those *special rates* would be:

- State Water Project increases beyond five-percent per year;
- Prolonged desalinization plant operation, *i.e.* greater than 30-days; or
- Severe water shortages and reduced water sales.

Those special charges are to ensure revenue stability during those extreme scenarios.

Other Sewer Rate Issues

- Potential separate charge for new wastewater treatment facility
 - Could be collected on property tax rolls (for residential accounts)
 - Could be structured as a maximum charge the City could phase in
- Prefer to have flexibility to use the charge to help fund other capital projects in near term

Low-Income/Lifeline Rate Subsidy:

Council may desire to consider a Low-Income Discount or rebate program. While rates paid by other customers cannot be used to fund such a program, there are other mechanisms to provide for funding. Those include the General Fund, fines, forfeitures and penalty fees, *i.e.* late fees and the like. Based on statistics provided by Bartle Wells, roughly 25% of California agencies have a low-income discount. If Council desires such a program, then we recommend eligibility of customers to use that program piggy-back on other “lifeline” determinations, such as the PG&E CARE program or Federal assistance programs. That way the City does not have the administrative burden and added costs to verify income.

CONCLUSION

The current water and sewer funds are not fiscally sustainable given the capital, maintenance needs and bond obligations for both funds. The rate structures proposed by Bartle Wells would resolve those needs and allow the City to be in compliance with its bond covenants.

ATTACHMENTS

1. Water and Sewer Rate Study
2. Draft Proposition 218 Notice

City of Morro Bay



Water & Sewer Rate Studies

Revised 03/17/15



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

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APPENDIX A - Tables & Charts



City of Morro Bay

Water & Sewer Rate Study Key Issues

1. BACKGROUND & OBJECTIVES

Background

The City of Morro Bay is located on the Central California coast in San Luis Obispo County, about 12 miles northwest of the City of San Luis Obispo. The City has a population of approximately 10,300. The City was incorporated in 1964 and is governed by a 5-member City Council. Council Members are elected at-large from the community for 4-year terms on alternating even years.

The City provides water and wastewater services to its residents. Both water and sewer utilities are facing major financial challenges in upcoming years that will require substantial rate increases.

- Water rates have not been increased in almost 20 years and the water utility is operating in deficit mode with an anticipated budget deficit of over \$900,000 in the current fiscal year. Additionally, the City needs to fund a number of near-term water system capital improvements to address deficiencies and improve reliability, and faces long-term challenges regarding its water supply.
- The biggest challenge facing the sewer enterprise is the requirement to build a new wastewater treatment plant at an estimated cost of almost \$75 million over the next four to five years. Additional funding is needed for repair and rehabilitation of various components of the City's aging sewer collection system.

BWA met with the City's Public Works Advisory Board on January 29, 2015 and February 19, 2015 to present preliminary finding and recommendations and receive input. The draft water and sewer rate recommendations presented in this report incorporate input received from the Public Works Advisory Board. The Public Works Advisory Board opted to make no formal recommendations regarding various other related issues such as an additional surcharge for desalination facility use, emergency water shortage rates, or an automatic pass-through for State Water Contract costs. However, the Public Works Advisory Board expressed support for some form of a low-income discount to help mitigate the impact on economically disadvantaged customers.

Financial Plan & Rate Study Objectives

In 2014, Bartle Wells Associates (BWA) was retained to develop water and sewer rate studies and update various water and sewer charges. Key objectives of the rate studies are to recommend water and sewer service charges that are adequate to fund future operating and capital needs of each utility. Key elements of the rate study include

1. Develop 10-year water and sewer enterprise financial projections to determine annual revenue requirements
2. Incorporate the latest available financial information and estimates of future operating and capital funding needs
3. Evaluate financing alternatives for the City's water and wastewater capital improvement programs including construction of a new Water Reclamation Plant.
4. Develop water and sewer rates that:
 - a. Recover the City's costs of providing water and sewer service and support the long-term financial stability of the water and sewer utilities
 - b. Provide adequate funding for capital needs including long-term infrastructure repairs and replacements
 - c. Are fair, equitable, and politically acceptable
 - d. Comply with the legal requirements of Proposition 218
5. Aim for gradual annual rate increases, to the extent possible, to help minimize the annual impact on customers
6. Pursue low-cost financing alternatives for required debt financing
7. Maintain a prudent level of fund reserves

Constitutional Requirements for Water & Sewer Rates

The California Constitution includes two key articles applicable to water and sewer rates: Article 10 and Article 13D. The rates developed in this study were designed to comply with both of these constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the City's cost of providing service, b) recover revenues in reasonable proportion to the cost for serving each customer, and c) promote conservation and discourage waste.

Article 10, Section 2 – This section was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states that:

“It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.”

Article 13D, Section 6 - Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. This section establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts water, sewer, and garbage rates from the voting requirement provided the rates comply with the section’s cost of service requirements.

The substantive rate requirements of Article 13D, Section 6 include:

1. Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
2. Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

A subsequent appellate court decision in 2011 further clarified that agencies must demonstrate, satisfactory to a court’s independent judgment, that property-related fees and charges meet the proportionality requirement of Section 6.(3). This rate study provides that justification. The water and sewer rates derived in this report are each based on a cost-of-service methodology that fairly apportions costs to all customers.

2. WATER FINANCIAL PLAN & RATE STUDY



Water Finances & Rates

- The City's water utility is a financially self-supporting enterprise.
 - Water rates are the main source of revenues and currently account for approximately 98% of total revenues.
 - Water rates should be set at levels adequate to fund the cost of providing service, including long-term operating and capital needs, and support the enterprise's long-term financial stability.
- Water rates were last increased in 1995 and have not been adjusted in almost 20 years. Adjusted for inflation, water rates are about 36% lower than they were in 1995. With hypothetical 3% annual rate escalation since 1995, the City's water rates would now be approximately 75% higher than they currently are.
- The water enterprise is now operating in deficit mode with a projected budget deficit of over \$900,000 in the current fiscal year.
- The City is out of compliance with debt service coverage covenants related to its share of payments for the Central Coast Water Authority's Series 2006A Revenue Bonds. The City has legally covenanted to raise water rates and charges as needed to generate Net Revenues – revenues remaining after funding the City's water operating expenses -- adequate to fund 125% of the City's total state water contract payments, including the bond payments and other contractual funding requirements payable to the San Luis Obispo County Flood Control and Water Conservation District, the local State Water Contractor.
- The water enterprise had approximately \$2.6 million in reserves as of June 30, 2014. However, the City anticipates drawing down fund reserves during the current fiscal year, to levels slightly below prudent minimum targets.
- The monthly water bill for a typical single family home using 6 hundred cubic feet (hcf) of water per month, equal to a little under 150 gallons per day (gpd), is \$33.20 or slightly over \$1 per day. The City's typical residential water bills are in the lower-middle range compared to other regional agencies and were the fourth lowest of 12 agencies surveyed.
- The City's current water rates include both a fixed monthly charge of \$16.43 plus water quantity charges that gradually escalate from \$5.56 for the fourth unit of metered water use per month to \$13.68. The first three units of water are provided with the fixed charge, at no additional cost. All customer pays according to the same rate schedule.

Financial Challenges

The City's water enterprise faces a number of financial challenges in upcoming years that are putting upward pressure on rates. Key challenges include:

➤ Eliminate Budget Deficits and Restore Financial Stability

- With almost 20 years of no rate increases, the water enterprise has been slowly starved of funds resulting in current budget deficits. The budget deficit for the current fiscal year is projected at over \$900,000. Rate increase are needed to restore financial stability and eliminate annual deficits.

➤ Repair & Replacement of Aging Facilities

- The City's water system capital improvement program identifies approximately \$9 million (current \$) of funding needs over the next 10 years, including \$6 million (current \$) of capital needs over the upcoming five years. Accounting for 3% construction cost inflation, capital improvements are projected to total approximately \$10 million over the next decade. Projects include adding storage for fire flow and reliability, repairing and improving the City's water desalination facility, and repairing/replacing aging and substandard water distribution pipelines. Many of the City's pipelines are over 50 years old and are approaching the end of their useful lives.

➤ Long-Term Water Supply

- A large portion the City's water supply comes from the State Water Project. The City's 2014/15 budget includes a little over \$2.2 million for costs related to the State Water Project. This equates to over 55% of annual operating expenses and roughly half of total annual expenditures.
- State Water Project costs are expected to increase substantially in future years due to implementation of the Bay Delta Conservation Plan, a 50-year plan to restore the Sacramento-San Joaquin Delta ecosystem and secure future water supply through the State Water Project and Central Valley Project. The plan includes construction of roughly 30-miles of water conveyance pipelines to enable source water to circumvent the Delta. Costs are estimated at roughly \$25 billion over the next 50 years with costs front-loaded over the next decade.
- Planned construction of a new "reclamation ready" wastewater treatment plant will enable the City to pursue a future recycled water project that could ultimately support the long-term reliability and sustainability of the City's water supply. Based on very preliminary engineering cost estimates, the recycled water system is projected to cost

roughly \$25 million (future \$) starting in about six years in 2020/21. When constructed, the City would also need to pay additional operating costs for recycled water operations. However, recycled water may enable the City to reduce reliance the State Water Project and thus replace imported water with a potentially lower-cost local source of supply.

- The City will continue to evaluate water supply alternatives with the goals of securing a reliable and cost-effective source of water supply to meet the City's long-term supply needs.

➤ **Reduced Water Sales**

- Water sales have decreased in recent years. Average annual water sales from the past three fiscal years are about 7% lower than the average from the prior three years. Additional reductions in water sales are anticipated due to customer response to projected substantial rate increases.
- Reduced levels of water use result in a reduction of water sales revenues, which in turn puts upward pressure on water rates. However, customers who conserve will end up purchasing fewer units of water which helps mitigate the impact of higher unit charges.

➤ **Operating Cost Inflation**

- Annual rate increases are needed to keep revenues in line with ongoing operating cost inflation. Cost inflation for water & wastewater utilities (whose costs are largely related to labor and capital) has historically been higher than CPI, which is more of a measure of urban goods and services.

Financial Projections

- BWA developed 10-year financial projections to evaluate annual revenue requirements and project water rate increases. The projections were based on reasonable and slightly conservative assumptions including:
 - Operating cost projections are based on the 2014/15 Budget
 - Operating cost inflation is projected at 4% per year for planning purposes
 - The projections assume a relatively low growth scenario of 10 new single family homes or equivalent units per year
 - To account for customer response to rate increases, water sales projections account for elasticity estimated at -0.15; each 10% increase in rates results in a 1.5% decrease in water sales.

- Includes funding for the water system capital improvement program with 3% construction cost inflation. Due to the extent of near-term funding needs, the projections assumes the City issues debt to finance \$3.5 million of capital improvement projects in 2015/16. BWA recommends the City pursue a subsidized loan from the California Infrastructure and Economic Development Bank, commonly known as the “I-Bank”, for these funding needs.
- Assumes the City funds a future \$25 million recycled water project using a Clean Water State Revolving Fund (SRF) loan. The SRF financing program currently offers 20 or 30-year loans with interest rates below 2%. For planning purposes, the projections assume a 30-year SRF loan with a 3% annual interest rate.
- Includes new operating costs for the recycled water system projected at \$300,000 (escalated \$) starting 2022/23.
- A minimum fund reserve target for planning purposes is recommended at 25% of annual operating expenses, plus \$1 million for emergency capital reserves. It is acceptable for reserves to temporarily drop below these levels provided the City has taken action to achieve the targets over the longer run.

Draft Rate Projections

- Cash flow projections indicate the need for substantial water rate increases over the next five years. Due to the level of current budget deficits coupled with near-term financial needs, a larger initial rate increase is needed in 2015/16, with smaller increases in future years.
- Deferring or reducing necessary rate increases in the near-term would result in the need for higher rate increases in future years (and vice versa)
- With the proposed rate increases, the City’s water rate are expected to end up in the middle to upper-middle range compared to other regional agencies. A number of other regional agencies are also anticipating water rate increases in upcoming years.
- For a typical single family home using 6 hcf of water per month, the maximum proposed rates for the next five years will equal the City’s 1995 rate escalated at the annual rate of approximately 3.5% through 2019/20.

Water Rate Structure

- All water customers currently pay both a fixed monthly charge of \$16.43 plus water quantity charges that gradually escalate from \$5.56 starting with the fourth unit of metered water use per month to \$13.68. The first three units of water are provided with the fixed charge, at no additional cost. The fixed charge is roughly equal to the City's lowest rate per unit of water applied to the first three units of unbilled water.
- Under the current rate structure, low-use customers and second homes benefit from both a) fixed charges that are disproportionately low compared to fixed expenses, and b) no charges for the first three units of monthly water use. Over 35% of annual bills are for three units of water or less.
- BWA developed updated water rates with the following modifications to the rate structure:
 - Water quantity charges are phased in for the first three units of water.
 - Fixed monthly charges continue to recover approximately one-third of total rate revenues. While the fixed charges are disproportionately low compared to the City's fixed expenses, this level of fixed revenue recovery is in line with industry norms and conservation-oriented rates.
 - Proposed water quantity rates transition to a four-tiered inclining rate structure. Under the draft proposed rate structure, customers would first purchase water in the lowest tier before purchasing water in successive higher tiers as use increases. Due to a transition in rate structure, billing impacts will vary based on water use.
- The rate structure modifications represent incremental modifications to the City's existing rate structure, not a complete revision.
- Public agencies have used a wide range of approaches or perspectives for allocating and recovering costs. Depending on perspective, the same costs can reasonably be allocated 100% to fixed revenue recovery, 100% to variable rate recovery, or to some combination of the two. For example, fixed operating costs (e.g. salaries and benefits) as well as capital improvement and debt service costs can legitimately be treated as a) a fixed annual cost that should be recovered from fixed charges, b) a cost related to providing water system capacity and supply to meet customer demand and therefore a cost that should be recovered from variable rates, or c) a cost that can be recovered from both fixed and variable rates in recognition of the two alternative perspectives.
- While there is no single correct approach, BWA believes that costs should be allocated within a reasonable range that reflects both a) underlying cost causation, to the extent such

causation can reasonably be determined or estimated, and b) the policy preferences of the agency in cases where a range of reasonable approaches can be justified.

- A detailed cost recovery allocation was developed supporting the proposed rates for fiscal year 2019/20. Rates in intervening years are phased in from current levels to the proposed levels calculated for 2019/20 to help minimize the annual impact due to rate structure modifications in addition to overall rate increases.
- The proposed rates were developed based on reasonable and equitable allocations for cost recovery from the City's fixed charges and tiered quantity charges. Based on the allocations, fixed monthly service charges will recover approximately 34% of total rate revenues and water quantity charges will recovery roughly 66% of total rate revenues.
- The roughly 66% of costs designated for recovery from the City's water quantity charges are further allocated for recovery from each rate tier assuming a) 2/3rds of costs are allocated for pro-rata cost recovery from all water use, and b) 1/3rd of costs are allocated for increased cost recovery from Tiers 2 - 4 to reasonably account for the City's increased cost burden associated with meeting the needs of peak and higher-use demands. This results in roughly 22% of total costs allocated for recovery from peak and higher-use demands.
- Under the proposed rates, low use customers will continue to benefit from low fixed charges coupled with water consumption in the lowest quantity rate tiers.
- High-use customers will also continue to benefit from low fixed charges, particularly considering the higher levels of demand these customers place on the water system and associated higher levels of capacity needs in water infrastructure. At the same time, the rate structure balances the low fixed charges for high-use customers with inclining rate tiers that recover a higher share of costs from higher levels of use, similar to the City's historical water rate structure.
- The financial projections indicate the need for additional gradual rate increases after the next five years to provide adequate repayment capacity for a future SRF loan anticipated for a future recycled water project. Small future annual rate adjustments are recommended keep revenues in line with operating cost inflation and help minimize the potential for future rate spikes.

Proposed Water Rates & Impacts

- The following table shows a schedule of proposed water rates for the next 5 years. Charges include both a) a fixed monthly charge billed regardless of water use, and b) water quantity

charges billed in 4 inclining tiers with water first purchased in Tier 1 and subsequently higher tiers as water use increases.

Proposed Water Rates

		Current	Projected Water Rates				
			2015/16	2016/17	2017/18	2018/19	2019/20
Fixed Monthly Charge		\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00
Water Quantity Charges (\$/hcf)							
Tier 1	0 - 3 hcf	\$0.00	\$3.00	\$4.00	\$5.00	\$5.50	\$6.00
Tier 2	4 - 10 hcf	5.56 - 5.74	6.00	7.00	7.50	8.00	8.50
Tier 3	11- 50 hcf	5.77 - 7.81	9.00	9.50	10.00	10.50	11.00
Tier 4	>50 hcf	7.85 - 13.68	12.00	12.50	13.00	13.50	14.00
<i>1 hcf = one hundred cubic feet = 748 gallons</i>							

- The following table projects monthly water bills at different levels of water use. Due to the phase-in of charges for the first 3 units of water, low-use customers will experience a higher percentage increase but lower dollar increase in their monthly bills. Under the proposed rates, low use customers will still benefit from low fixed monthly charges and water purchases in the lowest rate tiers.

Water Rate Impacts

Monthly Use (hcf)	Current	Projected Monthly Bills					5-Year Impact	
	\$/Month	2015/16	2016/17	2017/18	2018/19	2019/20	\$/month	\$/day
0	\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00	\$15.57	\$0.51
1	16.43	26.00	30.00	33.00	35.50	38.00	21.57	0.71
2	16.43	29.00	34.00	38.00	41.00	44.00	27.57	0.91
3	16.43	32.00	38.00	43.00	46.50	50.00	33.57	1.10
4	21.99	38.00	45.00	50.50	54.50	58.50	36.51	1.20
5	27.58	44.00	52.00	58.00	62.50	67.00	39.42	1.30
6	33.20	50.00	59.00	65.50	70.50	75.50	42.30	1.39
7	38.85	56.00	66.00	73.00	78.50	84.00	45.15	1.48
8	44.53	62.00	73.00	80.50	86.50	92.50	47.97	1.58
9	50.24	68.00	80.00	88.00	94.50	101.00	50.76	1.67
10	55.98	74.00	87.00	95.50	102.50	109.50	53.52	1.76
20	115.04	164.00	182.00	195.50	207.50	219.50	104.47	3.43
30	179.93	254.00	277.00	295.50	312.50	329.50	149.58	4.92
40	251.24	344.00	372.00	395.50	417.50	439.50	188.27	6.19
50	327.37	434.00	467.00	495.50	522.50	549.50	222.14	7.30
75	533.21	734.00	779.50	820.50	860.00	899.50	366.29	12.04
100	755.68	1,034.00	1,092.00	1,145.50	1,197.50	1,249.50	493.82	16.24
200	1,747.86	2,234.00	2,342.00	2,445.50	2,547.50	2,649.50	901.64	29.64

Temporary Surcharge for Desalination Facility Use

- The City's desalination plant was originally constructed in 1992 to provide water supply during a drought emergency and was subsequently upgraded in 2009. The plant served as the City's primary source of water supply for a few months of 2010 and is currently used on a very limited basis to treat high-nitrate groundwater to supplement supply from the State Water Project. The plant provides a source of backup and emergency water supply in case of future State Water Project supply reductions or service outages. In future years, the plant may potentially be used as a primary source of supply.
- The plant treats water via reverse osmosis to produce high-quality drinking water. The relatively high operating costs for running the plant during potential future water shortage emergencies are not factored into the proposed water rate increases. As such, BWA recommends adoption of a surcharge to recover the plant's operating costs during periods of use. The surcharge would be billed based on a customer's metered water use and would only be levied for periods when the desalination plant is in operation.
- Because the cost of producing potable water can vary substantially depending on the source and quality of the untreated supply (e.g. seawater, brackish water, high-nitrate well water), BWA recommends the City adopt a maximum allowable surcharge via the Proposition 218 process based on the most expensive cost of water production: untreated seawater. This would give the City authorization and flexibility to levy a surcharge up to the maximum allowable level as needed.
- The proposed maximum surcharge is based on the cost of producing drinking water from seawater. These costs would be partially offset by reduced purchases from the State Water Project. A preliminary draft of the maximum surcharge based on treatment of seawater is as estimated as follows:
 - Cost of seawater treatment totals approximately \$1,600 per AF or about \$3.70 per hcf. This total would be offset by a) roughly \$45 per AF in variable State Water Project expenses, and b) \$250 per AF of staffing expenses which are not incremental costs, but simply a transfer of existing staffing costs. This results in a total offset of about \$0.70 per hcf and a net maximum surcharge of \$3.00 per AF.
 - For comparison, the total cost of treating brackish water is about \$1,000 per AF, approximately \$600 per AF lower than seawater treatment. The incremental costs for treating brackish water, less applicable offsets, would result in a net surcharge of about \$1.60 per AF.

- The Proposition 218 notice and Resolution adopting the surcharges should allow for automatic annual inflationary adjustments to keep the charge in line with future costs of water treatment, which include substantial costs for electricity and chemicals.

Water Shortage Emergency Rates

- BWA recommends consideration of Water Shortage Emergency Rates designed to help the water enterprise remain financially stable during periods of emergency water shortages and reduced water sales. Water Shortage Emergency Rates can be phased in by future Council authorization in response to the escalating water shortage stages identified in the Water Shortage Contingency Plan of the 2010 UWMP.
- The City is currently in a Stage 3 Water Shortage and has implemented conservation requirements for “Severely Restricted Water Supply Conditions”. More severe water shortage stages could require additional cutbacks in customer demand and result in future revenue shortfalls. As such, the City could adopt Water Shortage Emergency Rates that could be triggered with a Stage 4 or 5 Water Shortage.
- Water Shortage Emergency Rates can be adopted along with regular water rate increases via the Proposition 218 process in order to give the City authority to implement emergency rates when needed. If adopted, the City can opt to phase in emergency rates as needed provided the rates do not exceed the maximum levels noticed and adopted via the Proposition 218 process.
- If ever implemented, Water Shortage Emergency Rates should be gradually phased out as water sales return to normal levels. Emergency Rates should not immediately be rescinded when a water shortage stage is declared over as it typically takes additional time for water sales to return to normal-year levels.
- The City has already taken substantial steps to help ensure adequate water supply during periods of drought. According to the 2010 Urban Water Management Plan (UWMP), “it is not anticipated that the City will face a chronic shortage condition at which the City would need to implement any additional measures to reduce the demand” other than basic conservation measures outlined in the UWMP. The UWMP only foresees the need for more extreme measures, such as water rationing, during catastrophic interruptions that would reduce water supplies by 50% or more.

Automatic Pass-Through for State Water Contract Costs

- State Water Contract costs currently account for roughly half of annual water enterprise expenses. These costs may increase substantially in future years due to implementation of the \$25 billion Bay Delta Conservation Plan. The timing of the future expenditures and impacts on the City and other recipient of State Water Project water are not currently known. The financial projections incorporated 5% annual cost escalation for State Water Contract expenses. While substantial cost increases may not impact the City until after the next five years, the City can consider adopting an automatic pass-through to account for unanticipated increases in State Water Contract costs above the modest projected increases incorporated in the draft rate projections.
- California Government Code Section 53756 became effective on January 1, 2009 and authorizes public agencies providing water, sewer, and garbage services to adopt automatic pass-through rate adjustments to account for a) cost inflation, and b) increases in wholesale water charges or wastewater treatment charges. Pass-throughs must be adopted via the Proposition 218 process and can be effective for up to five years without additional Proposition 218 authorization. The Proposition 218 Notice informing ratepayers of the proposed pass-throughs must include a clearly defined formula indicating how any inflationary or wholesale adjustments will be implemented. After adoption of a pass-through formula, agencies do not need to go through the Proposition 218 process to implement a pass-through. However, agencies must send ratepayers a notice informing them of the pass-through not less than 30 days before the effective date of the adjustment. Regardless of the pass-through authorization, rates must continue to comply with the substantive provisions of Proposition 218 including that any inflation adjustment cannot exceed the cost of providing service.

3. SEWER FINANCIAL PLAN & RATE STUDY

Sewer Finances & Rates



- The City's sewer utility is a financially self-supporting enterprise.
 - Sewer rates are the main source of revenues and currently account for approximately 98% of total revenues.
 - Sewer rates should be set at levels adequate to fund the cost of providing service, including long-term operating and capital needs, and support the enterprise's long-term financial stability.
- The City has gradually increased sewer rates every year since at least 1998. Since 2008, the City has adopted 5% annual rate adjustments each year. These rate increases have supported the financial stability of the sewer utility and put the enterprise in decent financial position to address its financial challenges with substantial, but gradual, rate increases.
- The sewer enterprise had approximately \$3.1million in reserves as of June 30, 2014. However, the City anticipates drawing down over \$1 million of fund reserves during the current fiscal year on preliminary costs related to the new Water Reclamation Facility. The City anticipates that these costs will be reimbursed by future SRF financing.
- The monthly sewer bill for a typical single family home is \$45.59 or slightly over \$1.50 per day. The City's residential sewer bills are in the middle range compared to other regional agencies.

Financial Challenges

The City's sewer enterprise faces a number of financial challenges in upcoming years that are putting upward pressure on rates. Key challenges include:

- **Funding a New \$75 Million Water Reclamation Facility**
 - Based on engineering and financial evaluation of key alternatives, the City anticipates moving forward with design and construction of a new \$75 million wastewater treatment plant at the Rancho Colina site. This facility will replace the existing treatment plant jointly owned by the City and Cayucos Sanitary District. The new treatment plant will be a "reclamation ready" facility designed to meet current and future permit requirements.
 - A City anticipates pursuing a design-build process with a) \$10 million of design, environmental, and other preliminary costs needed through the end of fiscal year

2016/17, and b) almost \$65 million in funding needed during a 2-year construction phase starting 2017/18.

- The City anticipates fully funding the facility with a low-rate Clean Water State Revolving Fund Loan. Annual debt service is projected at a little under \$4 million per year starting 2019/20, the year after the project is complete. In order to provide interim funding for design and other preliminary costs leading up to construction, the City should pursue an SRF Planning Loan, which can subsequently be rolled into the long-term construction financing agreement.
- The City anticipates that Cayucos Sanitary District will fund 25% to 30% the costs of the new facility either as a partner or customer. For planning purposes, the financial projections assume Cayucos SD funds 25% of annual debt service for the new facility.

➤ **Repair & Replacement of Aging Facilities**

- The City's sewer system capital improvement program identifies approximately \$10 million (current \$) of funding needs over the next 10 years, including \$7.6 million (current \$) of sewer collection system rehabilitation and upgrades over the upcoming five years. Many of the City's sewer pipelines are over 50 years old and are approaching the end of their useful lives. The City anticipates funding these projects on a pay-as-you-go cash basis.
- In anticipation of a new wastewater treatment plant, the City has deferred a number of capital improvements needed at the existing treatment plant. Some of these projects can no longer be deferred and are needed to ensure continued safe and reliable operations and compliance with the City's waste discharge permit. The City anticipates funding about \$2.3 million of major maintenance and repair projects at the existing treatment plant over the current and subsequent three fiscal years. The City anticipates funding these projects on a pay-as-you-go cash basis with Cayucos SD contributing 25% of project costs.

➤ **Operating Cost Inflation**

- Annual rate increases are needed to keep revenues in line with ongoing operating cost inflation. Cost inflation for water and wastewater utilities (whose costs are largely related to labor and capital) has historically been higher than CPI, which is more of a measure of urban goods and services.

Financial Projections

- BWA developed 10-year financial projections to evaluate annual revenue requirements and project sewer rate increases. The projections were based on reasonable and slightly conservative assumptions including:
 - Operating cost projections are based on the 2014/15 Budget
 - Operating cost inflation is projected at 4% per year for planning purposes
 - The projections assume a relatively low growth scenario of 10 new single family homes or equivalent units per year
 - Sewer revenue projections account for a small decline in volumetric sewer sales in response to water and sewer rate increases.
 - Assumes the City funds the proposed new \$75 million Water Reclamation Facility via a Clean Water State Revolving Fund (SRF) loan. The SRF financing program currently offers 20 or 30-year loans with interest rates below 2%. For planning purposes, the projections assume a 30-year SRF loan with a 3% annual interest rate. The projections assume that Cayucos Sanitary District pays 25% of the debt service.
 - A minimum fund reserve target for planning purposes is recommended at 25% of annual operating expenses, plus \$1 million for emergency capital reserves. It is acceptable for reserves to temporarily drop below these levels provided the City has taken action to achieve the targets over the longer run.

Draft Rate Projections

- Cash flow projections indicate the need for substantial sewer rate increases over the next five years. Monthly single family residential sewer charges are projected to steadily increase from the current level of \$45.59 to \$83.00 over the next five fiscal years.
- Unlike water rates, which require a large up-front increase to restore water system financial stability, sewer rates can be more gradually phased in because a) the sewer enterprise is starting from a stronger financial position, and b) the City anticipates funding the new wastewater treatment plant with SRF loans and projects that debt service for the new plant will not start until 2019/20, one year after construction is complete.
- Deferring or reducing necessary rate increases in the near-term would result in the need for higher rate increases in future years (and vice versa)
- The financial projections indicate the need for small annual rate increases after the next five years. Small future annual rate adjustments are recommended keep revenues in line with operating cost inflation and help minimize the potential for future rate spikes.

Sewer Rate Structure

- The City's current residential sewer rate structure includes a fixed charge of \$45.59 per month per account, plus a volumetric charge of \$4.07 applied to metered water use over 10 hcf for single family homes and apartments, and use in excess of 3 hcf for condos. Non-residential accounts pay volumetric rates that vary based on customer type subject to a minimum monthly charge of \$51.77.
- BWA developed draft rate projections based on a cost-of-service approach.
 - Operating and capital expenses are allocated for cost recovery from the parameters of wastewater flow and strength, as designated by biological oxygen demand (BOD) and suspended solids (SS).
 - The total amount of costs allocated to each parameter is divided by the total amount of estimated loadings for each parameter, resulting in unit costs for flow, BOD and SS.
 - These unit costs are then applied to the wastewater characteristics of each customer class, resulting in rates that are equitably aligned with the wastewater characteristics of each class.
- The draft rate projections include modifications to the existing sewer rate structure including:
 - Residential rates are revised to include fixed monthly charges per dwelling unit only and eliminate the additional volumetric charges levied on water use over the monthly allowance. Only a small amount of revenues are currently generated by the volumetric charges, and they may be recovering charges for outdoor water use that does not get returned to the sewer system.
 - Under the proposed residential rates, multi-family residential units and condominiums would pay reduced charges equal to 80% of the single family charge based on analysis of winter water use data and proposed cost allocations.
 - Although the City's non-residential rates list 18 customer classes, these customers are billed only five different sewer rates. The proposed rates continue to include five rate classes, with each class defined based on wastewater strength (Low, Domestic, Moderate, Mod-High, and High Strength).

- Two commercial customer classes are reclassified based on wastewater strength:
 - Mobile home parks, which currently pay volumetric commercial sewer rates (not residential rates per dwelling unit), are reclassified from Class A – Low Strength to Class B – Domestic Strength.
 - The City’s single retirement home with dining is reclassified from Class D – Mod-High Strength to Class C – Moderate Strength.
- New rates were developed based on a cost of service methodology that equitably recovers costs for wastewater flow and strength from each each customer class. Costs were allocated for recovery via the wastewater treatment parameters of flow, Biological Oxygen Demand (BOD), and Suspended Solids (SS). Costs allocated to each parameter were then divided by the total estimated loadings for each parameter, resulting in unit costs for flow (\$ per hcf) and strength (\$ per pound for BOD and SS). These unit costs were then applied to the wastewater characteristics of each customer class resulting in new rates for each class based on common underlying unit costs.
- Rate adjustments from current rates to proposed maximum rates in 2019/20 were phased in over five years based on the overall level of required rate increases as determined from the financial projections. Under the proposed draft rates, rates for each non-residential customer class increase by roughly a similar dollar amount (not the same percentage amount) over the next five years.
- The minimum charge for non-residential sewer accounts is revised from being higher than the current fixed residential charge, to the reduced flat monthly charge proposed for multi-family residential accounts, equal to 80% of the single family rate.

Proposed Sewer Rates & Impacts

- The following table shows a schedule of proposed sewer rates for the next 5 years. Residential customers pay a fixed monthly charge per dwelling unit with reduced charges for multi-family and condominium dwelling units. Non-residential customers pay a charge based on customer class and metered water consumption, subject to a minimum charge set at the reduced charge per multi-family dwelling unit.

Proposed Sewer Rates & Impacts

	Current	Proposed					5-Year
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Impact
RESIDENTIAL							
<i>Charge per residential dwelling unit</i>							
Single Family	\$45.59	\$55.00	\$62.50	\$70.00	\$77.00	\$83.00	\$37.41
Multi-Family/Condo	varies	44.00	50.00	56.00	61.60	66.40	varies
% of Single Family		80%	80%	80%	80%	80%	
NON-RESIDENTIAL							
<i>Rate per hcf of metered water use</i>							
Class A - Low Strength	\$4.63	\$6.50	\$7.95	\$9.37	\$10.57	\$11.40	\$6.77
Class B - Domestic Strength	5.82	7.98	9.65	11.29	12.67	13.61	7.79
Class C - Moderate Strength	8.03	10.19	11.86	13.50	14.89	15.82	7.79
Class D - Mod-High Strength	10.45	12.55	14.18	15.78	17.13	18.03	7.58
Class E - High Strength	13.38	15.89	17.84	19.75	21.36	22.46	9.08
Minimum Annual Charge	51.77	44.00	50.00	56.00	61.60	66.40	14.63

Note: 1 hcf = 100 cubic feet = approximately 748 gallons



4. OTHER RECOMMENDATIONS

Debt Financing Recommendations

- BWA strongly recommends the City pursue low-cost, subsidized funding from the Clean Water State Revolving Fund (SRF) Financing Program to finance the new Water Reclamation Facility and subsequent recycled water project.
 - The SRF financing program offers low-rate loans with 20 to 30 year repayment terms and interest rates currently below 2%. Interest rates are based on approximately half the average interest rate of the most recent California state general obligation bond issuance.
 - The SRF financing program will soon be administering disbursement of California Proposition 1 financing, which will provide 1% interest rate loans for recycled water projects as well as some grant funding for economically disadvantaged communities. Due to the 4 to 5 year anticipated timing for planning, designing, and constructing a new wastewater treatment plant, it is unknown if the City's project will be eligible for funding from this upcoming financing program.
 - Debt service on SRF loans is not due until one year following the project's certified completion date.
 - In recent years, the SRF program has been requiring agencies to establish a debt service reserve fund equal to annual debt service.
 - The SRF program also typically requires agencies to maintain annual net revenues (gross revenues less operating expenses) equal to at least 1.10x of annual debt service, although some agencies may be required to maintain a 1.20x debt service coverage ratio.
 - Prior to award of funding, the SRF program requires agencies to adopt rates adequate to support debt repayment and achieve the required debt service coverage ratio.
 - The SRF financing program does not provide a final funding commitment until after the project has been designed and bid out in compliance with SRF specifications. Agencies can subsequently seek reimbursement for preliminary design and other soft costs incurred prior to construction award.
 - Due to the need for approximately \$10 million of funding for preliminary engineering, design, and other soft costs leading up to construction of the proposed Water Reclamation Plant, BWA recommends the City pursue an SRF Planning Loan to help fund

these costs. If awarded, repayment of SRF planning loans can be rolled into the long-term SRF project loan.

- During construction, agencies fund ongoing construction invoices and can subsequently seek monthly reimbursement from SRF. However, the City needs to be prepared to fund a few months of project expenditures due to the lag in reimbursements. BWA has assisted agencies in obtaining a competitively-bid line of credit in cases where agencies have not had adequate fund reserves to meet the cash flow needs of their SRF projects.
- BWA also recommends the City submit an inquiry form to the California Financing Coordinating Committee to identify if the City is eligible for subsidized funding from other various state and federal financing programs, such as the California Infrastructure and Economic Development Bank (I-Bank), for its debt financing needs.

Proposition 218 Rate Increase Process

- In order to increase rates, the City must comply with the procedural requirements of Article 13D, Section 6 of the California Constitution, which was established by Proposition 218. These requirements require the City to:
 - Mail a notice of to all affected property-owners informing them of a) the proposed rate increases, b) the basis for increases, and c) the date, time, and location of a Public Hearing at which the proposed rates will be considered for adoption.
 - There are differing legal opinions regarding who agencies must mail the required notice too. Many agencies mail notices to all affected property owners only, some mail to both property owners and tenant ratepayers responsible for paying the bill, and a few agencies only send the notice to ratepayers. However, in case of delinquency, agencies are only allowed to place a lien on the property if the notice was mailed to the property owner.
 - BWA recommends the notice go beyond the minimum legal requirements and present a clear and concise explanation why the proposed rate increases are needed. Ratepayers are more accepting of rate increases when they understand why the increases are needed.
 - Hold a Public Hearing on the proposed rate increases not less than 45 days after the notice is mailed. Most agencies schedule the Public Hearing during a regularly-scheduled meeting of their governing body.

- BWA recommends that the City establish a clear structure for the Board Meeting and Public Hearing in advance to help ensure the process is understandable to the Board and public and goes as smoothly as possible.
- At the Public Hearing, the proposed rate increases are subject to “majority protest” and cannot be adopted if written protests are received from more than 50% of affected parcels, with one protest counted per parcel.
 - BWA generally recommends agencies take a lenient approach to counting written protests at the Public Hearing to demonstrate a good-faith effort to count every protest, even if some protests do not include all of the legally-required information.

Low-Income Discount

- The Public Works Advisory Committee generally supported the idea of adopting a low-income discount program in Morro Bay. If the City opts to pursue a low-income discount program, BWA recommends that eligibility be based on economic criteria only.
- Based on BWA’s experience with other water and wastewater agencies throughout California, roughly 25% of statewide water and sewer agencies offer some form of a low-income discount. The amount of the discount typically ranges from 10% to 20% of the utility bill, but is occasionally lower or higher. In some cases, the discount is a fixed dollar amount (e.g. \$5 per month).
- Eligibility requirements vary from agency to agency. While some agencies independently verify a customer’s income, BWA would instead recommend the City piggy-back on some other low-income discount program – such as the PG&E CARE program -- to avoid the administrative effort of having to determine program eligibility. For example, customers who provide proof of eligibility in the CARE program would qualify for the City’s low-income discount. Qualification for the discount should be verified annually; the discount should not automatically extend forever.
 - PG&E CARE program eligibility is based on income thresholds per number of people per home. Current maximum income levels for eligibility are as follows:
 - \$31,460 for 1 or 2 people
 - \$39,580 for 3 people
 - \$47,700 for 4 people, etc.

- Other eligibility criteria can include participation in various federal assistance programs (such as AFDC, SSI/SSP, food stamps, and/or other programs) and other utility discount programs such as if offered by the customer's telephone company.
 - There are some additional details that would have to be resolved, such as how to provide the discount to a unit in a multi-family or mixed use property with a single master-meter bill.
-

Water Financial Plan & Rate Study

Working Draft Tables

Table 1
City of Morro Bay
Current Monthly Water Rates
Effective Since 07/01/1995

Minimum Monthly Charge

\$16.43

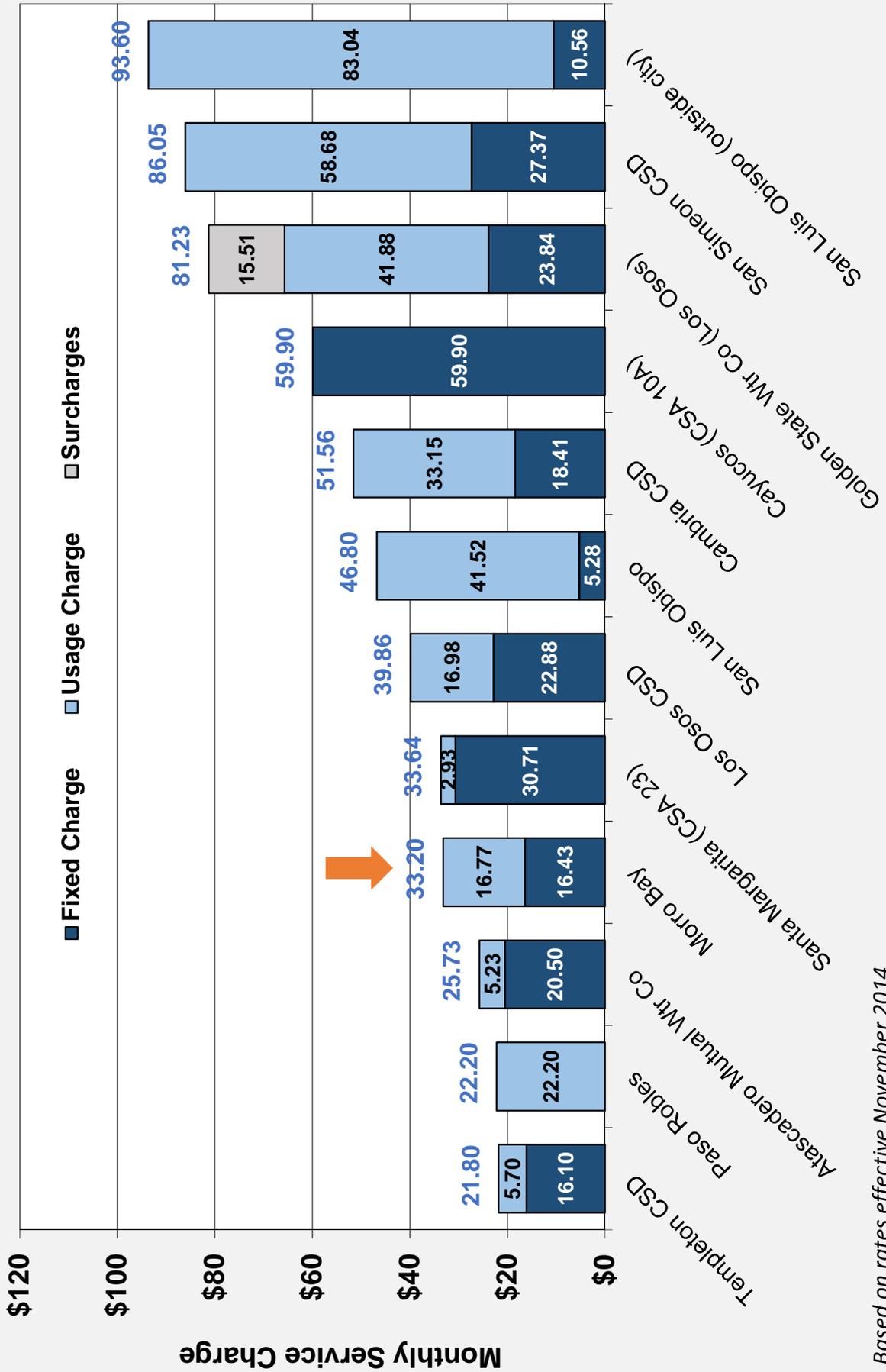
Water Quantity Charges

Water Use (hcf)*	Cost per Unit (\$/hcf)	Change in Cost per Unit	Total Monthly Charge	Water Use (hcf)*	Cost per Unit (\$/hcf)	Change in Cost per Unit	Total Monthly Charge
0	-	-	16.43	36	7.15	0.03	222.09
1	-	-	16.43	37	7.22	0.07	229.31
2	-	-	16.43	38	7.27	0.05	236.58
3	-	-	16.43	39	7.30	0.03	243.88
4	5.56	-	21.99	40	7.36	0.06	251.24
5	5.59	0.03	27.58	41	7.43	0.07	258.67
6	5.62	0.03	33.20	42	7.45	0.02	266.12
7	5.65	0.03	38.85	43	7.52	0.07	273.64
8	5.68	0.03	44.53	44	7.54	0.02	281.18
9	5.71	0.03	50.24	45	7.60	0.06	288.78
10	5.74	0.03	55.98	46	7.64	0.04	296.42
11	5.77	0.03	61.75	47	7.66	0.02	304.08
12	5.80	0.03	67.55	48	7.72	0.06	311.80
13	5.83	0.03	73.38	49	7.76	0.04	319.56
14	5.86	0.03	79.24	50	7.81	0.05	327.37
15	5.89	0.03	85.13	51	7.85	0.04	335.22
16	5.93	0.04	91.06	52	7.87	0.02	343.09
17	5.95	0.03	97.01	53	7.91	0.04	351.00
18	5.98	0.03	102.99	54	7.93	0.02	358.93
19	6.01	0.03	109.00	55	7.99	0.06	366.92
20	6.04	0.03	115.04	56	8.03	0.04	374.95
21	6.13	0.09	121.17	57	8.05	0.02	383.00
22	6.22	0.09	127.39	58	8.09	0.04	391.09
23	6.31	0.09	133.70	59	8.11	0.02	399.20
24	6.37	0.06	140.07	60	8.15	0.04	407.35
25	6.47	0.10	146.54	61	8.17	0.02	415.52
26	6.55	0.08	153.09	62	8.21	0.04	423.73
27	6.61	0.06	159.70	63	8.23	0.02	431.96
28	6.67	0.06	166.37	64	8.30	0.07	440.26
29	6.73	0.06	173.10	65	8.32	0.02	448.58
30	6.83	0.10	179.93	66	8.36	0.04	456.94
31	6.88	0.05	186.81	67	8.35	(0.01)	465.29
32	6.94	0.06	193.75	68	8.39	0.04	473.68
33	7.00	0.06	200.75	69	8.41	0.02	482.09
34	7.07	0.07	207.82	70	8.45	0.04	490.54
35	7.12	0.05	214.94	>70	rates continue escalating to a max of \$13.68		

* 1 hcf = 100 cubic feet = approximately 748 gallons.

Monthly Residential Water Rate Survey

With 6 hcf monthly water use



Based on rates effective November 2014

Table 2
 City of Morro Bay
 Historical Monthly Water Rates

	07/01/92	07/01/94	07/01/95	07/01/92	07/01/94	07/01/95
Minimum Charge	\$2.93	\$3.96	\$16.43			
Water Quantity Charges						
Water Use (hcf)*	Cost per Unit (\$/hcf)			Total Monthly Charges		
0	-	-	-	2.93	3.96	16.43
1	-	-	-	2.93	3.96	16.43
2	2.96	4.00	-	5.89	7.95	16.43
3	2.99	4.04	-	8.88	11.99	16.43
4	3.01	4.06	5.56	11.89	16.05	21.99
5	3.02	4.08	5.59	14.91	20.13	27.58
6	3.04	4.10	5.62	17.95	24.23	33.20
7	3.06	4.13	5.65	21.01	28.36	38.85
8	3.07	4.14	5.68	24.08	32.51	44.53
9	3.09	4.17	5.71	27.17	36.68	50.24
10	3.10	4.19	5.74	30.27	40.86	55.98
11	3.12	4.21	5.77	33.39	45.08	61.75
12	3.14	4.24	5.80	36.53	49.32	67.55
13	3.15	4.25	5.83	39.68	53.57	73.38
14	3.17	4.28	5.86	42.85	57.85	79.24
15	3.19	4.31	5.89	46.04	62.15	85.13
16	3.20	4.32	5.93	49.24	66.47	91.06
17	3.22	4.35	5.95	52.46	70.82	97.01
18	3.23	4.36	5.98	55.69	75.18	102.99
19	3.25	4.39	6.01	58.94	79.57	109.00
20	3.27	4.41	6.04	62.21	83.98	115.04
21	3.32	4.48	6.13	65.53	88.47	121.17
22	3.36	4.54	6.22	68.89	93.00	127.39
23	3.41	4.60	6.31	72.30	97.61	133.70
24	3.45	4.66	6.37	75.75	102.26	140.07
25	3.49	4.71	6.47	79.24	106.97	146.54
26	3.54	4.78	6.55	82.78	111.75	153.09
27	3.58	4.83	6.61	86.36	116.59	159.70
28	3.61	4.87	6.67	89.97	121.46	166.37
29	3.64	4.91	6.73	93.61	126.37	173.10
30	3.69	4.98	6.83	97.30	131.36	179.93
Max Rate	5.44	7.34	13.68			

Note: Total Charges can differ slightly from rate ordinance due to rounding.

Note: Rates continue to escalate per unit for use over 30 hcf.

City of Morro Bay Historical Monthly Water Bills (6 hcf monthly water use)

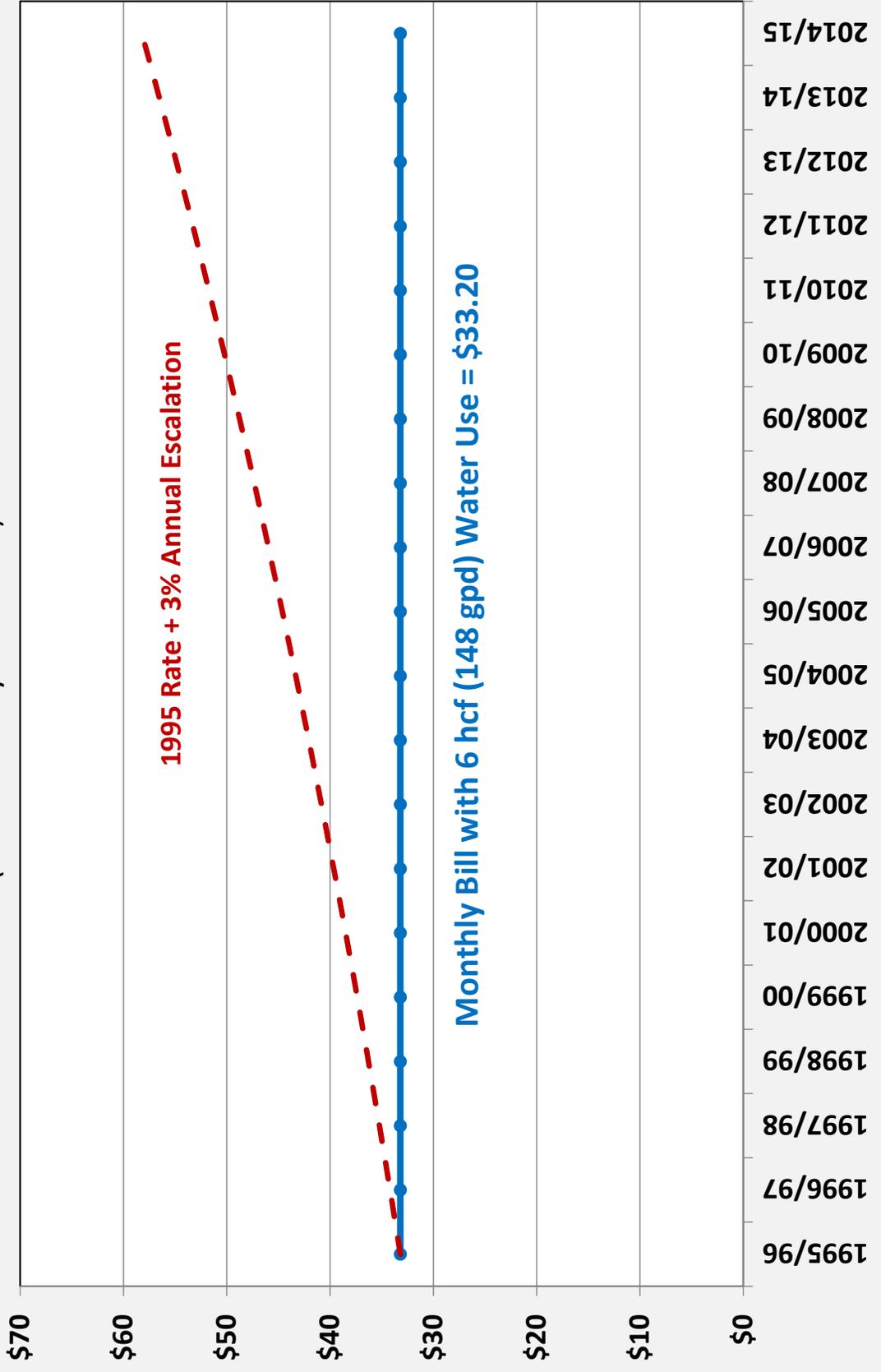


Table 3
City of Morro Bay
Historical Water Utility Finances & Budget

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Budget 2012/13	Amended Budget 2013/14	Proposed Budget 2014/15
Beginning cash balance						
1. Equipment replacement fund	\$279,563	\$284,451	\$286,451	\$288,622	\$289,801	\$289,801
2. Operation fund	(38,519)	(455,458)	375,192	(114)	(236,113)	0
3. CIP fund	<u>5,166,472</u>	<u>4,994,374</u>	<u>4,852,454</u>	<u>4,360,525</u>	<u>4,135,073</u>	<u>2,290,947</u>
Total	5,407,516	4,823,367	5,514,097	4,649,033	4,188,761	2,580,748
Revenue and reserve transfers						
1. Equipment replacement fund:						
Interest/other income	<u>5,050</u>	<u>2,448</u>	<u>2,171</u>	<u>1,179</u>	<u>0</u>	<u>0</u>
Subtotal	5,050	2,448	2,171	1,179	0	0
2. Operation fund:						
Water sales	3,451,279	3,323,916	3,325,454	3,273,369	3,400,000	3,230,000
Service fees	111,950	103,643	100,040	105,628	65,000	62,750
Other revenues	791	5,135	1,552	1,371	0	500
Transfer from reserve fund	0	222,327	622,808	147,350	775,136	595,341
Others transfers	<u>54,612</u>	<u>342</u>	<u>14,408</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	3,618,632	3,655,363	4,064,262	3,527,718	4,240,136	3,888,591
3. CIP fund:						
Impact fees	10,315	16,566	6,920	42,408	30,000	25,000
Interest income	85,426	44,964	40,977	18,669	10,000	5,000
Other income	534	546	218	0	0	0
Transfers in	<u>0</u>	<u>0</u>	<u>135,864</u>	<u>191,829</u>	<u>0</u>	<u>0</u>
Subtotal	96,275	62,076	183,979	252,906	40,000	30,000
Total Revenues	3,665,345	3,497,218	3,477,332	3,442,624	3,505,000	3,323,250
Total Transfers In	<u>54,612</u>	<u>222,669</u>	<u>773,080</u>	<u>339,179</u>	<u>775,136</u>	<u>595,341</u>
Total	3,719,957	3,719,887	4,250,412	3,781,803	4,280,136	3,918,591
Expenses						
1. Equipment replacement fund:						
Equipment/Vehicles						
Subtotal	0	0	0	0	0	0
2. Operation fund:						
Personnel	(728,891)	(755,617)	(782,729)	(767,758)	(917,839)	(740,637)
Supplies	(255,591)	(228,166)	(182,847)	174,552	(126,750)	(136,050)
Services	(2,533,363)	(1,467,021)	(3,208,479)	(2,480,107)	(2,683,073)	(2,732,800)
Other (no depreciation)	(299,612)	(105,934)	(34,325)	(24,400)	0	0
Payment to General Fund for cost allocation	0	(267,975)	(271,188)	(271,188)	(276,341)	(279,104)
Transfer to Capital Improvement Fund	(218,114)	0	0	0	0	0
Transfer to Reserve fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>(45,732)</u>	<u>0</u>	<u>0</u>
Subtotal	(4,035,571)	(2,824,713)	(4,479,568)	(3,414,633)	(4,004,003)	(3,888,591)
3. CIP fund:						
Capital Improvements	(278,151)	0	0	(331,008)	(1,108,990)	(1,660,000)
Transfer to Operation Fund	<u>0</u>	<u>(203,996)</u>	<u>(675,908)</u>	<u>(147,350)</u>	<u>(775,136)</u>	<u>(595,341)</u>
Subtotal	(278,151)	(203,996)	(675,908)	(478,358)	(1,884,126)	(2,255,341)
Total Expenses	(4,095,608)	(2,824,713)	(4,479,568)	(3,699,909)	(5,112,993)	(5,548,591)
Total Transfers Out (excl Gen Fund pymt)	<u>(218,114)</u>	<u>(203,996)</u>	<u>(675,908)</u>	<u>(193,082)</u>	<u>(775,136)</u>	<u>(595,341)</u>
Total	(4,313,722)	(3,028,709)	(5,155,476)	(3,892,991)	(5,888,129)	(6,143,932)
Revenues Less Expenses	(593,765)	691,178	(905,064)	(111,188)	(1,607,993)	(2,225,341)
Ending Cash Balance						
1. Equipment replacement fund	252,986	286,451	288,622	289,801	289,801	289,801
2. Operation fund	(455,458)	375,192	(114)	(236,133)	0	0
3. CIP fund	<u>4,984,596</u>	<u>4,852,454</u>	<u>4,360,525</u>	<u>4,135,073</u>	<u>2,290,947</u>	<u>65,606</u>
Total	4,782,124	5,514,097	4,649,033	4,188,741	2,580,748	355,407

Table 4
 City of Morro Bay
 Water Capital Improvement Program

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
UNESCALATED CAPITAL EXPENSES											
Vehicles											
2004 Chevrolet Silverado Pickup 05/20/04		35,000									35,000
2005 Chevrolet Silverado Pickup 05/21/04			35,000								35,000
Capital Improvements											
Nutmeg Tank construction		2,000,000									2,000,000
Chorro Valley Stream gauges		250,000									250,000
Desalination plant decanting facilities		500,000									500,000
Desalination plant capacity improvements		250,000									250,000
Desalination plant structural improvements		100,000									100,000
Various master plan improvements	350,000	350,000	350,000	350,000	350,000						1,750,000
Convert meter reading to AMR		150,000	200,000	250,000							600,000
Additional 750k gal storage tank at Kings				500,000	500,000						1,000,000
Placeholder for Future Water System Improvements											
				500,000	500,000	500,000	500,000	500,000	500,000	500,000	2,500,000
Recycled Water System, Phase 2 (escalated cost)											
							12,500,000	12,500,000			25,000,000
Total Unescalated	350,000	3,635,000	585,000	600,000	850,000	1,000,000	13,000,000	13,000,000	500,000	500,000	34,020,000
CAPITAL EXPENSES WITH COST ESCALATION											
Annual Cost Escalation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Cost Escalator	1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	1.305	
Subtotal Water Capital Projects	350,000	3,744,000	621,000	656,000	957,000	1,159,000	597,000	615,000	633,000	652,000	9,984,000
Recycled Water System, Phase 2	0	0	0	0	0	0	12,500,000	12,500,000	0	0	25,000,000
Total with Cost Escalation	350,000	3,744,000	621,000	656,000	957,000	1,159,000	13,097,000	13,115,000	633,000	652,000	34,984,000

Table 5
 City of Morro Bay
 SRF Loan Debt Service Estimates

	Phase 2 Recycled Water System
Funding Target	\$25,000,000
SRF Loan Amount	
Eligible Project Costs ¹	25,000,000
Accrued Interest During Construction ²	<u>625,000</u>
Total Loan Amount	25,625,000
Loan Terms	
Term (years)	30
Interest Rate ³	3.00%
Annual Loan Payment⁴	1,307,000
Total Payments Over Loan Term	39,210,000
Reserve Fund Requirement⁵	1,307,000

1 Some costs may not be eligible for SRF Loan funding & would require another funding source

2 Assumes steady gradual drawdown of loan funds over two years.

3 Total net interest rate estimated for financial planning purposes; actual rate may vary.

4 First debt service payment due one year following completion of project.

5 Agencies must set aside funds to meet the SRF Reserve Requirement at least 90 days prior to project completion date.

Table 6
 City of Morro Bay
 Bank Loan & I-Bank Debt Estimates

	Bank Loan/Private Placement Estimates			I-Bank Loan Estimates		
	10-Year	15-Year	20-Year	20-Year	25-Year	30-Year
Draft Project Funding Target	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Loan Amount						
Project Funding	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Reserve Fund	tbd	tbd	tbd	tbd	tbd	tbd
Issuance Costs (est. for planning purposes)	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Total Loan Amount	3,575,000	3,575,000	3,575,000	3,575,000	3,575,000	3,575,000
Loan Terms						
Term (years)	10	15	20	20	25	30
Interest Rate (estimated)	3.00%	3.75%	4.00%	3.25%	3.50%	3.75%
Annual Debt Service	\$419,000	\$316,000	\$263,000	\$246,000	\$217,000	\$201,000
Debt Service per \$1 Million of Project Funding	\$119,714	\$90,286	\$75,143	\$70,286	\$62,000	\$57,429
Total Payments Over Term of Loan	\$4,190,000	\$4,740,000	\$5,260,000	\$4,920,000	\$5,425,000	\$6,030,000
Present Value of Payments Discounted at 3%	3,574,000	3,772,000	3,913,000	3,660,000	3,779,000	3,940,000

Note: Bank Loans and I-Bank ISRF Loans may require the District to set aside funds for a debt service reserve fund equal to annual debt service.

Table 7 Morro Bay - Water Cash Flow Projections**Years 1-5**

	Budget	Projected			
	2014/15	2015/16	2016/17	2017/18	2018/19
Effective Date of Rate Adjustment	07/01/14	07/01/15	07/01/16	07/01/17	07/01/18
Fixed Monthly Service Charge	\$16.43	\$23.00	\$26.00	\$28.00	\$30.00
Fixed Rate Recovery Net of Delinquencies	98%	98%	98%	98%	98%
Beginning Accounts	5,424	5,424	5,434	5,444	5,454
Growth: Single Family Homes or Equivalents	-	10	10	10	10
Future Water Sales Elasticity	-	(0.15)	(0.15)	(0.15)	(0.15)
Change in Annual Water Consumption		-7.5%	-2.0%	-1.2%	-1.1%
Water Development Impact Fee	\$2,900	\$2,960	\$3,020	\$3,080	\$3,140
Debt Svc per \$1M of Funding (15Yr, 4%)	-	\$92,000	\$92,000	\$92,000	\$92,000
Interest Earnings Rate	0.25%	0.25%	0.50%	1.0%	1.0%
State Water Project Cost Escalation	-	3.0%	5.0%	5.0%	5.0%
Operating Cost Escalation	-	4.0%	4.0%	4.0%	4.0%
Beginning Fund Reserves	\$2,580,000	\$1,644,000	\$1,836,000	\$1,873,000	\$2,082,000
REVENUES					
Fixed Service Charges	1,048,000	1,468,000	1,663,000	1,794,000	1,926,000
Water Consumption Charges	<u>2,182,000</u>	<u>3,028,000</u>	<u>3,356,000</u>	<u>3,572,000</u>	<u>3,786,000</u>
Subtotal Water Rate Revenues	3,230,000	4,496,000	5,019,000	5,366,000	5,712,000
Service Fees/Other	63,000	64,000	65,000	66,000	67,000
Development Impact Fees	0	30,000	30,000	31,000	31,000
Interest Earnings	<u>6,000</u>	<u>4,000</u>	<u>9,000</u>	<u>19,000</u>	<u>21,000</u>
Subtotal	3,299,000	4,594,000	5,123,000	5,482,000	5,831,000
Debt Proceeds: City CIP Projects	0	3,500,000	0	0	0
SRF Loan: Recycled Water, WRP Phase 2	0	0	0	0	0
EXPENSES					
Operating & Maintenance					
Water System Personnel	741,000	771,000	802,000	834,000	867,000
Supplies & Services	648,000	674,000	701,000	729,000	758,000
State Water Project Payments	1,473,000	1,517,000	1,593,000	1,673,000	1,757,000
Share of CCWA 2006 Bonds (Thru Oct-2021)	744,000	745,000	745,000	745,000	745,000
General Fund Cost Allocation	279,000	290,000	302,000	314,000	327,000
Recycled Water Operations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	3,885,000	3,997,000	4,143,000	4,295,000	4,454,000
City Debt Service					
Projected Loan for City CIP Projects	0	161,000	322,000	322,000	322,000
SRF Loan for Recycled Water Phase 2	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	0	161,000	322,000	322,000	322,000
Capital Improvements					
Water CIP Projects: Cash Funded	350,000	244,000	621,000	656,000	957,000
Water CIP Projects: Debt Financed	0	3,500,000	0	0	0
Recycled Water System Phase 2 Est.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	350,000	3,744,000	621,000	656,000	957,000
Total Expenses	4,235,000	7,902,000	5,086,000	5,273,000	5,733,000
Revenues Less Expenses	(936,000)	192,000	37,000	209,000	98,000
Transfer for SRF Reserve Requirement	-	-	-	-	-
Ending Fund Reserves	1,644,000	1,836,000	1,873,000	2,082,000	2,180,000
Min Fund Rsrv Target (25% O&M + \$1M)	1,971,000	1,999,000	2,036,000	2,074,000	2,114,000
Debt Service Coverage on City Debt	-	3.71	3.04	3.69	4.28
Coverage on Contract Pymts (Min ≥1.25)	0.74	1.26	1.42	1.49	1.55

Table 7 Morro Bay - Water Cash Flow Projections

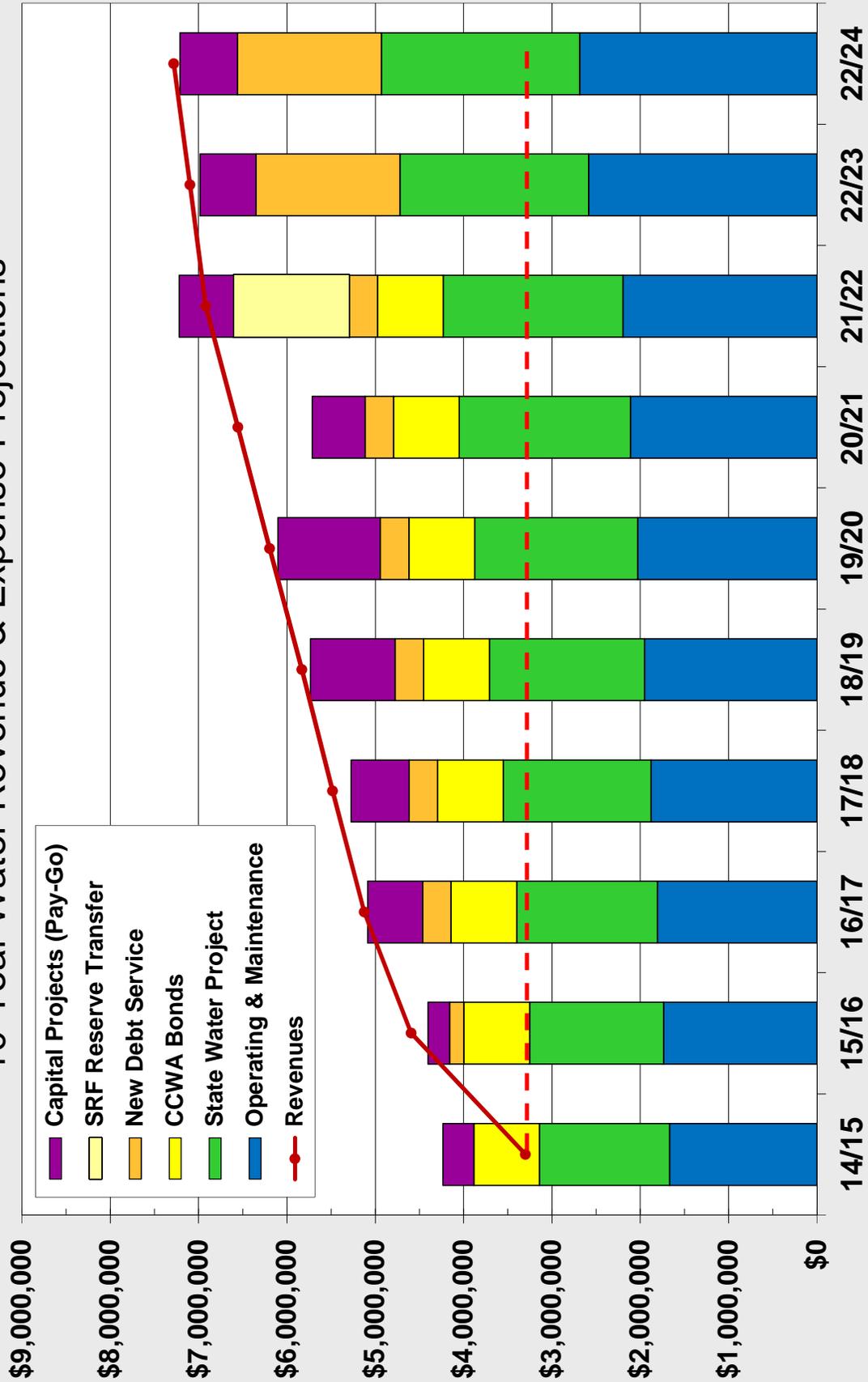
Years 6-10

	Projected					Esc Factor
	2019/20	2020/21	2021/22	2022/23	2023/24	
Effective Date of Rate Adjustment	07/01/19	07/01/20	07/01/21	07/01/22	07/01/23	
Fixed Monthly Service Charge	\$32.00	\$34.00	\$36.00	\$37.00	\$38.00	
Fixed Rate Recovery Net of Delinquencies	98%	98%	98%	98%	98%	
Beginning Accounts	5,464	5,474	5,484	5,494	5,504	
Growth: Single Family Homes or Equivalent	10	10	10	10	10	
Future Water Sales Elasticity	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	
Change in Annual Water Consumption	-0.7%	-0.6%	-0.6%	-0.3%	-0.3%	
Water Service Connection Fee	\$3,200	\$3,260	\$3,330	\$3,400	\$3,470	2.0%
Debt Svc per \$1M of CIP Project Funding	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	
Interest Rate	1.0%	1.0%	1.0%	1.0%	1.0%	
State Water Project Cost Escalation	5.0%	5.0%	5.0%	5.0%	5.0%	
Operating Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%	
Beginning Fund Reserves	\$2,180,000	\$2,273,000	\$3,114,000	\$2,813,000	\$2,928,000	
REVENUES						
Fixed Service Charges	2,058,000	2,191,000	2,324,000	2,393,000	2,462,000	
Water Consumption Charges	<u>4,011,000</u>	<u>4,235,000</u>	<u>4,458,000</u>	<u>4,569,000</u>	<u>4,680,000</u>	
Subtotal Water Rate Revenues	6,069,000	6,426,000	6,782,000	6,962,000	7,142,000	
Service Fees/Other	68,000	69,000	70,000	71,000	72,000	2.0%
Development Impact Fees	32,000	33,000	33,000	34,000	35,000	
Interest Earnings	<u>25,000</u>	<u>26,000</u>	<u>34,000</u>	<u>31,000</u>	<u>32,000</u>	
Subtotal	6,194,000	6,554,000	6,919,000	7,098,000	7,281,000	
Debt Proceeds: City CIP Projects	0	0	0	0	0	
SRF Loan: Recycled Water, WRP Phase 2	0	12,500,000	12,500,000	0	0	
EXPENSES						
Operating & Maintenance						
Water System Personnel	902,000	938,000	976,000	1,015,000	1,056,000	
Supplies & Services	788,000	820,000	853,000	887,000	922,000	
State Water Project Payments	1,845,000	1,937,000	2,034,000	2,136,000	2,243,000	
Share of CCWA 2006 Bonds (Thru Oct-2021)	745,000	745,000	745,000	0	0	
General Fund Cost Allocation	340,000	354,000	368,000	383,000	398,000	
Recycled Water Operations	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>312,000</u>	
Subtotal	4,620,000	4,794,000	4,976,000	4,721,000	4,931,000	
Debt Service						
Projected Loan for City CIP Projects	322,000	322,000	322,000	322,000	322,000	
SRF Loan for Recycled Water Phase 2	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,307,000</u>	<u>1,307,000</u>	
Subtotal	322,000	322,000	322,000	1,629,000	1,629,000	
Capital Improvements						
Water CIP Projects: Cash Funded	1,159,000	597,000	615,000	633,000	652,000	
Water CIP Projects: Debt Financed	0	0	0	0	0	
Recycled Water System Phase 2 Est.	<u>0</u>	<u>12,500,000</u>	<u>12,500,000</u>	<u>0</u>	<u>0</u>	
Subtotal	1,159,000	13,097,000	13,115,000	633,000	652,000	
Total Expenses	6,101,000	18,213,000	18,413,000	6,983,000	7,212,000	
Revenues Less Expenses	93,000	841,000	1,006,000	115,000	69,000	
Transfer for SRF Reserve Requirement	-	-	(1,307,000)	-	-	
Ending Fund Reserves	2,273,000	3,114,000	2,813,000	2,928,000	2,997,000	
Min Fund Rsv Target (25% O&M + \$1M)	2,155,000	2,199,000	2,244,000	2,180,000	2,233,000	
Debt Service Coverage on City Debt	4.89	5.47	6.03	1.46	1.44	
Debt Coverage on Contract Pymts (≥ 1.25)	1.61	1.66	1.70	2.11	2.05	

City of Morro Bay
Summary of Water Cash Flow Projections (\$ millions)

Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Rate Increase Target Effective July 1	-	40%	13%	7.7%	7.1%	7%	6%	6%	3%	3%
Beginning Fund Reserves	\$2.6	\$1.6	\$1.8	\$1.9	\$2.1	\$2.2	\$2.3	\$3.1	\$2.8	\$2.9
REVENUES										
Water Rate Revenues	3.2	4.5	5.0	5.4	5.7	6.1	6.4	6.8	7.0	7.1
Other Revenues	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt Proceeds	-	3.5	-	-	-	-	12.5	12.5	-	-
Total	3.3	8.1	5.1	5.5	5.8	6.2	19.1	19.4	7.1	7.3
EXPENSES										
Operating Expenses	3.9	4.0	4.1	4.3	4.5	4.6	4.8	5.0	4.7	4.9
Debt Service	0.0	0.2	0.3	0.3	0.3	0.3	0.3	0.3	1.6	1.6
Capital Expenditures	0.4	3.7	0.6	0.7	1.0	1.2	13.1	13.1	0.6	0.7
Total	4.2	7.9	5.1	5.3	5.7	6.1	18.2	18.4	7.0	7.2
Revenues Less Expenses	(0.9)	0.2	0.0	0.2	0.1	0.1	0.8	1.0	0.1	0.1
Transfer to SRF Rsrv	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	0.0	0.0
Ending Fund Reserves	1.6	1.8	1.9	2.1	2.2	2.3	3.1	2.8	2.9	3.0
Min Fund Reserve Target	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Debt Service Coverage	-	3.71	3.04	3.69	4.28	4.89	5.47	6.03	1.46	1.44
CCWA Contract Coverage	0.74	1.26	1.42	1.49	1.55	1.61	1.66	1.70	2.11	2.05

City of Morro Bay 10-Year Water Revenue & Expense Projections



Excludes capital projects funded by debt; but includes projected debt service.

Table 8
 City of Morro Bay
 Estimated Water Use by Tier

		Water Sales 2012/13	Water Sales 2013/14	2-Year Average	2014/15 Use % of 2-Yr Avg	Water Sales 2014/15 Est	% of Total
Projected Water Sales by Tier					<u>Estimated</u>		
Tier 1	0 - 3 hcf	162,551	163,765	163,158	98%	159,895	31.8%
Tier 2	4 - 10 hcf	162,836	164,020	163,428	98%	160,159	31.8%
Tier 3	11- 50 hcf	95,039	96,696	95,868	98%	93,950	18.7%
Tier 4	>50 hcf	<u>85,687</u>	<u>97,113</u>	<u>91,400</u>	98%	<u>89,572</u>	<u>17.8%</u>
Total		506,113	521,594	513,854		503,576	100.0%

Table 9
 City of Morro Bay
 Water Sales by Tier

Water Sales by Tier			
	Bi-Monthly Use	Projected Water User in Tier 2014/15	% of Total
Tier 1	0 - 3 hcf	159,895	31.8%
Tier 2	4 - 10 hcf	160,159	31.8%
Tier 3	11- 50 hcf	93,950	18.7%
Tier 4	>50 hcf	89,572	17.8%

Note: Based on billing data from FY 2012/13 with adjustments.

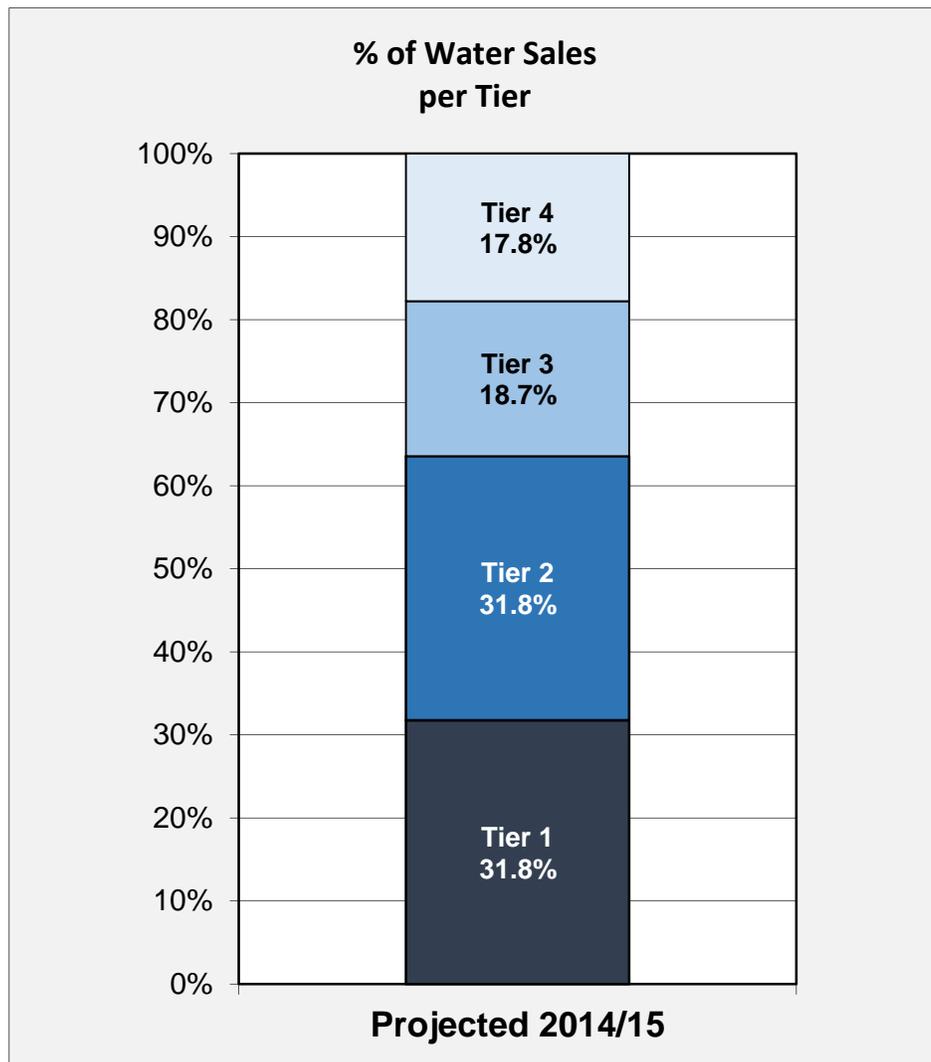


Table 10
City of Morro Bay
Projected Water Use by Tier

	Tier Adjustment Factor*	Projected Water Sales by Tier					
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Projected Change in Demand			-7.50%	-1.96%	-1.15%	-1.07%	-0.67%
Projected Change in Sales by Tier							
Tier 1	0 - 3 hcf 60%		-4.50%	-1.17%	-0.69%	-0.64%	-0.40%
Tier 2	4 - 10 hcf 100%		-7.50%	-1.96%	-1.15%	-1.07%	-0.67%
Tier 3	11- 50 hcf 125%		-9.38%	-2.45%	-1.44%	-1.34%	-0.83%
Tier 4	>50 hcf 150%		<u>-11.25%</u>	<u>-2.93%</u>	<u>-1.73%</u>	<u>-1.61%</u>	<u>-1.00%</u>
Total			-7.56%	-1.96%	-1.15%	-1.07%	-0.66%
Projected Water Sales by Tier							
Tier 1	0 - 3 hcf	159,895	152,700	150,907	149,862	148,899	148,303
Tier 2	4 - 10 hcf	160,159	148,147	145,248	143,572	142,034	141,087
Tier 3	11- 50 hcf	93,950	85,142	83,060	81,862	80,766	80,093
Tier 4	>50 hcf	<u>89,572</u>	<u>79,495</u>	<u>77,162</u>	<u>75,827</u>	<u>74,608</u>	<u>73,862</u>
Total		503,576	465,484	456,377	451,123	446,307	443,345
% of Water Use by Tier							
Tier 1	0 - 3 hcf	31.75%	32.80%	33.07%	33.22%	33.36%	33.45%
Tier 2	4 - 10 hcf	31.80%	31.83%	31.83%	31.83%	31.82%	31.82%
Tier 3	11- 50 hcf	18.66%	18.29%	18.20%	18.15%	18.10%	18.07%
Tier 4	>50 hcf	<u>17.79%</u>	<u>17.08%</u>	<u>16.91%</u>	<u>16.81%</u>	<u>16.72%</u>	<u>16.66%</u>
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Represents the percentage of the total overall projected change in demand applied to each tier; assumes a lower % reduction in lower tier water use and a higher % reduction in higher tier water use.

Table 12
City of Morro Bay
Water Rate Derivation

	Projected Water Rates (with 5-Year Phase-In)					
	07/01/15	07/01/16	07/01/17	07/01/18	07/01/19	
FIXED MONTHLY SERVICE CHARGES						
Fixed Monthly Service Charge	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00	
Accounts Billed	<u>5,429</u>	<u>5,439</u>	<u>5,449</u>	<u>5,459</u>	<u>5,469</u>	
Total Fixed Charges	\$1,498,404	\$1,696,968	\$1,830,864	\$1,965,240	\$2,100,096	
Collection Rate	<u>98%</u>	<u>98%</u>	<u>98%</u>	<u>98%</u>	<u>98%</u>	
Estimated Revenues	\$1,468,436	\$1,663,029	\$1,794,247	\$1,925,935	\$2,058,094	
WATER QUANTITY CHARGES						
Projected Revenue Target	\$3,028,000	\$3,356,000	\$3,572,000	\$3,786,000	\$4,011,000	
Water Sales per Tier (hcf)						
Tier 1	0 - 3 hcf	152,700	150,907	149,862	148,899	148,303
Tier 2	4 - 10 hcf	148,147	145,248	143,572	142,034	141,087
Tier 3	11- 50 hcf	85,142	83,060	81,862	80,766	80,093
Tier 4	>50 hcf	<u>79,495</u>	<u>77,162</u>	<u>75,827</u>	<u>74,608</u>	<u>73,862</u>
Total (hcf)		465,484	456,377	451,123	446,307	443,345
Water Quantity Charges (\$/hcf)						
Tier 1	0 - 3 hcf	\$3.00	\$4.00	\$5.00	\$5.50	\$6.00
Tier 2	4 - 10 hcf	6.00	\$7.00	\$7.50	\$8.00	\$8.50
Tier 3	11- 50 hcf	9.00	\$9.50	\$10.00	\$10.50	\$11.00
Tier 4	>50 hcf	12.00	\$12.50	\$13.00	\$13.50	\$14.00
Revenues by Tier						
Tier 1	0 - 3 hcf	\$458,100	\$603,628	\$749,310	\$818,945	\$889,818
Tier 2	4 - 10 hcf	888,882	1,016,736	1,076,790	1,136,272	1,199,240
Tier 3	11- 50 hcf	766,278	789,070	818,620	848,043	881,023
Tier 4	>50 hcf	<u>953,940</u>	<u>964,525</u>	<u>985,751</u>	<u>1,007,208</u>	<u>1,034,068</u>
Total		3,067,200	3,373,959	3,630,471	3,810,468	4,004,149
Difference \$ (Rev Est - Target)		39,200	17,959	58,471	24,468	(6,852)
Difference % of Target		1.3%	0.5%	1.6%	0.6%	-0.2%

Table 13
City of Morro Bay
Projected Water Rates

		Current	Projected Water Rates				
			07/01/15	07/01/16	07/01/17	07/01/18	07/01/19
Fixed Monthly Service Charge		\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00
Water Quantity Charges (\$/hcf)							
Tier 1	0 - 3 hcf	\$0.00	\$3.00	\$4.00	\$5.00	\$5.50	\$6.00
Tier 2	4 - 10 hcf	5.56 - 5.74	6.00	7.00	7.50	8.00	8.50
Tier 3	11- 50 hcf	5.77 - 7.81	9.00	9.50	10.00	10.50	11.00
Tier 4	>50 hcf	7.85 - 13.68	12.00	12.50	13.00	13.50	14.00

1 hcf = one hundred cubic feet = 748 gallons

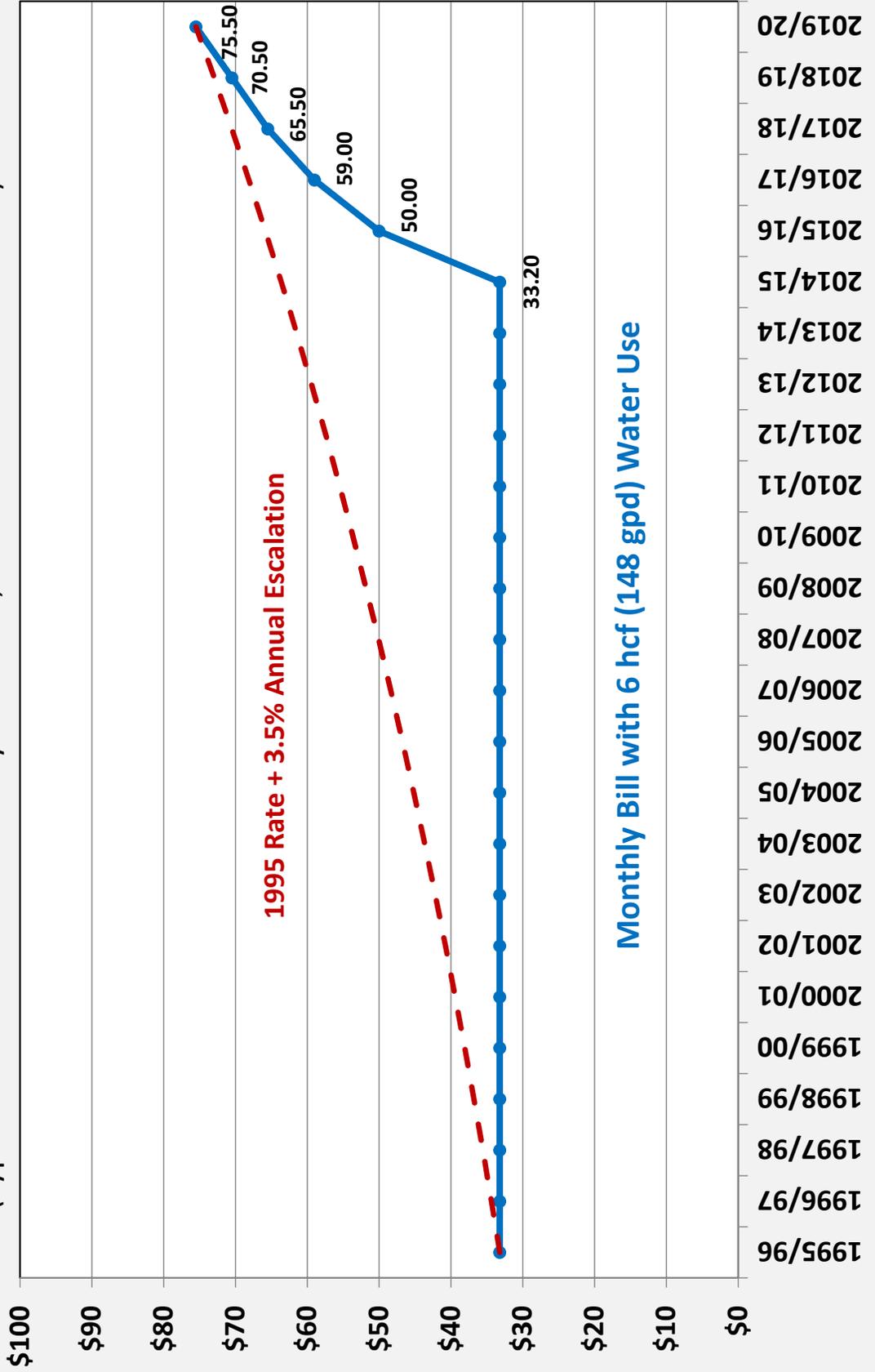
<u>Water Quantity Charges (\$ per 100 gallons)</u>		<i>For informational purposes only</i>					
Tier 1	0 - 3 hcf	\$0.00	\$0.40	\$0.53	\$0.67	\$0.74	\$0.80
Tier 2	4 - 10 hcf	0.74 - 0.77	0.80	0.94	1.00	1.07	1.14
Tier 3	11- 50 hcf	0.77 - 1.04	1.20	1.27	1.34	1.40	1.47
Tier 4	>50 hcf	1.05 - 1.83	1.60	1.67	1.74	1.80	1.87

Table 14
City of Morro Bay
Projected Monthly Water Bill Impacts

Monthly Use (hcf)	Current \$/Month	Projected Monthly Bills					5-Year Impact	
		2015/16	2016/17	2017/18	2018/19	2019/20	\$/month	\$/day
0	\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00	\$15.57	\$0.51
1	16.43	26.00	30.00	33.00	35.50	38.00	21.57	0.71
2	16.43	29.00	34.00	38.00	41.00	44.00	27.57	0.91
3	16.43	32.00	38.00	43.00	46.50	50.00	33.57	1.10
4	21.99	38.00	45.00	50.50	54.50	58.50	36.51	1.20
5	27.58	44.00	52.00	58.00	62.50	67.00	39.42	1.30
6	33.20	50.00	59.00	65.50	70.50	75.50	42.30	1.39
7	38.85	56.00	66.00	73.00	78.50	84.00	45.15	1.48
8	44.53	62.00	73.00	80.50	86.50	92.50	47.97	1.58
9	50.24	68.00	80.00	88.00	94.50	101.00	50.76	1.67
10	55.98	74.00	87.00	95.50	102.50	109.50	53.52	1.76
11	61.75	83.00	96.50	105.50	113.00	120.50	58.75	1.93
12	67.55	92.00	106.00	115.50	123.50	131.50	63.95	2.10
13	73.38	101.00	115.50	125.50	134.00	142.50	69.12	2.27
14	79.24	110.00	125.00	135.50	144.50	153.50	74.26	2.44
15	85.13	119.00	134.50	145.50	155.00	164.50	79.37	2.61
16	91.06	128.00	144.00	155.50	165.50	175.50	84.45	2.78
17	97.01	137.00	153.50	165.50	176.00	186.50	89.50	2.94
18	102.99	146.00	163.00	175.50	186.50	197.50	94.52	3.11
19	109.00	155.00	172.50	185.50	197.00	208.50	99.51	3.27
20	115.04	164.00	182.00	195.50	207.50	219.50	104.47	3.43
21	121.17	173.00	191.50	205.50	218.00	230.50	109.34	3.59
22	127.39	182.00	201.00	215.50	228.50	241.50	114.12	3.75
23	133.70	191.00	210.50	225.50	239.00	252.50	118.81	3.91
24	140.07	200.00	220.00	235.50	249.50	263.50	123.44	4.06
25	146.54	209.00	229.50	245.50	260.00	274.50	127.97	4.21
26	153.09	218.00	239.00	255.50	270.50	285.50	132.42	4.35
27	159.70	227.00	248.50	265.50	281.00	296.50	136.81	4.50
28	166.37	236.00	258.00	275.50	291.50	307.50	141.14	4.64
29	173.10	245.00	267.50	285.50	302.00	318.50	145.41	4.78
30	179.93	254.00	277.00	295.50	312.50	329.50	149.58	4.92
31	186.81	263.00	286.50	305.50	323.00	340.50	153.70	5.05
32	193.75	272.00	296.00	315.50	333.50	351.50	157.76	5.19
33	200.75	281.00	305.50	325.50	344.00	362.50	161.76	5.32
34	207.82	290.00	315.00	335.50	354.50	373.50	165.69	5.45
35	214.94	299.00	324.50	345.50	365.00	384.50	169.57	5.57
36	222.09	308.00	334.00	355.50	375.50	395.50	173.42	5.70
37	229.31	317.00	343.50	365.50	386.00	406.50	177.20	5.83
38	236.58	326.00	353.00	375.50	396.50	417.50	180.93	5.95
39	243.88	335.00	362.50	385.50	407.00	428.50	184.63	6.07
40	251.24	344.00	372.00	395.50	417.50	439.50	188.27	6.19
50	327.37	434.00	467.00	495.50	522.50	549.50	222.14	7.30
75	533.21	734.00	779.50	820.50	860.00	899.50	366.29	12.04
100	755.68	1,034.00	1,092.00	1,145.50	1,197.50	1,249.50	493.82	16.24
200	1,747.86	2,234.00	2,342.00	2,445.50	2,547.50	2,649.50	901.64	29.64

City of Morro Bay Historical & Projected Monthly Water Bills

(Typical home with 6 hcf monthly water use; assumes no decrease in use)



Sewer Financial Plan & Rate Study

Working Draft Tables

Table 1
City of Morro Bay
Historical Monthly Sewer Rates

		07/01/10	07/01/11	07/01/12	07/01/13	07/01/14
RESIDENTIAL						
Fixed Charge per Dwelling Unit	<u>Allowance</u>					
Single Family Residential	10 ccf	\$37.51	\$39.38	\$41.35	\$43.42	\$45.59
Single Family Condos	3 ccf	37.51	39.38	41.35	43.42	45.59
Multiple Family Residential	10 ccf	37.51	39.38	41.35	43.42	45.59
Charge per hcf in Excess of Allowance		3.35	3.52	3.69	3.88	4.07
NON-RESIDENTIAL						
Charge per hcf of Metered Water Use						
Mobile Home Parks		3.50	3.75	4.02	4.31	4.63
Laundromat		3.50	3.75	4.02	4.31	4.63
Car Wash		3.50	3.75	4.02	4.31	4.63
Water Softners		3.50	3.75	4.02	4.31	4.63
Schools		3.50	3.75	4.02	4.31	4.63
Other Public Facilities		3.50	3.75	4.02	4.31	4.63
City Facilities/on Sewer		3.50	3.75	4.02	4.31	4.63
Commercial/Domestic Strength		4.40	4.72	5.06	5.43	5.82
Commercial Laundry		4.40	4.72	5.06	5.43	5.82
Condo - Common Area (with sewer)		4.40	4.72	5.06	5.43	5.82
Motels		6.07	6.51	6.98	7.49	8.03
Mortuaries		6.59	7.07	7.59	8.14	8.73
Retirement Home/Hospital		7.90	8.47	9.09	9.74	10.45
Hotels with Dining Room		7.90	8.47	9.09	9.74	10.45
Restaurants		10.11	10.84	11.63	12.47	13.38
Bakeries		10.11	10.84	11.63	12.47	13.38
Seafood Processors		10.11	10.84	11.63	12.47	13.38
Power Plant		449.76	482.37	517.34	554.85	595.07
Minimum Charge		39.13	41.97	45.01	48.27	51.77

City of Morro Bay Historical Monthly Residential Sewer Bills

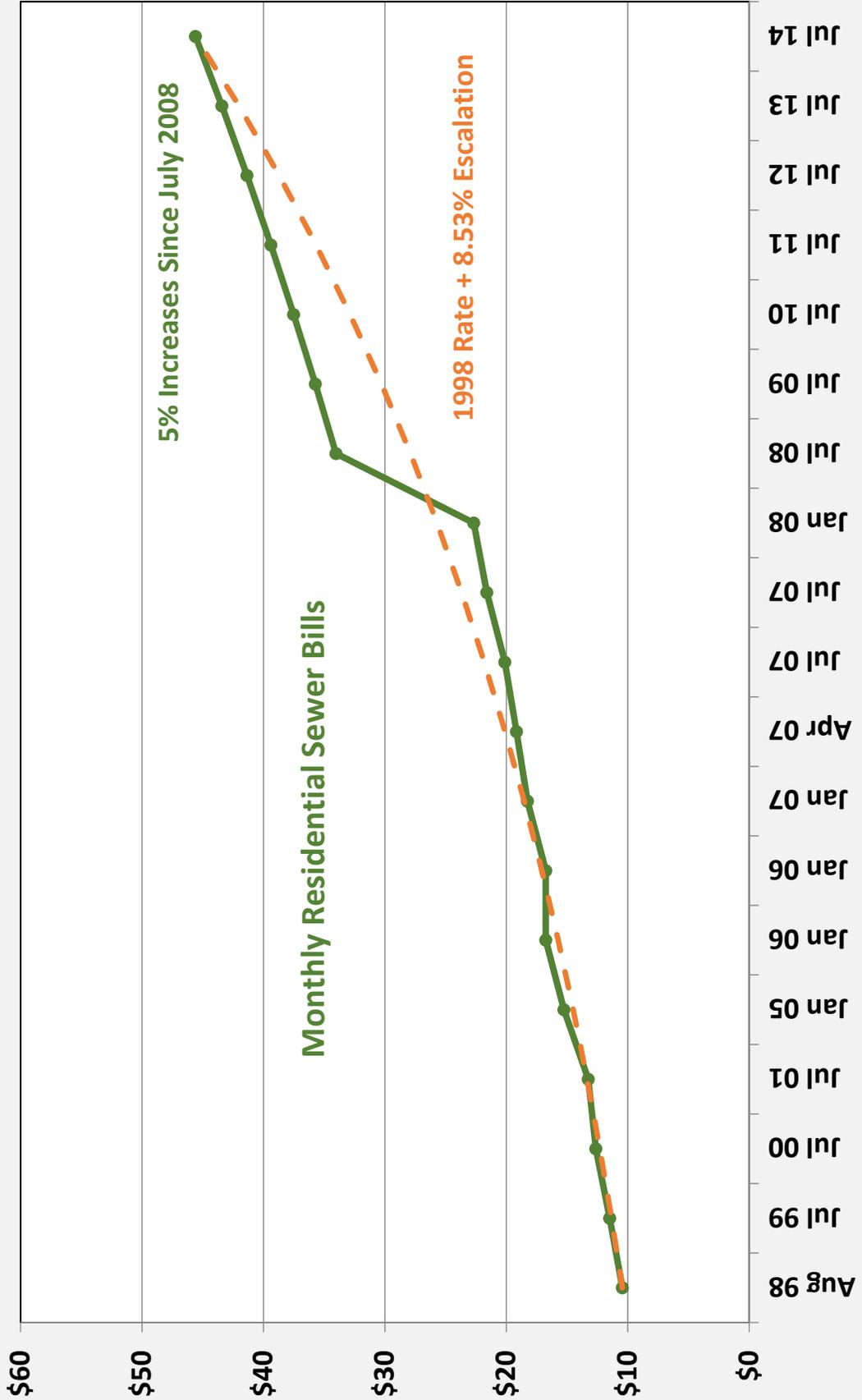


Table 2
City of Morro Bay
Historical Sewer Utility Finances & Budget

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Budget 2012/13	Amended Budget 2013/14	Proposed Budget 2014/15
BEGINNING CASH BALANCES						
1. Equipment replacement fund	\$76,564	\$77,621	\$78,340	\$79,017	\$124,532	\$239,532
2. Operation fund	590,827	1,320,424	2,096,060	100	0	0
3. CIP fund	<u>2,658,118</u>	<u>2,952,936</u>	<u>2,972,051</u>	<u>3,844,505</u>	<u>3,689,625</u>	<u>2,898,812</u>
Total	3,325,509	4,350,981	5,146,451	3,923,622	3,814,157	3,138,344
REVENUES & RESERVE TRANSFERS						
1. Equipment replacement fund:						
Interest/other income	1,429	719	677	515	0	0
Transfers in	0	0	0	<u>45,000</u>	<u>115,000</u>	<u>115,000</u>
<i>Subtotal</i>	1,429	719	677	45,515	115,000	115,000
2. Operation fund:						
Sewer user fees	3,296,452	3,445,189	3,610,534	3,767,815	3,675,000	3,428,067
Intergovernmental	143,193	214,930	24,688	42,534	0	0
Rental income	19,582	19,582	19,665	20,078	19,000	20,000
Other revenues	2,528	30,283	29,931	25,368	25,000	25,000
Transfer from Reserve fund	58,348	54,321	1,170,112	0	595,813	2,191,358
Other	0	7	0	0	0	0
<i>Subtotal</i>	3,520,103	3,764,312	4,854,930	3,855,795	4,314,813	5,664,425
3. CIP fund:						
Impact fees	21,197	32,563	12,703	66,533	0	0
Interest income	66,248	40,305	33,523	16,851	20,000	0
Transfer from Capital Improvement Fund	389,349	630	0	0	0	0
Transfer from Revenue Fund	0	0	<u>2,027,213</u>	<u>1,818,651</u>	0	0
<i>Subtotal</i>	476,794	73,498	2,073,439	1,902,035	20,000	0
Total revenues & transfers in	3,998,326	3,838,529	6,929,046	5,803,345	4,449,813	5,779,425
EXPENSES						
1. Equipment replacement fund:						
Equipment/Vehicles						(70,000)
<i>Subtotal</i>						(70,000)
2. Operation fund:						
Personnel	(452,449)	(515,655)	(527,364)	(507,484)	(748,307)	(686,097)
Supplies	(103,511)	(60,457)	(54,824)	(112,000)	(91,500)	(155,500)
Services	(288,626)	(307,088)	(188,275)	(210,312)	(446,855)	(425,155)
Other (no depreciation)	(271,073)	(21,004)	(91,448)	(15,746)	0	0
MB/CSD wastewater treatment plant	(1,568,081)	(1,924,757)	(1,853,768)	1,611,817	(2,863,450)	(4,231,325)
General fund cost allocation	(147,434)	(159,715)	(161,630)	(161,630)	(164,701)	(166,348)
Transfer to Reserve Fund	0	0	<u>(4,073,581)</u>	<u>(1,236,542)</u>	0	0
<i>Subtotal</i>	(2,831,174)	(2,988,676)	(6,950,890)	(631,897)	(4,314,813)	(5,664,425)
3. CIP fund:						
Capital Improvements	(156,707)	0	(1,200,895)	(2,031,915)	(100,000)	(482,994)
Transfer to Sewer Equipment Repl Fund	0	(53,708)	0	(25,000)	(115,000)	(115,000)
Transfer to Sewer Revenue Fund	0	<u>(675)</u>	0	0	0	0
<i>Subtotal</i>	(156,707)	(54,383)	(1,200,895)	(2,056,915)	(215,000)	(597,994)
Total expenses & transfers out	(2,987,881)	(3,043,059)	(8,151,785)	(2,688,812)	(4,529,813)	(6,332,419)
NET REVENUES	1,010,445	795,470	(1,222,739)	3,114,533	(80,000)	(552,994)
ENDING CASH BALANCES						
1. Equipment replacement fund	77,993	78,340	79,017	124,532	239,532	284,532
2. Operation fund	1,279,756	2,096,060	100	0	0	0
3. CIP fund	<u>2,978,205</u>	<u>2,972,051</u>	<u>3,844,505</u>	<u>3,689,625</u>	<u>2,898,812</u>	<u>109,460</u>
Total	4,335,954	5,146,451	3,923,622	3,814,157	3,138,344	393,992

Table 3
City of Morro Bay
Sewer Capital Improvement Program

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
SEWER COLLECTION SYSTEM CIP											
Vehicles & Equipment											
GMC 1500 pickup truck			70,000								70,000
GMC 2500 service truck	70,000										70,000
Sterling 17501 Vac-con truck		350,000									350,000
Holcomb Portable generator		35,000									35,000
Capital Improvements/Buildings/Infrastructure											
Lift station #1	200,000										200,000
Section 3 rehabilitation	150,000										150,000
Section 4 rehabilitation		400,000									400,000
Section 5 rehabilitation		200,000									200,000
Section 7 rehabilitation			200,000								200,000
Section 8 rehabilitation			200,000								200,000
Section 9 rehabilitation				200,000							200,000
Section 2 rehabilitation			750,000								750,000
Main Street rehabilitation				3,500,000							3,500,000
Embarcadero rehabilitation		500,000									500,000
Laurel Easement rehabilitation		200,000									200,000
SCADA system					300,000						300,000
782 manholes	60,000	60,000	60,000	60,000	60,000						300,000
Placeholder for Future Sewer System Improvements						500,000	500,000	500,000	500,000	500,000	2,500,000
Subtotal	480,000	1,360,000	1,595,000	3,830,000	360,000	500,000	500,000	500,000	500,000	500,000	10,125,000
WASTEWATER TREATMENT PLANT MMRP											
Morro Bay	878,000	540,000	180,000	72,000							1,670,000
Cayucos	342,000	210,000	70,000	28,000							650,000
Subtotal	1,220,000	750,000	250,000	100,000							2,320,000
CAPITAL EXPENSES WITH COST ESCALATION											
Annual Cost Escalation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Cost Escalator	1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	1.305	
Sewer Collection System CIP	480,000	1,401,000	1,692,000	4,185,000	405,000	580,000	597,000	615,000	633,000	652,000	11,240,000
Wastewater Treatment Plant MMRP	1,220,000	750,000	250,000	100,000	0	0	0	0	0	0	2,320,000
<i>Not Escalated</i>											
Morro Bay	878,000	540,000	180,000	72,000	0	0	0	0	0	0	1,670,000
Cayucos	342,000	210,000	70,000	28,000	0	0	0	0	0	0	650,000

Table 4
 City of Morro Bay
 Water Reclamation Plant Cost Projections
 With Cost Escalation to Construction Mid-Point

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Phase 1: Water Reclamation Facility & Conveyance Facilities						
Property Acquisition (placeholder estimate)				500,000		500,000
Construction				19,000,000	11,800,000	30,800,000
Contingency 30%				5,700,000	3,500,000	9,200,000
Contractor Overhead/Profit/Risk 18%				4,400,000	2,800,000	7,200,000
Cost Escalation to Construction Mid-Point				3,600,000	2,300,000	5,900,000
Engineering/Legal/Admin/Tax	1,000,000	3,000,000	6,000,000	6,800,000	4,300,000	21,100,000
Subtotal	1,000,000	3,000,000	6,000,000	40,000,000	24,700,000	74,700,000
Estimated Cost Share						
Morro Bay	750,000	2,250,000	4,500,000	30,000,000	18,525,000	56,025,000
Cayucos	250,000	750,000	1,500,000	10,000,000	6,175,000	18,675,000

Source: Based on cost estimates for Rancho Colina Option A from Table 6 of the New Water Reclamation Facility Project Comparative Site Analysis; December 9, 2014, by John F. Rickenbach Consulting in association with Michael K. Nunley & Associates.

Table 5
 City of Morro Bay
 SRF Loan Debt Service Estimates

		SRF Loan for Phase 1 Water Reclamation Plant
Funding Target		\$74,700,000
<i>Water Reclamation Plant Phase 1</i>		
SRF Loan Amount		
Eligible Project Costs ¹		74,700,000
Accrued Interest During Construction ²		<u>2,770,000</u>
Total Loan Amount		77,470,000
Loan Terms		
Term (years)		30
Interest Rate ³		3.00%
Annual Loan Payment⁴		3,952,000
Morro Bay	75%	2,964,000
Cayucos	25%	988,000
Total Payments over Loan Term		118,560,000
Reserve Fund Requirement⁵		3,952,000
Morro Bay	75%	2,964,000
Cayucos	25%	988,000

1 Some costs may not be eligible for SRF Loan funding & would require another funding source.

2 Assumes steady gradual drawdown of loan funds over two years.

3 Total net interest rate estimated for financial planning purposes; actual rate may vary.

4 First debt service payment due one year following completion of project.

5 Agencies must set aside funds to meet the SRF Reserve Requirement at least 90 days prior to project completion date.

Table 6
 City of Morro Bay
 Bond Debt Service Estimates

For Comparison with SRF

Assumptions		30-Year Bonds
Funding Target		\$74,700,000
<i>Water Reclamation Plant Phase 1</i>		
Total Debt Issue		\$81,600,000
Proceeds		\$74,699,500
Issuance Costs & Reserve Requirement		
Underwriter Discount	0.70%	\$571,200
Issuance Costs		200,000
Debt Service Reserve Fund		5,615,000
Bond Insurance	tbd	500,000
Reserve Surety Bond	tbd	0
Contingency/Rounding		<u>14,300</u>
Total		6,900,500
Financing Terms		
Term (Years)		30
Est. Future Interest Rate		5.50%
Debt Service		
Annual Debt Service		5,615,000
Less Interest on Reserve Fund	2.50%	<u>(140,000)</u>
Net Annual Debt Service		5,475,000
Total Payments over Bond Term		162,835,000

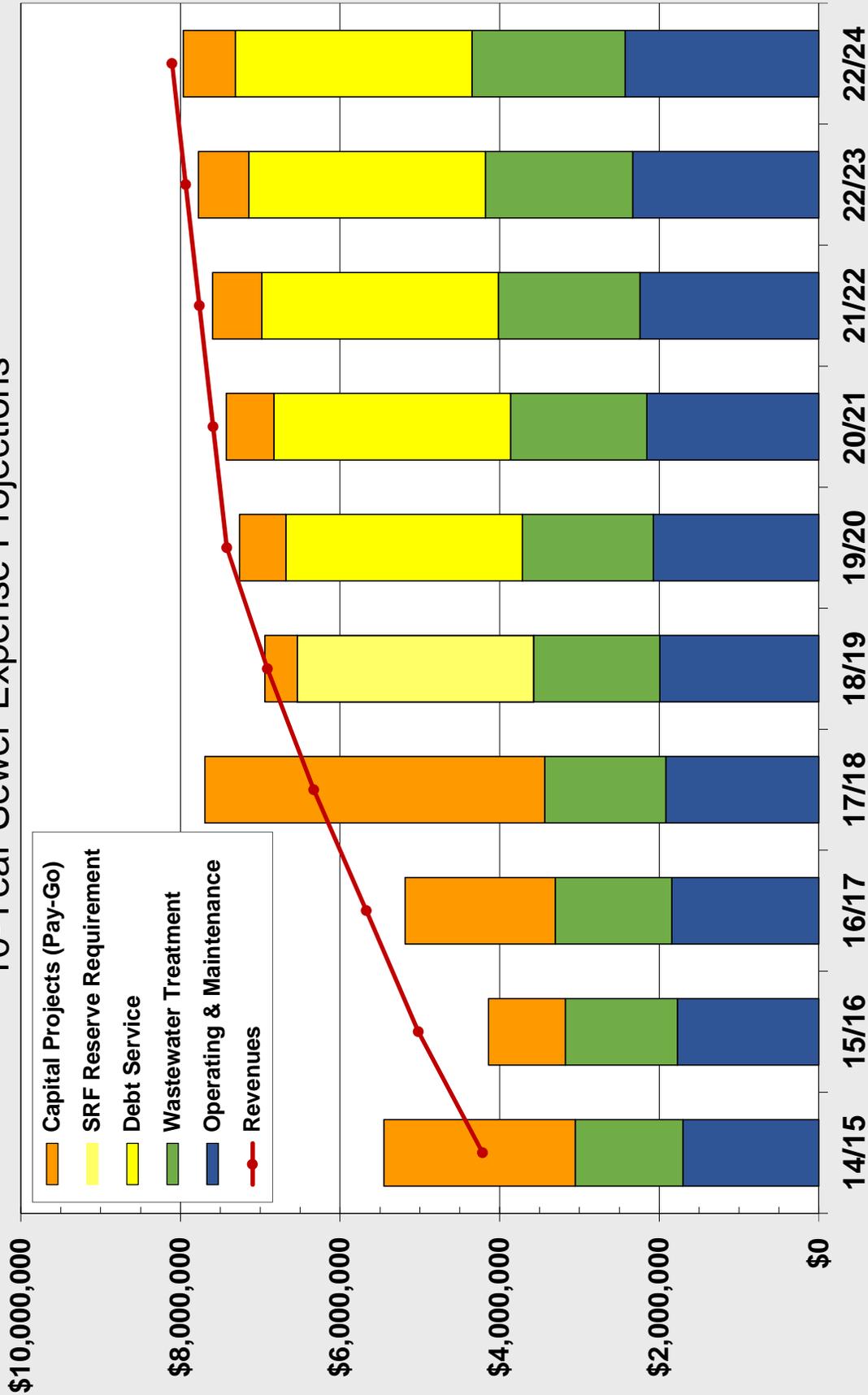
Table 7 Morro Bay - Sewer Cash Flow Projections		Years 1-5			
Years 1 - 5	Budget	Projected			
	2014/15	2015/16	2016/17	2017/18	2018/19
Effective Date of Rate Adjustment	07/01/14	07/01/15	07/01/16	07/01/17	07/01/18
Base Monthly Residential Sewer Charge	\$45.59	\$55.00	\$62.50	\$70.00	\$77.00
Beginning Sewer Accounts	5,346	5,346	5,356	5,366	5,376
Growth:Single Family Homes or Equivalents	-	10	10	10	10
Change in Billed Sewer Use (-0.15x27%xinc)	-	-2.0%	-0.6%	-0.5%	-0.4%
Sewer Development Impact Fee	\$4,570	\$4,660	\$4,750	\$4,850	\$4,950
Interest Earnings Rate	0.25%	0.25%	0.50%	1.0%	1.0%
Annual Cost Escalator	-	4.0%	4.0%	4.0%	4.0%
Beginning Fund Reserves	\$3,138,000	\$1,902,000	\$2,782,000	\$3,269,000	\$1,902,000
REVENUES					
Sewer Service Charges	4,164,000	4,921,000	5,561,000	6,198,000	6,790,000
Service Fees/Other	45,000	46,000	47,000	48,000	49,000
Development Impact Fees	0	47,000	48,000	49,000	50,000
Interest Earnings	4,000	5,000	14,000	33,000	19,000
Subtotal	4,213,000	5,019,000	5,670,000	6,328,000	6,908,000
SRF Financing: WRP Phase 1		4,000,000	6,000,000	40,000,000	24,700,000
Other Debt Financing: Wastewater CIP Projects				0	
EXPENSES					
Operating & Maintenance					
Sewer Personnel	686,000	713,000	742,000	772,000	803,000
Supplies & Services	559,000	581,000	604,000	628,000	653,000
General Fund Cost Allocation	167,000	174,000	181,000	188,000	196,000
Wastewater Treatment Personnel	840,000	874,000	909,000	945,000	983,000
Wastewater Treatment Operations	1,350,000	1,404,000	1,460,000	1,518,000	1,579,000
Less Cayucos SD Share (Est. 25%)	(548,000)	(570,000)	(592,000)	(616,000)	(641,000)
Subtotal	3,054,000	3,176,000	3,304,000	3,435,000	3,573,000
Debt Service					
SRF Financing: WRP Phase 1	0	0	0	0	0
Less Cayucos SD Share (Est. 25%)	0	0	0	0	0
Debt Financing: Wastewater CIP Projects	0	0	0	0	0
Subtotal	0	0	0	0	0
Capital Improvements					
Sewer CIP Projects: Cash Funded	480,000	1,401,000	1,692,000	4,185,000	405,000
Sewer CIP Projects: Debt Financed	0	0	0	0	0
Wastewater Treatment Plant MMRP	1,220,000	750,000	250,000	100,000	0
Less Cayucos SD Share (Est. 25%)	(305,000)	(188,000)	(63,000)	(25,000)	0
New Water Reclamation Plant Phase 1	1,000,000	3,000,000	6,000,000	40,000,000	24,700,000
Subtotal	2,395,000	4,963,000	7,879,000	44,260,000	25,105,000
Total Expenses	5,449,000	8,139,000	11,183,000	47,695,000	28,678,000
Revenues Less Expenses	(1,236,000)	880,000	487,000	(1,367,000)	2,930,000
Transfer for SRF Rsrv Req't, MB Share	-	-	-	-	(2,964,000)
Ending Fund Reserves	1,902,000	2,782,000	3,269,000	1,902,000	1,868,000
Ending SRF Reserve Requirement	-	-	-	-	2,964,000
Min Fund Rsrv Target (25% O&M + \$1M)	1,764,000	1,794,000	1,826,000	1,859,000	1,893,000
Debt Service Coverage (on MB Share)	-	-	-	-	-

Table 7 Morro Bay - Sewer Cash Flow Projections					Years 6-10	
Years 6 - 10	Projected					Esc Factor
	2019/20	2020/21	2021/22	2022/23	2023/24	
Effective Date of Rate Adjustment	07/01/19	07/01/20	07/01/21	07/01/22	07/01/23	
Base Monthly Residential Charge	\$83.00	\$85.00	\$87.00	\$89.00	\$91.00	
Beginning Accounts	5,386	5,396	5,406	5,416	5,426	
Growth: Single Family Homes or Equivalents	10	10	10	10	10	
Change in Billed Sewer Use	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	
Water Service Connection Fee	\$5,050	\$5,150	\$5,250	\$5,360	\$5,470	2.0%
Interest Rate	1.0%	1.0%	1.0%	1.0%	1.0%	
Annual Cost Escalator	4.0%	4.0%	4.0%	4.0%	4.0%	
Beginning Fund Reserves	\$1,868,000	\$2,026,000	\$2,191,000	\$2,356,000	\$2,513,000	
REVENUES						
Sewer Service Charges	7,296,000	7,464,000	7,632,000	7,800,000	7,968,000	
Service Fees/Other	50,000	51,000	52,000	53,000	54,000	2.0%
Development Impact Fees	51,000	52,000	53,000	54,000	55,000	
Interest Earnings	21,000	23,000	25,000	26,000	28,000	
Subtotal	7,418,000	7,590,000	7,762,000	7,933,000	8,105,000	
SRF Financing: WRP Phase 1						
Debt Financing: Wastewater CIP Projects						
EXPENSES						
Operating & Maintenance						
Sewer Personnel	835,000	868,000	903,000	939,000	977,000	
Supplies & Services	679,000	706,000	734,000	763,000	794,000	
General Fund Cost Allocation	204,000	212,000	220,000	229,000	238,000	
Wastewater Treatment Personnel	1,022,000	1,063,000	1,106,000	1,150,000	1,196,000	
Wastewater Treatment Operations	1,642,000	1,708,000	1,776,000	1,847,000	1,921,000	
Less Cayucos SD Share (Est. 25%)	(666,000)	(693,000)	(721,000)	(749,000)	(779,000)	
Subtotal	3,716,000	3,864,000	4,018,000	4,179,000	4,347,000	
Debt Service						
SRF Financing: WRP Phase 1	\$3,952,000	3,952,000	3,952,000	3,952,000	3,952,000	
Less Cayucos SD Share (Est. 25%)	(988,000)	(988,000)	(988,000)	(988,000)	(988,000)	
Debt Financing: Wastewater CIP Projects	0	0	0	0	0	
Subtotal	2,964,000	2,964,000	2,964,000	2,964,000	2,964,000	
Capital Improvements						
Sewer CIP Projects: Cash Funded	580,000	597,000	615,000	633,000	652,000	
Sewer CIP Projects: Debt Financed	0	0	0	0	0	
Wastewater Treatment Plant MMRP	0	0	0	0	0	
Less Cayucos SD Share (Est. 25%)	0	0	0	0	0	
New Water Reclamation Plant Phase 1	0	0	0	0	0	
Subtotal	580,000	597,000	615,000	633,000	652,000	
Total Expenses	7,260,000	7,425,000	7,597,000	7,776,000	7,963,000	
Revenues Less Expenses	158,000	165,000	165,000	157,000	142,000	
Transfer for SRF Reserve Requirement	-	-	-	-	-	
Ending Fund Reserves	2,026,000	2,191,000	2,356,000	2,513,000	2,655,000	
Ending SRF Reserve Requirement	2,964,000	2,964,000	2,964,000	2,964,000	2,964,000	
Min Fund Rsrv Target (25% O&M + \$1M)	1,929,000	1,966,000	2,005,000	2,045,000	2,087,000	
Debt Service Coverage (on MB Share)	1.25	1.26	1.26	1.27	1.27	

City of Morro Bay
Summary of Sewer Cash Flow Projections (\$ millions)

Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Rate Increase Target Effective July 1	5.5%	21%	14%	12.0%	10.0%	8%	2%	2%	2%	2%
Beginning Fund Reserves	\$3.1	\$1.9	\$2.8	\$3.3	\$1.9	\$1.9	\$2.0	\$2.2	\$2.4	\$2.5
REVENUES										
Water Rate Revenues	4.2	4.9	5.6	6.2	6.8	7.3	7.5	7.6	7.8	8.0
Other Revenues	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt Proceeds	-	4.0	6.0	40.0	24.7	-	-	-	-	-
Total	4.2	9.0	11.7	46.3	31.6	7.4	7.6	7.8	7.9	8.1
EXPENSES										
Operating Expenses	3.1	3.2	3.3	3.4	3.6	3.7	3.9	4.0	4.2	4.3
Debt Service	0.0	0.0	0.0	0.0	0.0	3.0	3.0	3.0	3.0	3.0
Capital Expenditures	2.4	5.0	7.9	44.3	25.1	0.6	0.6	0.6	0.6	0.7
Total	5.4	8.1	11.2	47.7	28.7	7.3	7.4	7.6	7.8	8.0
Revenues Less Expenses	(1.2)	0.9	0.5	(1.4)	2.9	0.2	0.2	0.2	0.2	0.1
Transfer to SRF Reserve	-	-	-	-	(3.0)	-	-	-	-	-
Ending Fund Reserves	1.9	2.8	3.3	1.9	1.9	2.0	2.2	2.4	2.5	2.7
Min Fund Reserve Target	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.1
Debt Service Coverage	-	-	-	-	-	1.25	1.26	1.26	1.27	1.27

City of Morro Bay 10-Year Sewer Expense Projections



Excludes capital projects funded by debt; but includes projected debt service.

Table 8
City of Morro Bay
Cost Recovery Allocation

	Expenses 2019/20	Allocation %			Allocation \$		
		Flow	BOD	SS	Flow	BOD	SS
Operating & Maintenance							
City Operating Expenses	1,718,000	100%	0%	0%	1,718,000	0	0
WWTP Operating Expenses (net)	1,998,000	60%	20%	20%	1,198,800	399,600	399,600
Subtotal	3,716,000	78.5%	10.8%	10.8%	2,916,800	399,600	399,600
Debt Service							
SRF Financing: WRP Phase 1 (net)	2,964,000	60%	20%	20%	1,778,400	592,800	592,800
Debt Financing: Sewer CIP Projects	0	100%	0%	0%	0	0	0
Subtotal	2,964,000	60.0%	20.0%	20.0%	1,778,400	592,800	592,800
Capital & Other Non-Operating							
City Capital Projects, Cash-Funded	580,000	100%	0%	0%	580,000	0	0
WWTP MMRP Projects, Cash-Funded	0	60%	20%	20%	0	0	0
Subtotal	580,000	100.0%	0.0%	0.0%	580,000	0	0
Total	7,260,000	72.7%	13.7%	13.7%	5,275,200	992,400	992,400

Table 10
 City of Morro Bay
 Wastewater Loadings for Cost Recovery

	Accounts	Dwelling Units	Estimated Wastewater Flow			Strength (mg/l)		Loadings (lbs)	
			hcf	mg	gpd	BOD	SS	BOD	SS
RESIDENTIAL									
Single Family	4,200	<u>Est.</u> 4,200	252,000	188.51	516,462	200	200	314,432	314,432
Condos	308	308	14,784	11.06	30,299	200	200	18,447	18,447
Multi-Family	345	960	46,080	34.47	94,439	200	200	57,496	57,496
NON-RESIDENTIAL									
Class A - Low Strength	56								
Class B - Domestic Strength	343								
Class C - Moderate Strength	45								
Class D - Mod-High Strength	1								
Class E - High Strength	49								
			2019/20 Wtr Use						
			29,144	18.53	50,770	100	100	15,455	15,455
			55,682	35.40	97,000	200	200	59,056	59,056
			38,013	24.17	66,220	300	300	60,474	60,474
			4,293	2.73	7,479	400	400	9,106	9,106
			16,017	10.18	27,902	600	600	50,962	50,962
TOTAL	5,346		434,541	325.06	890,570	216	216	585,428	585,428

Table 11
City of Morro Bay
Wastewater Loadings for Cost Recovery

	Flow	BOD	SS
2019/20 Sewer Rate Revenue Target			\$7,296,000
Less estimated additional revenues from minimum charge			<u>0</u>
Net Revenue Requirement from Sewer Loadings			7,296,000
<i>Excludes Revenues from Cayucos Sanitary District</i>			
SEWER RATE RECOVERY			
Cost Allocation %	72.7%	13.7%	13.7%
Cost Allocation \$	\$5,301,358	\$997,321	\$997,321
Total Loadings	434,541 hcf	585,428 lbs	585,428 lbs
Unit Rate	\$12.200 per hcf	\$1.704 per lb	\$1.704 per lb

Table 12
 City of Morro Bay
 Sewer Rate Calculations

	Wastewater Flow		Wastewater Strength (mg/l)		Flow	Unit Costs		Total Sewer Charge
	hcf	mg	BOD	SS		BOD	SS	
RESIDENTIAL								
<i>Charge per residential dwelling unit</i>								
Single Family	5.0	0.003740	200	200	61.00	10.63	10.63	82.26
Multi-Family/Condo	4.0	0.002992	200	200	48.80	8.50	8.50	65.80
NON-RESIDENTIAL								
<i>Rate per hcf of metered water use</i>								
Class A - Low Strength	1.0	0.000636	100	100	10.37	0.90	0.90	12.18
Class B - Domestic Strength	1.0	0.000636	200	200	10.37	1.81	1.81	13.98
Class C - Moderate Strength	1.0	0.000636	300	300	10.37	2.71	2.71	15.79
Class D - Mod-High Strength	1.0	0.000636	400	400	10.37	3.61	3.61	17.60
Class E - High Strength	1.0	0.000636	600	600	10.37	5.42	5.42	21.21
	<u>Wtr Use</u>	<u>Sewer %</u>	<u>Swr Flow</u>					<u>Per hcf of Water Use</u>

Table 13
City of Morro Bay
Proposed Sewer Rates

	Current	Proposed					5-Year Impact
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
PROJECTED SEWER RATES							
RESIDENTIAL							
<i>Charge per residential dwelling unit</i>							
Single Family	\$45.59	\$55.00	\$62.50	\$70.00	\$77.00	\$83.00	\$37.41
Multi-Family/Condo	varies	44.00	50.00	56.00	61.60	66.40	varies
% of Single Family		80%	80%	80%	80%	80%	
NON-RESIDENTIAL							
<i>Rate per hcf of metered water use</i>							
Class A - Low Strength	\$4.63	\$6.72	\$8.34	\$9.93	\$11.27	\$12.18	\$7.55
Class B - Domestic Strength	5.82	8.08	9.83	11.55	13.00	13.98	8.16
Class C - Moderate Strength	8.03	10.18	11.84	13.47	14.85	15.79	7.76
Class D - Mod-High Strength	10.45	12.43	13.96	15.46	16.73	17.60	7.15
Class E - High Strength	13.38	15.55	17.23	18.88	20.27	21.21	7.83
Minimum Annual Charge	51.77	44.00	50.00	56.00	61.60	66.40	14.63
SEWER ACCOUNTS & USE							
RESIDENTIAL							
<i>Number of Dwelling Units</i>							
<i>Projected Growth</i>		10	10	10	10	10	
Single Family	4,200	4,210	4,220	4,230	4,240	4,250	
Multi-Family/Condo	1,268	1,268	1,268	1,268	1,268	1,268	
NON-RESIDENTIAL							
<i>Metered Water Use</i>							
Class A - Low Strength	33,081	30,601	30,002	29,656	29,339	29,144	
Class B - Domestic Strength	63,208	58,467	57,324	56,662	56,055	55,682	
Class C - Moderate Strength	43,152	39,916	39,135	38,683	38,268	38,013	
Class D - Mod-High Strength	4,874	4,508	4,420	4,369	4,322	4,293	
Class E - High Strength	18,183	16,820	16,490	16,300	16,125	16,017	
SEWER RATE REVENUES							
RESIDENTIAL							
Single Family	2,315,000	2,778,600	3,165,000	3,553,200	3,917,760	4,233,000	
Multi-Family/Condo	<u>700,000</u>	<u>669,504</u>	<u>760,800</u>	<u>852,096</u>	<u>937,306</u>	<u>1,010,342</u>	
Subtotal	3,015,000	3,448,104	3,925,800	4,405,296	4,855,066	5,243,342	
NON-RESIDENTIAL							
Class A - Low Strength	153,165	205,639	250,217	294,484	330,651	354,878	
Class B - Domestic Strength	367,873	472,413	563,495	654,446	728,715	778,629	
Class C - Moderate Strength	346,512	406,345	463,358	521,060	568,280	600,236	
Class D - Mod-High Strength	50,928	56,034	61,703	67,545	72,307	75,544	
Class E - High Strength	<u>243,289</u>	<u>261,551</u>	<u>284,123</u>	<u>307,744</u>	<u>326,854</u>	<u>339,731</u>	
Subtotal	1,161,766	1,401,982	1,622,896	1,845,279	2,026,806	2,149,019	
Total	4,176,766	4,850,086	5,548,696	6,250,575	6,881,872	7,392,361	
Target from Cash Flow Projections	4,164,000	4,921,000	5,561,000	6,198,000	6,790,000	7,296,000	
Difference \$	12,766	(70,914)	(12,304)	52,575	91,872	96,361	
Difference %	0.3%	-1.4%	-0.2%	0.8%	1.4%	1.3%	

Appendix

Additional Utility Billing & Usage Analysis

Table A-1
City of Morro Bay
Consumption Block Analysis FY2014
All Consumption

Average Use 8.0
Average Use (excluding zeros) 8.6
Median Use 5.0

Monthly Use (hcf)	Number of Bills				Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	4,459	6.8%	4,459	6.8%	0	0.0%	0	0.0%
1	5,830	8.9%	10,289	15.8%	5,830	1.1%	60,738	11.6%
2	6,789	10.4%	17,078	26.2%	13,578	2.6%	115,646	22.2%
3	7,333	11.2%	24,411	37.4%	21,999	4.2%	163,765	31.4%
4	7,315	11.2%	31,726	48.7%	29,260	5.6%	204,551	39.2%
5	6,474	9.9%	38,200	58.6%	32,370	6.2%	238,022	45.6%
6	5,647	8.7%	43,847	67.3%	33,882	6.5%	265,019	50.8%
7	4,413	6.8%	48,260	74.0%	30,891	5.9%	286,369	54.9%
8	3,378	5.2%	51,638	79.2%	27,024	5.2%	303,306	58.1%
9	2,639	4.0%	54,277	83.3%	23,751	4.6%	316,865	60.7%
10	1,982	3.0%	56,259	86.3%	19,820	3.8%	327,785	62.8%
11	1,508	2.3%	57,767	88.6%	16,588	3.2%	336,723	64.6%
12	1,201	1.8%	58,968	90.4%	14,412	2.8%	344,153	66.0%
13	907	1.4%	59,875	91.8%	11,791	2.3%	350,382	67.2%
14	665	1.0%	60,540	92.9%	9,310	1.8%	355,704	68.2%
15	515	0.8%	61,055	93.6%	7,725	1.5%	360,361	69.1%
16	426	0.7%	61,481	94.3%	6,816	1.3%	364,503	69.9%
17	350	0.5%	61,831	94.8%	5,950	1.1%	368,219	70.6%
18	300	0.5%	62,131	95.3%	5,400	1.0%	371,585	71.2%
19	224	0.3%	62,355	95.6%	4,256	0.8%	374,651	71.8%
20	173	0.3%	62,528	95.9%	3,460	0.7%	377,493	72.4%
21	150	0.2%	62,678	96.1%	3,150	0.6%	380,162	72.9%
22	166	0.3%	62,844	96.4%	3,652	0.7%	382,681	73.4%
23	133	0.2%	62,977	96.6%	3,059	0.6%	385,034	73.8%
24	112	0.2%	63,089	96.8%	2,688	0.5%	387,254	74.2%
25	96	0.1%	63,185	96.9%	2,400	0.5%	389,362	74.6%
26	78	0.1%	63,263	97.0%	2,028	0.4%	391,374	75.0%
27	72	0.1%	63,335	97.1%	1,944	0.4%	393,308	75.4%
28	75	0.1%	63,410	97.3%	2,100	0.4%	395,170	75.8%
29	54	0.1%	63,464	97.3%	1,566	0.3%	396,957	76.1%
30	70	0.1%	63,534	97.4%	2,100	0.4%	398,690	76.4%
31	54	0.1%	63,588	97.5%	1,674	0.3%	400,353	76.8%
32	50	0.1%	63,638	97.6%	1,600	0.3%	401,962	77.1%
33	42	0.1%	63,680	97.7%	1,386	0.3%	403,521	77.4%
34	39	0.1%	63,719	97.7%	1,326	0.3%	405,038	77.7%
35	33	0.1%	63,752	97.8%	1,155	0.2%	406,516	77.9%
36	48	0.1%	63,800	97.9%	1,728	0.3%	407,961	78.2%
37	39	0.1%	63,839	97.9%	1,443	0.3%	409,358	78.5%
38	40	0.1%	63,879	98.0%	1,520	0.3%	410,716	78.7%
39	39	0.1%	63,918	98.0%	1,521	0.3%	412,034	79.0%
40	38	0.1%	63,956	98.1%	1,520	0.3%	413,313	79.2%
41	37	0.1%	63,993	98.2%	1,517	0.3%	414,554	79.5%
42	32	0.0%	64,025	98.2%	1,344	0.3%	415,758	79.7%
43	26	0.0%	64,051	98.2%	1,118	0.2%	416,930	79.9%
44	23	0.0%	64,074	98.3%	1,012	0.2%	418,076	80.2%
45	17	0.0%	64,091	98.3%	765	0.1%	419,199	80.4%
46	23	0.0%	64,114	98.3%	1,058	0.2%	420,305	80.6%
47	30	0.0%	64,144	98.4%	1,410	0.3%	421,388	80.8%
48	19	0.0%	64,163	98.4%	912	0.2%	422,441	81.0%
49	28	0.0%	64,191	98.5%	1,372	0.3%	423,475	81.2%
50	38	0.1%	64,229	98.5%	1,900	0.4%	424,481	81.4%
51-75	295	0.5%	64,524	99.0%	18,095	3.5%	444,651	85.2%
76-100	202	0.3%	64,726	99.3%	17,370	3.3%	458,646	87.9%
101-200	317	0.5%	65,043	99.8%	43,214	8.3%	485,560	93.1%
201+	154	0.2%	65,197	100.0%	66,834	12.8%	521,594	100.0%
Total	65,197	100.0%			521,594	100.0%		

City of Morro Bay Distribution of Monthly Water Bills 2013/14

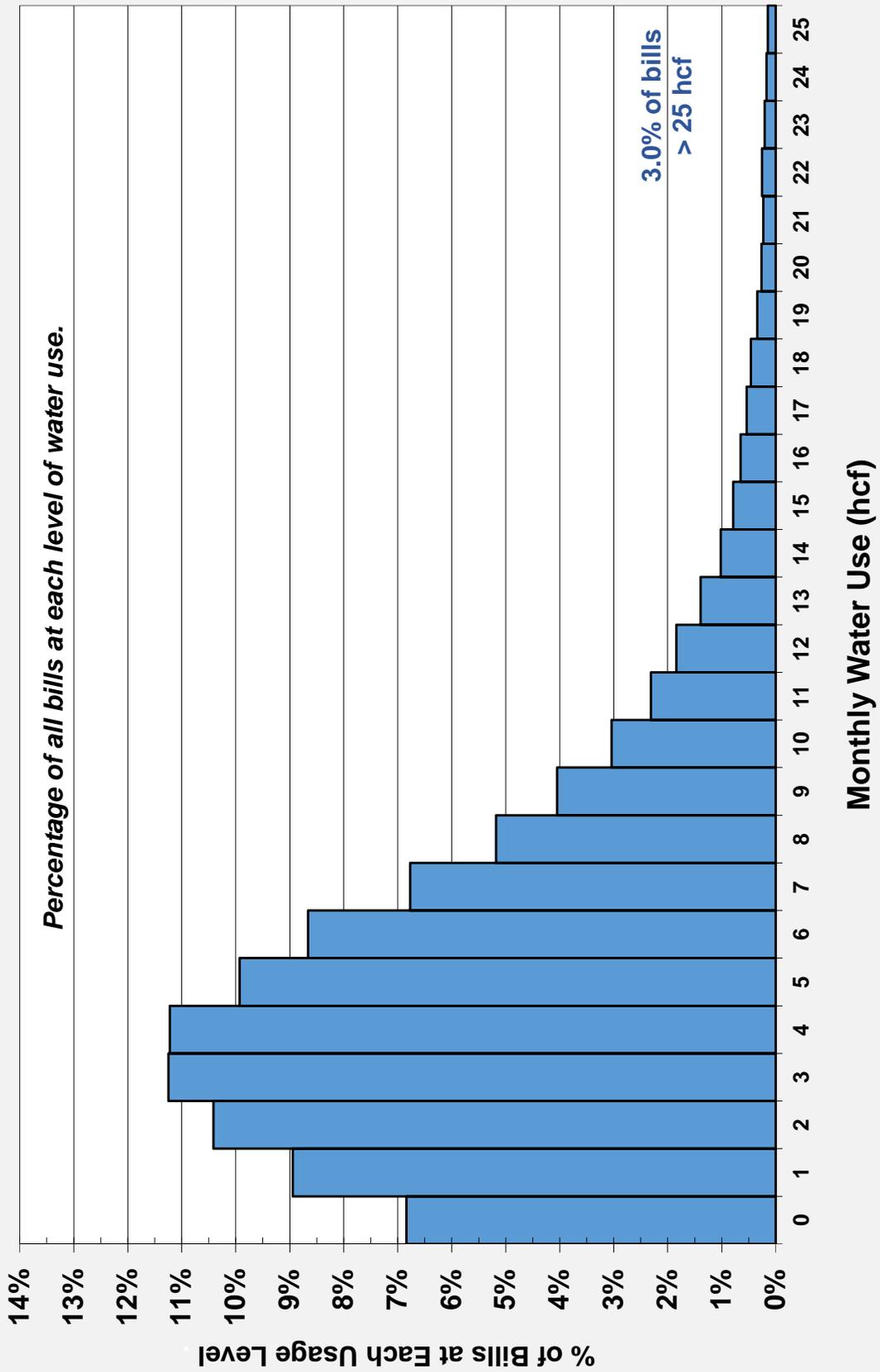


Table A-2
City of Morro Bay
Consumption Block Analysis FY2014
All Consumption

Average Use 7.8
Average Use (excluding zeros) 8.4
Median Use 5.0

Monthly Use (hcf)	Number of Bills				Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	4,738	7.3%	4,738	7.3%	0	0.0%	0	0.0%
1	5,904	9.1%	10,642	16.3%	5,904	1.2%	60,356	11.9%
2	6,709	10.3%	17,351	26.7%	13,418	2.7%	114,808	22.7%
3	7,305	11.2%	24,656	37.9%	21,915	4.3%	162,551	32.1%
4	7,162	11.0%	31,818	48.9%	28,648	5.7%	202,989	40.1%
5	6,553	10.1%	38,371	58.9%	32,765	6.5%	236,265	46.7%
6	5,534	8.5%	43,905	67.4%	33,204	6.6%	262,988	52.0%
7	4,325	6.6%	48,230	74.1%	30,275	6.0%	284,177	56.1%
8	3,386	5.2%	51,616	79.3%	27,088	5.4%	301,041	59.5%
9	2,610	4.0%	54,226	83.3%	23,490	4.6%	314,519	62.1%
10	2,016	3.1%	56,242	86.4%	20,160	4.0%	325,387	64.3%
11	1,520	2.3%	57,762	88.7%	16,720	3.3%	334,239	66.0%
12	1,150	1.8%	58,912	90.5%	13,800	2.7%	341,571	67.5%
13	851	1.3%	59,763	91.8%	11,063	2.2%	347,753	68.7%
14	662	1.0%	60,425	92.8%	9,268	1.8%	353,084	69.8%
15	532	0.8%	60,957	93.6%	7,980	1.6%	357,753	70.7%
16	439	0.7%	61,396	94.3%	7,024	1.4%	361,890	71.5%
17	319	0.5%	61,715	94.8%	5,423	1.1%	365,588	72.2%
18	296	0.5%	62,011	95.3%	5,328	1.1%	368,967	72.9%
19	238	0.4%	62,249	95.6%	4,522	0.9%	372,050	73.5%
20	199	0.3%	62,448	95.9%	3,980	0.8%	374,895	74.1%
21	162	0.2%	62,610	96.2%	3,402	0.7%	377,541	74.6%
22	176	0.3%	62,786	96.5%	3,872	0.8%	380,025	75.1%
23	121	0.2%	62,907	96.6%	2,783	0.5%	382,333	75.5%
24	118	0.2%	63,025	96.8%	2,832	0.6%	384,520	76.0%
25	89	0.1%	63,114	97.0%	2,225	0.4%	386,589	76.4%
26	84	0.1%	63,198	97.1%	2,184	0.4%	388,569	76.8%
27	84	0.1%	63,282	97.2%	2,268	0.4%	390,465	77.1%
28	73	0.1%	63,355	97.3%	2,044	0.4%	392,277	77.5%
29	73	0.1%	63,428	97.4%	2,117	0.4%	394,016	77.9%
30	65	0.1%	63,493	97.5%	1,950	0.4%	395,682	78.2%
31	52	0.1%	63,545	97.6%	1,612	0.3%	397,283	78.5%
32	38	0.1%	63,583	97.7%	1,216	0.2%	398,832	78.8%
33	54	0.1%	63,637	97.8%	1,782	0.4%	400,343	79.1%
34	48	0.1%	63,685	97.8%	1,632	0.3%	401,800	79.4%
35	33	0.1%	63,718	97.9%	1,155	0.2%	403,209	79.7%
36	31	0.0%	63,749	97.9%	1,116	0.2%	404,585	79.9%
37	40	0.1%	63,789	98.0%	1,480	0.3%	405,930	80.2%
38	33	0.1%	63,822	98.0%	1,254	0.2%	407,235	80.5%
39	46	0.1%	63,868	98.1%	1,794	0.4%	408,507	80.7%
40	30	0.0%	63,898	98.2%	1,200	0.2%	409,733	81.0%
41	33	0.1%	63,931	98.2%	1,353	0.3%	410,929	81.2%
42	37	0.1%	63,968	98.3%	1,554	0.3%	412,092	81.4%
43	23	0.0%	63,991	98.3%	989	0.2%	413,218	81.6%
44	26	0.0%	64,017	98.3%	1,144	0.2%	414,321	81.9%
45	24	0.0%	64,041	98.4%	1,080	0.2%	415,398	82.1%
46	17	0.0%	64,058	98.4%	782	0.2%	416,451	82.3%
47	33	0.1%	64,091	98.5%	1,551	0.3%	417,487	82.5%
48	22	0.0%	64,113	98.5%	1,056	0.2%	418,490	82.7%
49	26	0.0%	64,139	98.5%	1,274	0.3%	419,471	82.9%
50	19	0.0%	64,158	98.6%	950	0.2%	420,426	83.1%
51-75	316	0.5%	64,474	99.0%	19,523	3.9%	439,649	86.9%
76-100	181	0.3%	64,655	99.3%	15,947	3.2%	452,996	89.5%
101-200	305	0.5%	64,960	99.8%	40,622	8.0%	476,518	94.2%
201+	134	0.2%	65,094	100.0%	56,395	11.1%	506,113	100.0%
Total	65,094	100.0%			506,113	100.0%		

City of Morro Bay
 Distribution of Monthly Water Bills 2012/13

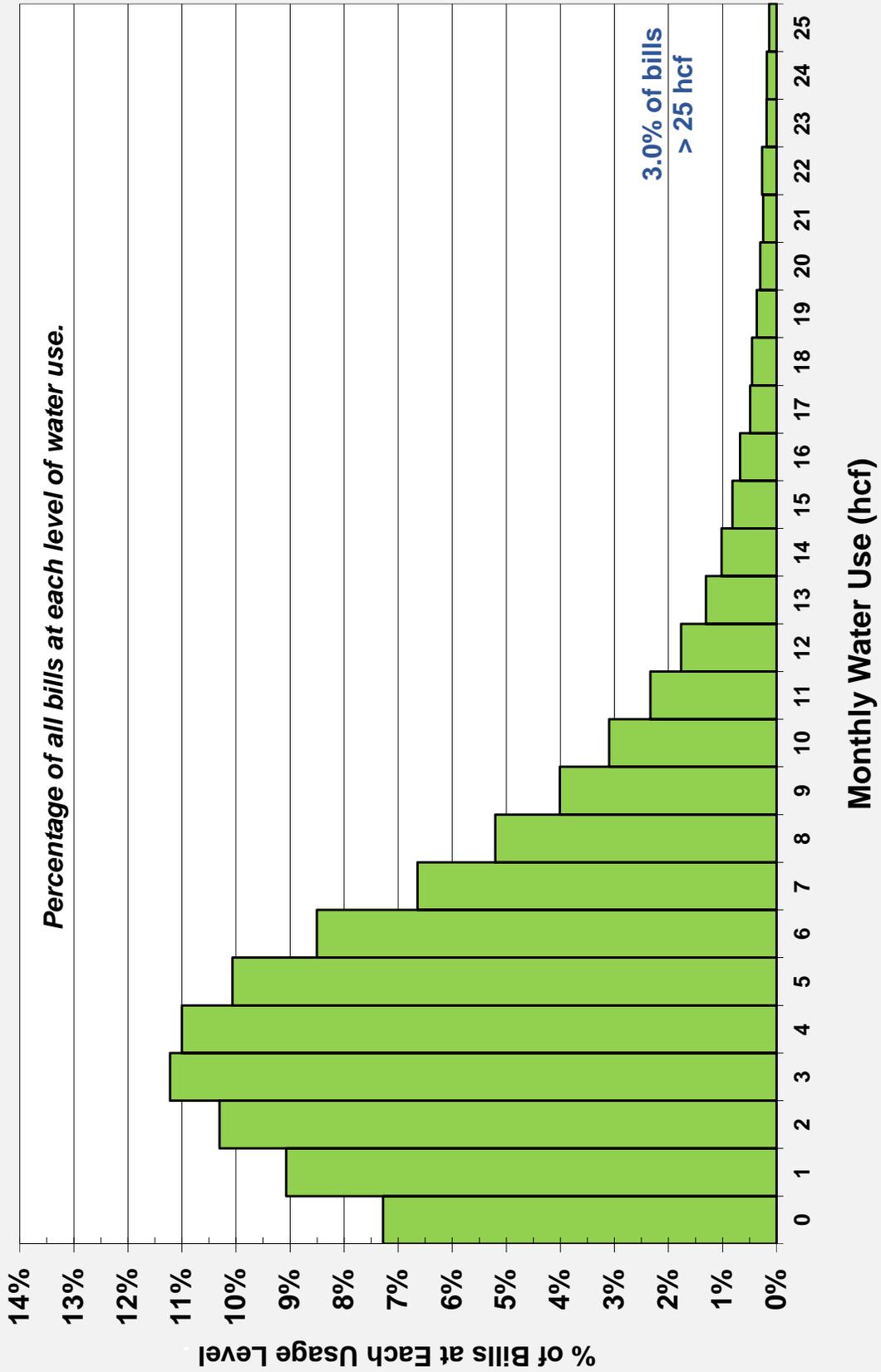


Table A-3
City of Morro Bay
Consumption Block Analysis FY2014
Residential Bills Only (Single Family & Condos)

Average Use 5.2
Average Use (excluding zeros) 5.6
Median Use 4.0

Monthly Use (hcf)	Number of Bills				Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	3,401	6.3%	3,401	6.3%	0	0.0%	0	0.0%
1	4,873	9.0%	8,274	15.4%	4,873	1.7%	50,452	18.0%
2	6,077	11.3%	14,351	26.6%	12,154	4.3%	96,031	34.2%
3	6,589	12.2%	20,940	38.9%	19,767	7.0%	135,533	48.2%
4	6,657	12.4%	27,597	51.2%	26,628	9.5%	168,446	60.0%
5	5,820	10.8%	33,417	62.1%	29,100	10.4%	194,702	69.3%
6	5,035	9.3%	38,452	71.4%	30,210	10.8%	215,138	76.6%
7	3,840	7.1%	42,292	78.5%	26,880	9.6%	230,539	82.1%
8	2,873	5.3%	45,165	83.9%	22,984	8.2%	242,100	86.2%
9	2,180	4.0%	47,345	87.9%	19,620	7.0%	250,788	89.3%
10	1,605	3.0%	48,950	90.9%	16,050	5.7%	257,296	91.6%
11	1,185	2.2%	50,135	93.1%	13,035	4.6%	262,199	93.3%
12	916	1.7%	51,051	94.8%	10,992	3.9%	265,917	94.7%
13	672	1.2%	51,723	96.0%	8,736	3.1%	268,719	95.7%
14	493	0.9%	52,216	97.0%	6,902	2.5%	270,849	96.4%
15	350	0.6%	52,566	97.6%	5,250	1.9%	272,486	97.0%
16	267	0.5%	52,833	98.1%	4,272	1.5%	273,773	97.4%
17	211	0.4%	53,044	98.5%	3,587	1.3%	274,793	97.8%
18	172	0.3%	53,216	98.8%	3,096	1.1%	275,602	98.1%
19	115	0.2%	53,331	99.0%	2,185	0.8%	276,239	98.3%
20	80	0.1%	53,411	99.2%	1,600	0.6%	276,761	98.5%
21	59	0.1%	53,470	99.3%	1,239	0.4%	277,203	98.7%
22	68	0.1%	53,538	99.4%	1,496	0.5%	277,586	98.8%
23	55	0.1%	53,593	99.5%	1,265	0.5%	277,901	98.9%
24	46	0.1%	53,639	99.6%	1,104	0.4%	278,161	99.0%
25	33	0.1%	53,672	99.7%	825	0.3%	278,375	99.1%
26	20	0.0%	53,692	99.7%	520	0.2%	278,556	99.2%
27	20	0.0%	53,712	99.7%	540	0.2%	278,717	99.2%
28	18	0.0%	53,730	99.8%	504	0.2%	278,858	99.3%
29	12	0.0%	53,742	99.8%	348	0.1%	278,981	99.3%
30	10	0.0%	53,752	99.8%	300	0.1%	279,092	99.3%
31	13	0.0%	53,765	99.8%	403	0.1%	279,193	99.4%
32	12	0.0%	53,777	99.9%	384	0.1%	279,281	99.4%
33	6	0.0%	53,783	99.9%	198	0.1%	279,357	99.4%
34	10	0.0%	53,793	99.9%	340	0.1%	279,427	99.5%
35	1	0.0%	53,794	99.9%	35	0.0%	279,487	99.5%
36	6	0.0%	53,800	99.9%	216	0.1%	279,546	99.5%
37	4	0.0%	53,804	99.9%	148	0.1%	279,599	99.5%
38	6	0.0%	53,810	99.9%	228	0.1%	279,648	99.5%
39	2	0.0%	53,812	99.9%	78	0.0%	279,691	99.6%
40	1	0.0%	53,813	99.9%	40	0.0%	279,732	99.6%
41	2	0.0%	53,815	99.9%	82	0.0%	279,772	99.6%
42	1	0.0%	53,816	99.9%	42	0.0%	279,810	99.6%
43	2	0.0%	53,818	99.9%	86	0.0%	279,847	99.6%
44	2	0.0%	53,820	99.9%	88	0.0%	279,882	99.6%
45	2	0.0%	53,822	99.9%	90	0.0%	279,915	99.6%
46	0	0.0%	53,822	99.9%	0	0.0%	279,946	99.6%
47	1	0.0%	53,823	99.9%	47	0.0%	279,977	99.7%
48	2	0.0%	53,825	99.9%	96	0.0%	280,007	99.7%
49	1	0.0%	53,826	99.9%	49	0.0%	280,035	99.7%
50	1	0.0%	53,827	100.0%	50	0.0%	280,062	99.7%
51-75	15	0.0%	53,842	100.0%	889	0.3%	280,476	99.8%
76-100	6	0.0%	53,848	100.0%	511	0.2%	280,662	99.9%
101-200	4	0.0%	53,852	100.0%	574	0.2%	280,936	100.0%
201+	1	0.0%	53,853	100.0%	203	0.1%	280,939	100.0%
Total	53,853	100.0%			280,939	100.0%		

City of Morro Bay
 Distribution of Monthly Residential Water Bills 2013/14

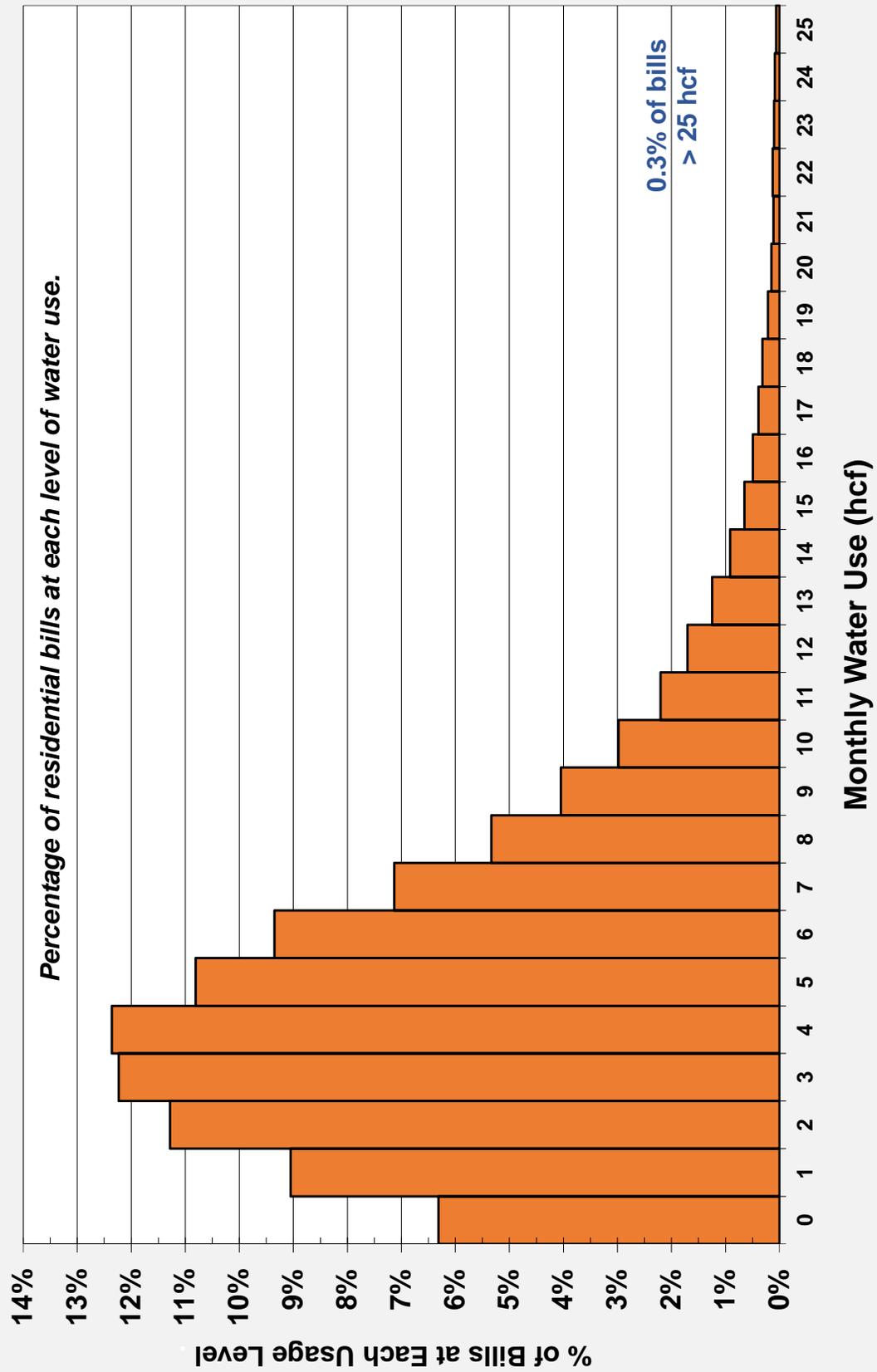


Table A-4
City of Morro Bay
Consumption Block Analysis FY2013
Residential Bills Only (Single Family & Condos)

Average Use 5.2
Average Use (excluding zeros) 5.6
Median Use 4.0

Monthly Use (hcf)	Number of Bills				Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	3,624	6.7%	3,624	6.7%	0	0.0%	0	0.0%
1	4,883	9.1%	8,507	15.8%	4,883	1.7%	50,109	17.9%
2	6,000	11.2%	14,507	27.0%	12,000	4.3%	95,335	34.1%
3	6,620	12.3%	21,127	39.3%	19,860	7.1%	134,561	48.2%
4	6,462	12.0%	27,589	51.3%	25,848	9.3%	167,167	59.9%
5	5,847	10.9%	33,436	62.2%	29,235	10.5%	193,311	69.2%
6	4,924	9.2%	38,360	71.4%	29,544	10.6%	213,608	76.5%
7	3,807	7.1%	42,167	78.5%	26,649	9.5%	228,981	82.0%
8	2,878	5.4%	45,045	83.8%	23,024	8.2%	240,547	86.1%
9	2,186	4.1%	47,231	87.9%	19,674	7.0%	249,235	89.3%
10	1,639	3.1%	48,870	90.9%	16,390	5.9%	255,737	91.6%
11	1,203	2.2%	50,073	93.2%	13,233	4.7%	260,600	93.3%
12	918	1.7%	50,991	94.9%	11,016	3.9%	264,260	94.6%
13	634	1.2%	51,625	96.1%	8,242	3.0%	267,002	95.6%
14	466	0.9%	52,091	96.9%	6,524	2.3%	269,110	96.4%
15	341	0.6%	52,432	97.6%	5,115	1.8%	270,752	97.0%
16	267	0.5%	52,699	98.1%	4,272	1.5%	272,053	97.4%
17	203	0.4%	52,902	98.5%	3,451	1.2%	273,087	97.8%
18	155	0.3%	53,057	98.7%	2,790	1.0%	273,918	98.1%
19	128	0.2%	53,185	99.0%	2,432	0.9%	274,594	98.3%
20	96	0.2%	53,281	99.2%	1,920	0.7%	275,142	98.5%
21	74	0.1%	53,355	99.3%	1,554	0.6%	275,594	98.7%
22	75	0.1%	53,430	99.4%	1,650	0.6%	275,972	98.8%
23	49	0.1%	53,479	99.5%	1,127	0.4%	276,275	98.9%
24	36	0.1%	53,515	99.6%	864	0.3%	276,529	99.0%
25	31	0.1%	53,546	99.7%	775	0.3%	276,747	99.1%
26	32	0.1%	53,578	99.7%	832	0.3%	276,934	99.2%
27	23	0.0%	53,601	99.8%	621	0.2%	277,089	99.2%
28	15	0.0%	53,616	99.8%	420	0.2%	277,221	99.3%
29	15	0.0%	53,631	99.8%	435	0.2%	277,338	99.3%
30	18	0.0%	53,649	99.8%	540	0.2%	277,440	99.4%
31	7	0.0%	53,656	99.9%	217	0.1%	277,524	99.4%
32	4	0.0%	53,660	99.9%	128	0.0%	277,601	99.4%
33	8	0.0%	53,668	99.9%	264	0.1%	277,674	99.4%
34	4	0.0%	53,672	99.9%	136	0.0%	277,739	99.5%
35	3	0.0%	53,675	99.9%	105	0.0%	277,800	99.5%
36	2	0.0%	53,677	99.9%	72	0.0%	277,858	99.5%
37	6	0.0%	53,683	99.9%	222	0.1%	277,914	99.5%
38	1	0.0%	53,684	99.9%	38	0.0%	277,964	99.5%
39	7	0.0%	53,691	99.9%	273	0.1%	278,013	99.6%
40	2	0.0%	53,693	99.9%	80	0.0%	278,055	99.6%
41	4	0.0%	53,697	99.9%	164	0.1%	278,095	99.6%
42	3	0.0%	53,700	99.9%	126	0.0%	278,131	99.6%
43	1	0.0%	53,701	99.9%	43	0.0%	278,164	99.6%
44	0	0.0%	53,701	99.9%	0	0.0%	278,196	99.6%
45	2	0.0%	53,703	99.9%	90	0.0%	278,228	99.6%
46	0	0.0%	53,703	99.9%	0	0.0%	278,258	99.7%
47	1	0.0%	53,704	99.9%	47	0.0%	278,288	99.7%
48	0	0.0%	53,704	99.9%	0	0.0%	278,317	99.7%
49	2	0.0%	53,706	99.9%	98	0.0%	278,346	99.7%
50	3	0.0%	53,709	100.0%	150	0.1%	278,373	99.7%
51-75	16	0.0%	53,725	100.0%	939	0.3%	278,712	99.8%
76-100	3	0.0%	53,728	100.0%	260	0.1%	278,872	99.9%
101-200	3	0.0%	53,731	100.0%	429	0.2%	279,201	100.0%
201+	2	0.0%	53,733	100.0%	434	0.2%	279,235	100.0%
Total	53,733	100.0%			279,235	100.0%		

City of Morro Bay
 Distribution of Monthly Residential Water Bills 2012/13

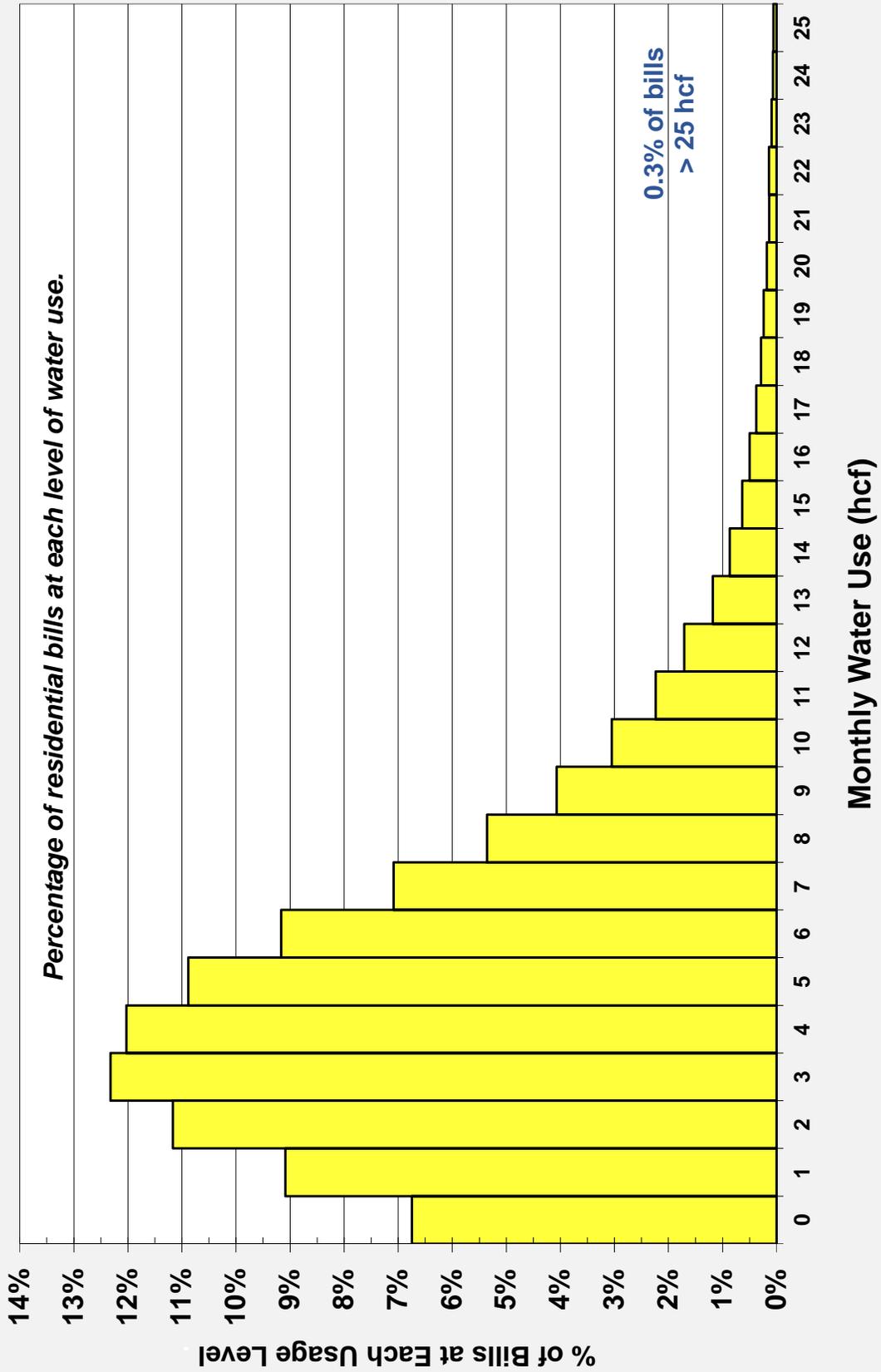


Table A-5
City of Morro Bay
Historical Accounts

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
RESIDENTIAL																					
Average Annual Accounts																					
Single Family Residential	3,613	3,627	3,682	3,738	3,802	3,883	3,960	4,013	4,051	4,125	4,171	4,198	4,237	4,242	4,118	4,155	4,168	4,170	4,180	4,191	
Single Family Condo	288	287	290	290	291	293	293	293	292	292	289	296	297	296	290	305	305	305	306	306	308
Multi - Family Residential	343	339	336	334	331	329	331	329	331	331	330	339	337	363	359	355	350	350	348	348	341
Single Family - Outside City	5	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	5	8	9	9	9
Subtotal	4,249	4,258	4,314	4,368	4,430	4,511	4,590	4,641	4,679	4,753	4,795	4,839	4,877	4,907	4,773	4,821	4,828	4,832	4,842	4,848	4,848
Annual Change		9	56	54	62	81	79	51	38	74	42	43	38	30	-134	48	7	5	10	6	6

NON-RESIDENTIAL																					
Average Annual Accounts																					
Yard Meter	37	40	46	51	52	54	53	53	57	52	51	53	51	51	47	47	47	47	50	52	52
Vacant Land	8	7	10	10	10	10	10	10	9	11	9	9	9	9	4	4	4	4	2	2	2
Mobile Home Parks	25	25	26	25	25	25	25	25	24	23	24	24	24	25	22	22	22	22	22	22	22
Commercial/Domestic Strength	303	298	321	324	323	323	323	322	324	326	328	329	331	335	318	317	315	316	322	321	321
Restaurants	41	40	41	42	42	43	43	43	43	42	44	46	46	47	44	44	44	45	45	45	45
Bakeries	1	1	1	1	1	2	2	2	2	3	3	3	3	3	3	2	2	2	2	2	2
Retirement Home/Hospital	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1
Motels	47	46	49	50	50	50	50	49	50	50	50	51	50	50	44	43	43	43	43	43	43
Mortuaries	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Hotels with Dining	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Seafood Processors	5	4	5	5	5	5	5	5	5	5	5	5	4	4	3	3	3	3	2	2	2
Water Softeners	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Schools	5	6	6	6	6	6	6	6	6	6	6	7	8	8	7	7	7	7	7	7	7
Other Public Facilities	12	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
City Facilities on Sewer	31	32	32	33	34	34	34	34	35	37	36	35	37	38	34	33	33	33	35	35	35
City Facilities Not on Sewer	20	21	23	24	24	26	25	24	22	30	33	33	34	34	31	31	32	30	29	29	29
Power Plant	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	539	539	578	589	590	596	594	590	595	603	607	612	614	622	575	570	569	568	575	575	575
Annual Change		-1	39	11	2	5	-2	-4	5	8	4	5	2	7	-47	-6	-1	0	7	0	0
TOTAL	4,788	4,797	4,892	4,957	5,020	5,106	5,184	5,231	5,275	5,356	5,403	5,451	5,491	5,529	5,348	5,390	5,396	5,401	5,417	5,424	5,424
Annual Change		8	95	65	63	86	77	47	44	82	46	48	40	38	-180	42	6	4	17	6	6

Table A-6
City of Morro Bay
Historical Water Use

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Jan-Aug only	
RESIDENTIAL																						
Annual Water Use (hcf)																						
Single Family Residential	241,983	246,276	264,445	247,987	257,248	263,947	272,819	282,173	287,449	285,703	275,676	279,339	289,765	290,839	268,232	254,008	262,949	268,056	272,106	278,597		
Single Family Condo	10,715	10,366	10,448	10,258	9,875	9,664	10,067	9,604	9,467	9,712	8,934	9,402	9,563	9,480	8,590	9,507	9,837	9,954	9,956	6,309		
Multi - Family Residential	56,570	51,842	55,955	51,024	49,743	47,674	48,400	47,532	46,434	45,719	45,837	45,415	45,411	47,025	45,419	43,271	43,763	44,836	44,287	28,870		
Single Family - Outside City	406	653	806	542	329	501	296	306	356	277	278	376	417	430	326	262	176	731	645	376		
Subtotal	309,674	309,137	331,654	309,811	317,195	321,786	331,582	339,615	343,706	341,411	330,725	334,532	345,156	347,774	322,567	307,048	316,725	323,577	326,994	214,152		
% of Total	60.6%	61.7%	61.0%	62.9%	61.5%	60.9%	60.9%	61.6%	62.3%	62.2%	62.5%	63.0%	62.1%	62.2%	59.1%	56.2%	62.3%	63.9%	63.3%	62.7%		
NON-RESIDENTIAL																						
Annual Water Use (hcf)																						
Yard Meter	5,804	5,339	8,282	8,735	10,012	11,228	11,025	11,313	11,292	8,865	8,379	9,036	9,186	7,954	7,127	5,993	6,335	7,250	9,017	5,156		
Vacant Land	27	32	37	37	35	44	75	122	77	91	59	54	48	24	7	5	7	21	18	5		
Mobile Home Parks	23,676	22,943	26,819	22,346	23,984	23,820	24,877	26,054	25,619	22,747	22,487	21,339	21,997	22,471	22,749	20,678	19,911	20,702	20,961	14,582		
Comm//Domestic Strength	41,895	40,159	46,777	43,556	44,229	44,812	43,941	43,836	44,398	44,995	45,946	45,781	45,091	45,818	43,837	41,537	41,966	41,331	44,754	29,920		
Restaurants	18,623	16,608	18,582	18,920	19,271	19,525	21,903	20,480	19,216	18,226	17,707	18,457	17,355	18,172	16,872	15,981	16,765	16,859	16,165	10,878		
Bakeries	78	108	135	119	100	145	141	112	160	178	240	293	358	364	336	289	315	293	323	218		
Retirement Home/Hospital	12,120	9,155	10,401	9,098	11,075	10,826	8,360	10,563	10,179	10,258	10,275	9,792	9,410	10,654	10,486	9,835	9,160	9,136	9,191	6,323		
Motels	33,538	31,612	34,059	32,029	34,657	36,677	36,447	34,145	35,421	34,431	32,494	32,784	33,780	32,265	32,450	31,589	33,474	33,528	34,780	24,032		
Mortuaries	49	123	81	62	53	47	47	33	32	80	75	64	70	143	60	81	174	78	47	27		
Hotels with Dining	7,290	6,346	7,065	4,954	6,594	9,748	9,637	9,368	9,602	9,869	10,202	10,139	9,747	7,472	8,088	7,554	7,061	4,801	4,946	3,000		
Seafood Processors	2,478	1,239	1,357	1,432	1,242	1,286	1,011	1,009	1,069	954	1,018	1,039	929	1,115	1,333	1,358	1,416	1,711	1,015	668		
Water Softeners	3,149	3,745	1,431	1,307	1,622	1,437	1,554	1,416	1,394	1,625	1,785	1,801	2,078	2,256	4,248	2,184	1,972	2,289	2,075	1,670		
Schools	20,687	21,033	19,557	15,090	20,615	22,123	25,341	25,383	25,237	25,867	22,545	21,168	29,961	29,200	46,938	74,645	22,906	19,251	20,167	14,562		
Other Public Facilities	8,010	7,025	7,356	5,944	6,618	7,434	9,063	9,282	6,882	6,443	5,887	5,325	5,459	6,274	5,092	11,580	8,956	5,460	6,137	3,583		
City Facilities on Sewer	10,874	9,499	8,797	8,422	7,171	7,712	8,137	8,158	8,551	5,112	4,757	5,173	5,639	5,043	4,932	5,069	5,859	5,565	5,358	2,945		
City Facilities Not on Sewer	13,027	16,957	20,923	10,879	11,563	9,870	11,185	10,647	9,037	17,526	14,381	14,225	19,361	21,807	18,603	11,321	15,745	14,851	14,700	9,613		
Power Plant	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Subtotal	201,325	191,923	211,659	182,930	198,841	206,734	212,744	211,921	207,966	207,267	198,237	196,470	210,469	211,032	223,158	239,699	192,022	183,126	189,654	127,182		
% of Total	39.4%	38.3%	39.0%	37.1%	38.5%	39.1%	39.1%	38.4%	37.7%	37.8%	37.5%	37.0%	37.9%	37.8%	40.9%	43.8%	37.7%	36.1%	36.7%	37.3%		
TOTAL	510,999	501,060	543,313	492,741	516,036	528,520	544,326	551,536	551,672	548,678	528,962	531,002	555,625	558,806	545,725	546,747	508,747	506,703	516,648	341,334		

Table A-7
City of Morro Bay
Average Monthly Water Use (hcf)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
RESIDENTIAL																						
Average Monthly Use per Account (hcf)																						
Single Family Residential	5.6	5.7	6.0	5.5	5.6	5.7	5.7	5.9	5.9	5.8	5.5	5.5	5.7	5.7	5.4	5.1	5.3	5.4	5.4	5.4	5.3	5.3
Single Family Condo	3.1	3.0	3.0	2.9	2.8	2.7	2.9	2.7	2.7	2.8	2.6	2.6	2.7	2.7	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.6
Multi - Family Residential	13.8	12.7	13.9	12.7	12.5	12.1	12.2	12.0	11.7	11.5	11.6	11.2	11.2	10.8	10.6	10.2	10.4	10.7	10.6	10.6	10.6	10.6
Single Family - Outside City	6.5	9.3	11.2	7.5	4.5	7.0	4.2	4.2	5.2	3.8	3.9	5.2	5.7	6.0	4.7	3.9	2.9	7.3	5.9	5.9	5.2	5.2
Subtotal	6.1	6.0	6.4	5.9	6.0	5.9	6.0	6.1	6.1	6.0	5.7	5.8	5.9	5.9	5.6	5.3	5.5	5.6	5.6	5.6	5.5	5.5
Rolling 3-Year Average			6.2	6.1	6.1	5.9	6.0	6.0	6.1	6.1	6.0	5.8	5.8	5.9	5.8	5.6	5.5	5.5	5.6	5.6	5.5	5.6

Jan-Aug only

NON-RESIDENTIAL ACCOUNTS

Average Monthly Use per Account (hcf)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Yard Meter	13.0	11.1	14.9	14.3	16.0	17.4	17.3	17.7	16.5	14.2	13.8	14.2	15.0	13.0	12.5	10.6	11.3	12.9	15.1	12.5	12.5	
Vacant Land	0.3	0.4	0.3	0.3	0.3	0.4	0.6	1.0	0.7	0.7	0.5	0.5	0.4	0.2	0.1	0.1	0.1	0.5	0.8	0.3	0.3	
Mobile Home Parks	78.9	76.2	87.6	74.5	79.9	79.4	82.9	87.1	87.4	81.8	78.1	74.1	76.4	76.4	84.6	78.3	75.4	78.4	78.8	82.9	82.9	
Commercial/Domestic Strength	11.5	11.2	12.1	11.2	11.4	11.6	11.3	11.4	11.4	11.5	11.7	11.6	11.4	11.4	11.5	10.9	11.1	10.9	11.6	11.7	11.7	
Restaurants	38.3	34.6	37.5	37.5	37.9	37.8	42.4	39.8	37.7	35.8	33.9	33.4	31.3	32.4	31.9	30.4	31.6	31.3	30.2	30.5	30.5	
Bakeries	6.0	9.0	11.3	9.9	8.3	6.0	6.1	4.7	6.7	5.2	6.7	8.9	9.9	10.1	9.3	10.7	13.1	12.2	13.5	13.6	13.6	
Retirement Home/Hospital	505.0	381.5	433.4	379.1	461.5	451.1	348.3	440.1	424.1	427.4	428.1	408.0	392.1	443.9	806.6	819.6	763.3	761.3	765.9	790.4	790.4	
Motels	59.9	57.1	58.1	53.8	57.8	61.0	61.2	58.2	59.4	57.2	53.9	53.7	56.9	53.8	61.6	61.3	65.0	65.4	67.5	70.5	70.5	
Mortuaries	4.1	10.3	6.8	5.2	4.4	3.9	3.9	2.8	2.7	6.7	6.3	5.3	5.8	11.9	5.0	6.8	14.5	6.5	3.9	3.4	3.4	
Hotels with Dining	607.5	528.8	588.8	412.8	549.5	812.3	803.1	780.7	800.2	822.4	850.2	844.9	812.3	622.7	674.0	686.7	588.4	400.1	412.2	375.0	375.0	
Seafood Processors	41.3	24.3	21.9	23.9	20.7	21.4	16.9	17.1	17.8	15.9	16.4	17.6	19.4	23.2	36.0	37.7	39.3	47.5	42.3	41.8	41.8	
Water Softeners	262.4	249.7	119.3	108.9	135.2	119.8	129.5	118.0	116.2	135.4	127.5	150.1	122.2	188.0	354.0	182.0	164.3	190.8	172.9	208.8	208.8	
Schools	339.1	292.1	271.6	209.6	286.3	307.3	352.0	352.5	350.5	359.3	317.5	264.6	312.1	304.2	558.8	888.6	276.0	229.2	240.1	260.0	260.0	
Other Public Facilities	55.6	45.6	47.2	38.1	42.4	47.7	58.1	59.5	42.0	41.3	38.0	34.6	35.2	40.2	32.6	74.2	57.4	35.0	39.3	34.5	34.5	
City Facilities on Sewer	29.0	24.7	22.8	21.3	17.7	18.9	19.9	20.2	20.6	11.4	10.9	12.2	12.8	11.1	12.2	12.8	14.8	14.1	12.8	10.6	10.6	
City Facilities Not on Sewer	55.7	67.3	76.9	37.8	40.1	31.9	36.8	37.0	33.7	48.8	36.7	36.1	47.7	53.4	49.9	30.5	41.7	40.8	42.2	41.4	41.4	
Power Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	31.1	29.7	30.5	25.9	28.1	28.9	29.9	29.9	29.1	28.6	27.2	26.7	28.5	28.3	32.3	35.1	28.1	26.8	27.5	27.6	27.6	27.6
Rolling 3-Year Average			30.5	28.7	28.2	27.6	28.9	29.6	29.6	29.2	28.3	27.5	27.5	27.9	29.7	31.9	31.8	30.0	27.5	27.3	27.3	27.3
TOTAL	8.9	8.7	9.3	8.3	8.6	8.6	8.8	8.8	8.7	8.5	8.2	8.1	8.4	8.4	8.5	8.5	7.9	7.8	7.9	7.9	7.9	7.9

Table A-8
City of Morro Bay
Water Revenues

	2010	2011	2012	2013	2014
RESIDENTIAL					Jan-Aug only
Annual Water Revenues					
Single Family Residential	\$1,589,220	\$1,590,605	\$1,493,657	\$1,619,651	\$1,056,777
Single Family Condo	78,356	80,002	72,792	78,880	50,633
Multi - Family Residential	256,672	259,192	247,299	262,196	168,389
Single Family - Outside City	2,306	1,845	4,038	4,152	2,465
Subtotal	1,926,554	1,931,644	1,817,785	1,964,879	1,278,263
<i>% of Total</i>	56.8%	57.9%	59.7%	59.1%	59.0%
NON-RESIDENTIAL					
Annual Water Revenues					
Yard Meter	40,848	43,748	46,837	68,665	33,867
Vacant Land	789	789	724	403	263
Mobile Home Parks	160,961	152,311	149,519	158,080	112,266
Comm'l/Domestic Strength	319,648	320,767	291,500	343,304	228,793
Restaurants	108,111	103,246	105,132	103,858	70,081
Bakeries	1,843	1,799	1,537	1,879	1,246
Retirement Home/Hospital	98,865	91,077	84,090	92,575	62,584
Motels	232,036	248,057	234,401	255,786	178,183
Mortuaries	518	1,224	442	284	159
Hotels with Dining	83,939	76,940	45,384	49,265	28,285
Seafood Processors	9,607	10,196	11,106	7,052	4,654
Water Softeners	18,846	16,566	18,537	17,890	14,504
Schools	134,816	72,754	73,955	75,520	42,626
Other Public Facilities	124,258	89,924	43,752	48,108	29,448
City Facilities on Sewer	33,229	38,812	35,257	37,308	18,897
City Facilities Not on Sewer	96,194	135,778	86,195	100,004	64,166
Power Plant	0	0	0	0	0
Subtotal	1,464,508	1,403,988	1,228,367	1,359,977	890,022
<i>% of Total</i>	43.2%	42.1%	40.3%	40.9%	41.0%
TOTAL	3,391,062	3,335,632	3,046,152	3,324,856	2,168,285

Table A-9
City of Morro Bay
Average Monthly Water Revenues per Account

	2010	2011	2012	2013	2014
RESIDENTIAL					Jan-Aug only
Average Monthly Water Revenues per Account					
Single Family Residential	\$31.87	\$31.80	\$29.85	\$32.29	\$31.52
Single Family Condo	21.39	21.89	19.91	21.49	20.58
Multi - Family Residential	60.31	61.68	58.91	62.83	61.70
Single Family - Outside City	34.42	30.75	40.38	38.09	34.23
NON-RESIDENTIAL					
Average Monthly Water Revenues per Account					
Yard Meter	72.42	77.70	83.19	115.02	82.20
Vacant Land	16.43	16.43	16.45	16.78	16.43
Mobile Home Parks	609.70	576.94	566.36	594.28	637.87
Comm'l/Domestic Strength	84.07	84.75	76.89	88.94	89.20
Restaurants	205.92	194.80	195.41	193.76	196.31
Bakeries	68.27	74.97	64.02	78.28	77.90
Retirement Home/Hospital	8,238.71	7,589.75	7,007.49	7,714.56	7,822.94
Motels	450.56	481.66	456.92	496.67	522.53
Mortuaries	43.17	102.04	36.82	23.64	19.93
Hotels with Dining	7,630.83	6,411.64	3,781.97	4,105.38	3,535.68
Seafood Processors	266.86	283.23	308.50	293.83	290.87
Water Softeners	1,570.54	1,380.46	1,544.71	1,490.83	1,813.04
Schools	1,604.95	876.56	880.42	899.04	761.17
Other Public Facilities	796.53	576.43	280.46	308.38	283.15
City Facilities on Sewer	84.12	98.01	89.03	89.25	67.73
City Facilities Not on Sewer	259.28	359.20	236.80	287.37	276.58
Power Plant	-	-	-	-	-

Table A-10
 City of Morro Bay
 Water Revenues by Fiscal Year

	2010/11	2011/12	2012/13	2013/14
RESIDENTIAL				
Jul-Dec	1,018,057	1,022,212	1,042,638	1,018,891
Jan-Jun	<u>907,587</u>	<u>934,194</u>	<u>941,837</u>	<u>930,071</u>
Subtotal	1,925,645	1,956,406	1,984,475	1,948,962
<i>% of Total</i>	57.4%	58.0%	60.3%	58.9%
NON-RESIDENTIAL				
Jul-Dec	859,944	836,872	759,128	743,861
Jan-Jun	<u>567,116</u>	<u>579,916</u>	<u>547,049</u>	<u>617,469</u>
Subtotal	1,427,061	1,416,788	1,306,177	1,361,330
<i>% of Total</i>	42.6%	42.0%	39.7%	41.1%
TOTAL				
Jul-Dec	1,878,001	1,859,084	1,801,765	1,762,752
Jan-Jun	<u>1,474,704</u>	<u>1,514,110</u>	<u>1,488,886</u>	<u>1,547,541</u>
Total	3,352,705	3,373,194	3,290,651	3,310,292

Table A-11
City of Morro Bay
Sewer Revenues

	2010	2011	2012	2013	2014
RESIDENTIAL					Jan-Aug only
Annual Sewer Revenues					
Single Family Residential	\$1,878,423	\$1,976,545	\$2,078,450	\$2,204,573	\$1,521,445
Single Family Condo	143,124	150,699	158,283	167,511	114,657
Multi - Family Residential	437,105	454,896	479,749	499,861	337,165
Single Family - Outside City	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	2,458,653	2,582,139	2,716,483	2,871,946	1,973,267
<i>% of Total</i>	74.1%	74.1%	74.1%	73.4%	73.1%
NON-RESIDENTIAL					
Annual Sewer Revenues					
Yard Meter	2,782	2,587	2,551	0	210
Vacant Land	0	0	0	0	0
Mobile Home Parks	70,091	72,405	75,232	87,937	63,161
Comm'l/Domestic Strength	247,895	265,823	260,389	325,052	224,473
Restaurants	158,540	162,141	159,492	191,919	133,832
Bakeries	1,975	2,035	1,857	2,365	1,684
Retirement Home/Hospital	41,071	41,005	40,633	48,034	34,033
Motels	185,543	210,554	210,959	253,426	181,493
Mortuaries	729	1,388	660	650	402
Hotels with Dining	57,424	57,461	38,016	45,520	28,597
Seafood Processors	13,046	14,555	17,672	12,351	8,386
Water Softeners	7,363	7,094	8,207	8,660	7,249
Schools	9,772	8,563	6,620	7,831	8,903
Other Public Facilities	37,334	31,911	18,819	25,361	15,177
City Facilities on Sewer	24,246	26,742	26,726	31,625	19,408
City Facilities Not on Sewer	0	0	0	0	0
Power Plant	0	0	0	0	0
Comm'l Adjust for Dec 2012	<u>-</u>	<u>-</u>	<u>81,541</u>	<u>-</u>	<u>-</u>
Subtotal	857,811	904,261	949,373	1,040,730	727,008
<i>% of Total</i>	25.9%	25.9%	25.9%	26.6%	26.9%
TOTAL	3,316,463	3,486,400	3,665,855	3,912,676	2,700,275

Includes estimated revenues from Dec-2012 since data was missing.

Table A-12
City of Morro Bay
Average Monthly Sewer Revenues per Account

	2010	2011	2012	2013	2014
RESIDENTIAL					Jan-Aug only
Average Monthly Sewer Revenues per Account					
Single Family Residential	\$37.67	\$39.52	\$41.54	\$43.95	\$45.38
Single Family Condo	39.06	41.24	43.29	45.64	46.61
Multi - Family Residential	102.70	108.26	114.28	119.78	123.55
Single Family - Outside City	0	0	0	0	0
NON-RESIDENTIAL					
Average Monthly Sewer Revenues per Account					
Yard Meter	4.93	4.59	4.53	0.00	0.51
Vacant Land	-	-	-	-	-
Mobile Home Parks	265.50	274.26	284.97	330.59	358.87
Comm'l/Domestic Strength	65.20	70.23	68.69	84.21	87.51
Restaurants	301.98	305.93	296.45	358.06	374.88
Bakeries	73.14	84.78	77.36	98.52	105.28
Retirement Home/Hospital	3,422.61	3,417.11	3,386.10	4,002.87	4,254.10
Motels	360.28	408.84	411.23	492.09	532.24
Mortuaries	60.72	115.65	55.03	54.13	50.23
Hotels with Dining	5,220.39	4,788.38	3,167.99	3,793.31	3,574.61
Seafood Processors	362.39	404.30	490.90	514.61	524.15
Water Softeners	613.58	591.17	683.88	721.64	906.18
Schools	116.33	103.16	78.81	93.23	158.98
Other Public Facilities	239.32	204.56	120.64	162.57	145.93
City Facilities on Sewer	61.38	67.53	67.49	75.66	69.56
City Facilities Not on Sewer	-	-	-	-	-
Power Plant	-	-	-	-	-

Table A-13
 City of Morro Bay
 Sewer Revenues by Fiscal Year

	2010/11	2011/12	2012/13	2013/14
RESIDENTIAL				
Jul-Dec	1,264,793	1,325,860	1,395,696	1,477,025
Jan-Jun	<u>1,256,279</u>	<u>1,323,804</u>	<u>1,394,921</u>	<u>1,456,702</u>
Subtotal	2,521,072	2,649,664	2,790,618	2,933,727
<i>% of Total</i>	73.9%	74.0%	73.7%	72.8%
NON-RESIDENTIAL				
Jul-Dec	492,038	512,027	538,391	591,024
Jan-Jun	<u>397,794</u>	<u>418,949</u>	<u>456,139</u>	<u>502,776</u>
Subtotal	889,832	930,976	994,530	1,093,799
<i>% of Total</i>	26.1%	26.0%	26.3%	27.2%
TOTAL				
Jul-Dec	1,756,831	1,837,887	1,934,088	2,068,048
Jan-Jun	<u>1,654,073</u>	<u>1,742,752</u>	<u>1,851,060</u>	<u>1,959,477</u>
Total	3,410,905	3,580,640	3,785,148	4,027,526



**NOTICE OF PUBLIC HEARING
ON PROPOSED WATER & SEWER RATE INCREASES**

**7:30 p.m.
May 26, 2015
Veterans' Memorial Building
209 Surf Street, Morro Bay, CA 93442**

The City of Morro Bay is proposing to increase water and sewer rates over the next five years. Water rates have not been increased in 20 years and have fallen behind the cost of providing service and are not adequate to meet current and future funding needs. Sewer rate increases are needed to help fund a new wastewater treatment facility. Proposed rates were developed by an independent rate consultant with input from the City's *Public Works Advisory Board*, a 7-member community advisory group that provides input to the City on a range of public works issues. The proposed rates are designed to recover the City's costs of providing water and sewer services. The City is concerned about the financial burden of the proposed charges and will also be considering implementation of a low-income discount program.

The City's water and sewer utilities are self-supporting enterprises that rely primarily on revenues from service charges to fund the costs of providing service. As such, water and sewer rates must be set at levels adequate to fund the costs of operating, maintaining, making necessary capital investments in each utility and meeting other financial obligations. The City's water and sewer utilities are both currently facing substantial financial challenges that will require significant rate increases in upcoming years.

Water Rates

The City is proposing to phase in a series of water increases over the next five years. Key factors driving the need for water rate increases include:

- **Restore balanced budgets.** After 20 years of no rate increases, the City's water utility is operating in deficit mode with a projected deficit of roughly \$900,000 in the current fiscal year. Adjusted for inflation, current rates are 36% lower than they were in 1995. Water rate increases are needed to restore balanced budgets, meet State Water Contract funding requirements, and keep revenues aligned with annual funding needs.
- **Fund high-priority water system infrastructure needs.** The City has identified \$6.5 Million of water system capital improvements needed within the next 5 years to address existing system deficiencies. Projects include new water storage tanks and pipeline improvements to improve reliability and fire flow, desalination plant rehabilitation and upgrades, and conversion to Automatic Meter Reading. Longer-term, funding will be needed for rehabilitation and replacement of old, substandard pipelines. The City anticipates seeking low-rate subsidized financing to help fund high-priority near-term needs.

- **Long-term water supply.** The City relies on imported water from the State Water Project for most of the community’s water supply. State Water Contract expenses currently account for over half of the water utility’s operating costs. Future costs may rise substantially due to planned implementation of the State’s \$25 billion Bay-Delta Conservation Plan. The City will continue evaluating water supply alternatives including use of local sources such as recycled water from the new treatment plant, to reduce future reliance on potentially more-expensive imported water.

Proposed Water Rates

The City is proposing to phase in a series of water rate increases over the next five years as shown on the table on the next page. The proposed water service charges include both 1) a fixed bi-monthly Service Charge levied on each account regardless of water use, plus 2) Water Quantity Charges billed based on metered water use each billing period. The proposed Water Consumption Charges are billed via four inclining rate tiers with water purchased first in Tier 1 and then subsequently in higher tiers as water use increases

PROPOSED WATER RATES							
		Effective on bills sent on or after					
	Current Rates	July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019	
Fixed Monthly Charge	\$16.43	\$23.00	\$26.00	\$28.00	\$30.00	\$32.00	
Water Quantity Charges							
<i>Billed per 100 cubic feet of metered water use (\$/hcf)</i>							
<u>Tier</u>	<u>Use in Tier</u>						
Tier 1	0 - 3 hcf	\$0.00	\$3.00	\$4.00	\$5.00	\$5.50	\$6.00
Tier 2	4 - 10 hcf	5.56 - 5.74	6.00	7.00	7.50	8.00	8.50
Tier 3	11- 50 hcf	5.77 - 7.81	9.00	9.50	10.00	10.50	11.00
Tier 4	>50 hcf	7.85 - 13.68	12.00	12.50	13.00	13.50	14.00

1 hcf = 100 hundred cubic feet = 748 gallons

Temporary Surcharge for Desalination Facility Operations

The City’s desalination plant was originally constructed in 1992 to provide water supply during a drought emergency and was subsequently upgraded in 2009. The plant served as the City’s primary source of water supply for a few months of 2010 and is currently used on a very limited basis to treat high-nitrate groundwater to supplement supply from the State Water Project. The plant provides a source of backup and emergency water supply in case of future State Water Project supply reductions or service outages. In future years, the plant may potentially be used as a primary source of supply.

The plant treats water via reverse osmosis to produce high-quality drinking water. The relatively high operating costs for running the plant during potential future water shortage emergencies are not factored into the proposed water rate increases. As such, a surcharge to recover the plant’s operating costs during periods of use is needed. The surcharge would be billed based on a customer’s metered water use and would only be levied for periods when the desalination plant is in operation.

The proposed maximum surcharge is based on the cost of producing drinking water from seawater. The surcharge is reduced to account for a corresponding reduction in water purchases from the State Water Project. The proposed maximum surcharge for desalination facility operations is \$3.00 per hcf (hundred cubic feet). This equates to slightly over \$0.40 per 100 gallons, or 4/10ths of a cent per gallon.

The proposed maximum surcharge will be subject to an automatic inflationary adjustment to keep the charge aligned with cost inflation. The inflationary adjustment will be based on the change in the U.S. City Average Consumer Price Index (CPI) for All Urban Consumers from the January 2015 index of 233.707.

Water Shortage Emergency Rates

Proposed Water Shortage Emergency Rates are designed to help the water enterprise remain financially stable during periods of emergency water shortages and reduced water sales. The City's 2010 Urban Water Management Plan includes a Water Shortage Contingency Plan that identifies a staged response plan for responding to water supply shortages. The plan includes five stages of water demand cutbacks that would be triggered by the City in response to escalating levels of water supply shortages.

The City is currently in a Stage 3 Water Shortage and has implemented conservation requirements for "Severely Restricted Water Supply Conditions". The City has already taken substantial steps to help ensure adequate water supply during periods of drought and does not anticipate needing to take more extreme measures.

More severe water shortage stages could require additional cutbacks in customer demand and result in future revenue shortfalls.

The following table shows proposed maximum Water Shortage Emergency Rates. These emergency rates would apply to metered water use and can be phased in by Council authorization in response to an escalating water shortage. The rates will only be implemented as needed to support financing and pursuant to California law will not exceed the cost of service. The City does not anticipate implementing these rates until a more-severe Stage 4 or Stage 5 water shortage is initiated.

[Add schedule of proposed maximum Water Shortage Emergency Rates pending Council input]

Automatic Pass-Through for State Water Contract Costs

State Water Contract costs currently account for roughly half of annual water enterprise expenses. These costs may increase substantially in future years due to implementation of the \$25 billion Bay Delta Conservation Plan. The City proposed to adopt an automatic pass-through account for unanticipated increases in State Water Contract costs above 5%, the level already factored in to the water enterprise financial projections.

Sewer Rates

The City is proposing to phase in a series of sewer rate increases over the next five years. Key factors driving the need for sewer rate increases include:

- **New \$75 Million wastewater treatment plant.** After substantial community input and comprehensive evaluation of alternatives, project planning is underway for a new Water Reclamation Facility at the preferred Rancho Colina site along State Route 41. Based on preliminary engineering estimates, the City anticipates the facility will be designed and constructed over approximately the next 5 years at a cost of \$75 Million. The treatment plant will be designed to support future recycled water operations. The City plans to seek grants and subsidized loans to help minimize the financial burden on customers.
- **Fund high-priority sewer system infrastructure needs.** The City has identified \$7.6 Million of sewer system infrastructure improvements needed within the next 5 years, mainly for rehabilitation and replacement of aging sewer pipelines, many of which are over 60-years old. In addition, the City faces over \$2 Million of deferred maintenance and rehabilitation at the existing wastewater treatment plant. That work is needed in order for the current plant to remain in compliance with state permit requirements until the new treatment facility becomes operational.

Proposed Sewer Rates

The City is proposing to phase in sewer rate increases over the next five years as shown on table on the following page. Under the proposed rates, single-family residential customers pay a fixed monthly charge per each dwelling unit for wastewater service, similar to current rates except without the current excess use charges. The City is proposing to levy a reduced fixed monthly charge for multi-family residential and condominium dwelling units. Sewer rates for non-residential customers will be based on customer class and wastewater strength subject to a minimum monthly charge, and will continue to be billed based on metered water use. The minimum monthly charge for non-residential accounts will be reduced from the current level to a level set at the proposed reduced charge for multi-family residential dwelling units.

The proposed rates assume the City can obtain low-interest-rate financing from the Clean Water State Revolving Fund Financing Program to fund the planned new \$75 Million Water Reclamation Facility. If the facility ends up costing significantly more than estimated or state-subsidized financing is not available, then the City may need to re-evaluate rate increases in future years. Likewise, if the City is able to obtain significant grant funding or the project comes in at a lower cost than currently estimates, then the City can potentially reduce the charges shown. The City will continue to evaluate sewer utility finances and rates in future years to ensure rates continue to reflect the cost of providing wastewater service.

PROPOSED SEWER RATES						
	Current Rates	Effective on bills sent on or after				
		July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019
RESIDENTIAL SEWER RATES						
<i>Fixed monthly charge per residential dwelling unit</i>						
Single Family	\$45.59	\$55.00	\$62.50	\$70.00	\$77.00	\$83.00
Multi-Family/Condominium	45.59	45.59	50.00	56.00	61.60	66.40
NON-RESIDENTIAL SEWER RATES						
<i>Billed per 100 cubic feet of metered water use (\$/hcf)</i>						
Class A - Low Strength	\$4.63	\$6.50	\$7.95	\$9.37	\$10.57	\$11.40
Class B - Domestic Strength	5.82	7.98	9.65	11.29	12.67	13.61
Class C - Moderate Strength	8.03	10.19	11.86	13.50	14.89	15.82
Class D - Mod-High Strength	10.45	12.55	14.18	15.78	17.13	18.03
Class E - High Strength	13.38	15.89	17.84	19.75	21.36	22.46
<i>Minimum Monthly Charge</i>	<i>\$51.77</i>	<i>\$45.59</i>	<i>\$50.00</i>	<i>\$56.00</i>	<i>\$61.60</i>	<i>\$66.40</i>

1 hcf = 100 hundred cubic feet = 748 gallons

Class A - Low Strength includes schools, laundromats, carwashes, city and public facilities, & water softener accounts.

Class B - Domestic Strength includes professional offices, retail stores, mobile home parks, and all other standard-strength commercial accounts.

Class C - Moderate Strength includes motels, retirement homes with dining facilities, and mortuaries.

Class D - Mod-High Strength includes hotels with dining rooms or restaurants, and mixed-use accounts where high-strength sewage accounts for between an estimated 25% to 75% of total wastewater flow.

Class E - High Strength includes restaurants, bakeries, and seafood processors.

Note: The City reserves the right to estimate wastewater strength and assign customer class.

What is the City Doing to Control Costs?

The City has taken a number of measures in recent years to reduce costs including:

- Deferred wage increases until the current labor contract expires.
- Reduced Public Employee Retirement benefits in accordance with PEPR.
- Deferred maintenance and system upgrades due to funding limitations.

The City remains committed to cost-effectively operating its water and wastewater utilities. In upcoming years, the City plans to seek grants and low-interest-rate loans to help fund future infrastructure improvement needs including the new \$75 Million wastewater treatment plant. The water utility also plans to invest in Automatic Meter Reading equipment to reduce future costs of monthly meter reading. Additionally, completion of the new wastewater treatment plant will facilitate the use of purified, recycled water to help meet the community's future water needs. That may allow the City to reduce its future reliance on imported water from the State Water Project. The City will continue evaluating water supply alternatives in future years with goal of providing safe, reliable, and cost effective service.

How to Submit Written Protests

Property owners and customers may file written protests against the proposed rate increases. Pursuant to California law, protests must be submitted in writing and must a) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, b) include the name and signature of the customer or property owner submitting the protest and c) indicate opposition to the proposed water and/or sewer rate increases. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels with one written protest counted per parcel. Written protests can be mailed or delivered to: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442. All protests must be submitted prior to the close of the Public Hearing.

*For additional information or questions, please contact the City of Morro Bay's
Public Works Department at (805) 772-6261.*



AGENDA NO: C-3

MEETING DATE: March 24, 2015

Staff Report

TO: Honorable Mayor and City Council **DATE:** March 6, 2015

FROM: Susan Slayton, Administrative Services Director/City Treasurer

SUBJECT: Adoption of Resolution No. 12-15 Expanding the Duties of the Citizens Oversight Committee to Include Duties as the Citizens Finance Committee for the City of Morro Bay

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 12-15, expanding the duties of the Citizens Oversight Committee to include duties as the Citizens Finance Committee.

ALTERNATIVES

As this is a City Council-directed action, no alternatives are proposed.

FISCAL IMPACT

Unknown based on the amount of staff time involved in working with the expanded duties of Citizens Oversight Committee, training the members on fund accounting, governmental revenues and expenditures, and budget practices and processes.

BACKGROUND:

On February 10, 2015, staff presented the City Council with the draft Citizens Finance Committee Policy. After making adjustments to the policy, to include combining the duties of the District Transaction Tax (Measure Q) Citizens Oversight Committee with the duties of a Citizens Finance Committee (effectively eliminating the need for two separate financial review committees), staff was asked to bring back a Resolution expanding the Citizens Oversight Committee to include acting as a Citizens Finance Committee.

DISCUSSION:

Staff has made the revisions to the policy as the City Council requested, and is presenting Resolution No. 12-15 expanding the Citizens Oversight Committee to include acting as the Citizens Finance Committee. The final Citizens Finance Committee Policy is attached to this Resolution.

01181.0001/244776.2

Prepared By: SS

Dept Review: _____

City Manager Review: _____

City Attorney Review: JWP

RESOLUTION NO. 12-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
EXPANDING THE DUTIES OF THE CITIZENS OVERSIGHT COMMITTEE
TO INCLUDE DUTIES AS THE CITIZENS FINANCE COMMITTEE
AND ADDING THE RELATED POLICY TO THE ADVISORY BOARD HANDBOOK**

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

WHEREAS, on February 10, 2015, the City Council of the City of Morro Bay voted unanimously to form a Citizens Finance Committee; and

WHEREAS, the City Council additionally requested the Citizens Finance Committee to be combined with the District Transaction Tax (Measure Q) Citizens Oversight Committee, thereby eliminating the need for two separate financial review committees; and

WHEREAS, the attached Citizens Finance Committee Mission, Duties and Structure Policy is presented, and has been incorporated to combine its functions and duties of with the Citizens Oversight Committee.

NOW, THEREFORE IT IS RESOLVED, by the City Council of the City of Morro Bay, to adopt the attached policy to combine the duties of a Citizens Finance Committee with the Citizens Oversight Committee and direct the City Clerk to add that policy to the City's Advisory Board Handbook.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof, held on the 24th day of March 2015, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk

**CITY OF MORRO BAY
CITIZENS FINANCE COMMITTEE
FUNCTIONS OF THE CITIZENS OVERSIGHT COMMITTEE**

MISSION, DUTIES AND STRUCTURE POLICY

Purpose

The purpose of the functions of the Citizens Oversight Committee acting in the capacity of a Citizens Finance Committee shall be an advisory body to the City Council. (Hereinafter when this policy refers to “the Committee” it shall be a reference to the Citizens Oversight Committee acting in the capacity of the Citizens Finance Committee. The Committee will review financial documents, and make recommendations, in general, regarding the review of financial information provided to them, concerning the annual budget and mid-year budget review.

Mission Statement

The role of the Committee is to provide citizen input to the City Council and staff, regarding financial policy or process issues, including audits, financial budgets, contract expenditures and financial reports. In addition, the Committee’s role is to help promote citizen participation with, and understanding of, governmental financial information and processes, such as the financial documents, audits, and budgets, as well as the financial condition of the City.

Duties

1. Annual review of independent financial audit, with recommendations, as appropriate.
2. Annual review of contract expenditures, with recommendations, as appropriate.
3. Review existing budget document to determine long-term financial sustainability, and make recommendations, as appropriate.
4. Review and provide comments on the mid-year budget reports prior to presentation to City Manager.
5. Review annual budget prior to presentation to the City Council, and make recommendations, as appropriate.
6. Special financial projects, as directed by the City Council, City Manager or Administrative Services Director.
7. Propose/recommend additional financial areas of study to the City Council.
8. All recommendations are to be provided to the City Council, in writing, unless otherwise requested, on no less than a semi-annual basis.

9. Submit an annual work program to the City Council review and approval.
10. The functions and duties of the Citizens Oversight Committee shall remain as set forth in Morro Bay Municipal Code (“MCMC”) section 13.22.120.

Structure

1. The Committee shall be comprised of the members of the Citizens Oversight Committee. The Administrative Services Director will act as a facilitator/advisor.
2. The members of the Committee shall be governed by the provisions of MBMC section 3.22.120.
3. Any member, who serves as a member of the Committee for more than eighteen months of an unexpired term, shall be considered to have served a full term.
4. Committee members shall elect the Chairperson, who will serve a two-year term.
5. This Committee’s members will be subject to the California open meetings, public records and conflict of interest laws.
6. Staff reports shall accompany agenda items, when appropriate.
7. Decisions on agenda items shall be by majority vote of the entire Committee.
8. Minutes shall be recorded, approved, and forwarded to the City Council.
9. The Committee shall meet, at minimum, on a semi-annual basis, prior to the preparation of mid-year and annual budgets.



AGENDA NO: D-5

MEETING DATE: February 10, 2015

Staff Report

TO: Honorable Mayor and City Council DATE: January 30, 2015

FROM: Rob Livick, PE/PLS - Public Works Director/City Engineer

SUBJECT: Update and Discussion of City Owned Properties for Potential Sale

RECOMMENDATION

Staff recommends the City Council review information regarding City-owned properties and provide direction to staff regarding any potential changes to the disposition of any City-owned property.

ALTERNATIVES

There are no recommended alternatives.

FISCAL IMPACT

No financial impact directly from this action, but may result in future impact depending on Council direction.

BACKGROUND/DISCUSSION

This item was requested as a future agenda item on September 23, 2014, where Council requested an evaluation of City properties that could be placed for sale.

The City of Morro Bay currently owns approximately 215 acres of real property in 73 parcels. Included in the 73 parcels are six parcels outside the City's corporate boundary. This does not include any of the City's Rights of Way or easements. Rights of Way and easements are only for the public use as long as they are needed for that purpose. Except in the case of fee owned Rights of Way, should the public's rights be abandoned or vacated, they revert back to the underlying property owner. As can be seen on Attachment 3 and listed on Attachment 2, 23 parcels have been identified to have some development/redevelopment potential, including the current Wastewater Treatment Plant site.

CONCLUSIONS

Council should consider the potential sale of City-owned property if there are no plans for its

Prepared by: RL Dept. Review: RL

City Manager Review: _____

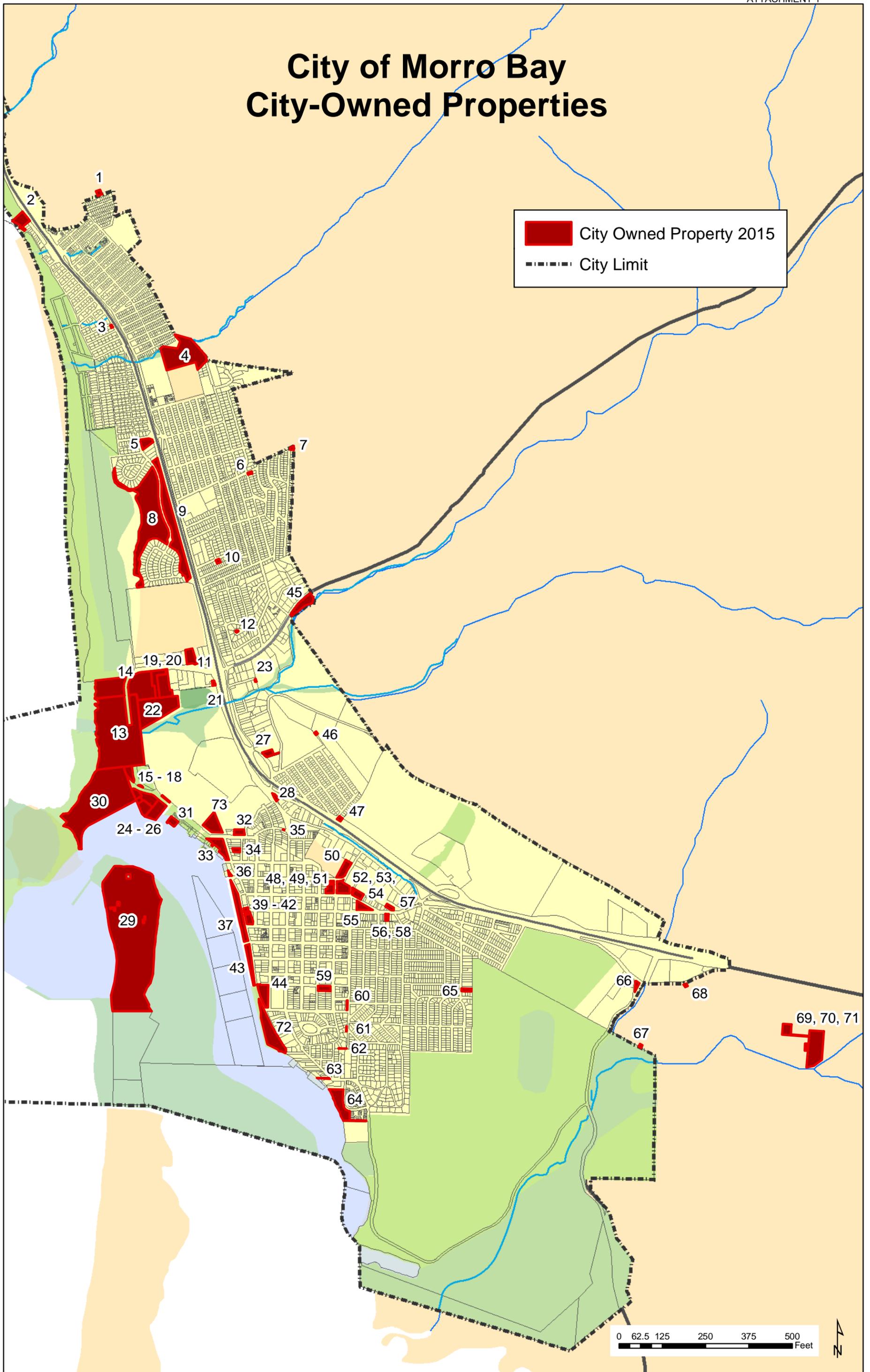
City Attorney's Review: _____

use as a benefit to the public. Additionally, the City could consider a lease of property it plans to hold until such time as the City decides it is no longer needed or is ready for its intended use.

ATTACHMENTS

1. City Owned Properties Location Map
2. Listing of City Owned Properties
3. City Owned Properties Individual Maps

City of Morro Bay City-Owned Properties



Real Property Owned By
City of Morro Bay

ID	APN	SITE ADDRESS	OWNER NAME	Use	EST. SQUARE FEET	LANDUSE CATEGORY	DEVELOPED	ZONING
1	073-075-001	BLANCA ST	CITY OF MORRO BAY	Water Tank Site	12,632	PUBLIC	Yes	Outside of CMB
2	065-082-020	TORO LN	CITY OF MORRO BAY	Open Space	47,916	VACANT LAND	No	OA-1/PD
3	065-113-066	MINDORO ST	CITY OF MORRO BAY	Vacant Residential	2,400	VACANT LAND	No	R-1/S-2A
4	065-149-017		CITY OF MORRO BAY	Del Mar Park	435,600	PUBLIC	No	OA-2/PD
5	065-386-015	HIGHWAY 1	CITY OF MORRO BAY	Vacant Cloisters Lot	43,124	VACANT LAND	No	CCR/GC/PD
6	068-258-010		MORRO DEL MAR WATER DISTRICT	Water Tank Site	3,485	PUBLIC	Yes	R-1/S-2
7	068-251-001		CITY OF MORRO BAY	Access to Water Tank	4,792	PUBLIC	No	R-1/S-2
8	065-386-016	HIGHWAY 1	CITY OF MORRO BAY	Cloisters Open Space	855,083	VACANT LAND	No	MMR/CRR/GC/PD
9	065-386-005	HIGHWAY 1	CITY OF MORRO BAY	Cloisters Open Space	353,707	VACANT LAND	No	MMR/CRR/GC/PD
10	068-262-042	460 BONITA ST	MORRO DEL MAR FIRE DISTRICT	Not Staffed Fire Station 54	3,049	PUBLIC	Yes	R-1/S-2
11	065-182-005	ATASCADERO RD	CITY OF MORRO BAY	Teen Center	59,475	RECREATIONAL	Yes	C-VS/PD
12	068-321-012		CITY OF MORRO BAY	Center of Sunset Court	436	PUBLIC	No	R-2
13	066-331-028	1700 EMBARCADERO	CITY OF MORRO BAY	Dunes, RV Park Openspace	1,305,545	PUBLIC	No	OA-1/PD
14	066-331-034		CAYUCOS SANITARY DISTRICT	Dunes, Open Space, WWTP	692,604	PUBLIC	Yes	OA-1/PD
15	066-461-004	EMBARCADERO	CITY OF MORRO BAY	Dunes	70,593	RECREATIONAL	No	OA-1/PD
16	066-461-003	EMBARCADERO	CITY OF MORRO BAY	Road, Dunes	1,359	RECREATIONAL	No	OA-2/CF/PD/ESH
17	066-461-005	EMBARCADERO	CITY OF MORRO BAY	Road, Park	23,958	VACANT LAND	No	CF/PD
18	066-461-012	EMBARCADERO	CITY OF MORRO BAY	Park	10,659	VACANT LAND	No	CF/PD
19	066-331-032	1281 EMBARCADERO	CITY OF MORRO BAY	Corp Yard	797,148	PUBLIC	Yes	CF/PD
20	066-331-033		CAYUCOS SANITARY DISTRICT	Defunct Cement Plant	1,319,868	PUBLIC	Yes	M-1/PD/I
21	066-332-008	HIGHWAY 1	CITY OF MORRO BAY	Well Site	5,663	PUBLIC	No	CVS/PD
22	066-331-038	EMBARCADERO	CITY OF MORRO BAY	RV Park, Trailer Storage	379,381	RESIDENTIAL	Yes	M-1/PD/I
23	068-291-010		MORRO DEL MAR WATER DISTRICT	Well Site	871	PUBLIC	No	C-VS
24	066-461-013	EMBARCADERO	CITY OF MORRO BAY	Parking, Harborwalk	59,242	VACANT LAND	No	CF/PD
25	066-461-007	EMBARCADERO	CITY OF MORRO BAY	Bay	61,420	VACANT LAND	No	CF/PD
26	066-461-008	EMBARCADERO	CITY OF MORRO BAY	Bay	100,188	PUBLIC	No	CF/PD
27	068-183-021	LITTLE MORRO CREEK RD	CITY OF MORRO BAY	Future Bike Park	15,682	VACANT LAND	No	M-1/PD/I
28	068-168-022		CITY OF MORRO BAY	Parking Lot	10,559	VACANT LAND	No	C-2
29	066-401-001		CITY OF MORRO BAY	Sand Spit	59,677	PUBLIC	No	ESH
30	066-461-011		CITY OF MORRO BAY	Dunes, Rock Parking Lot	719,611	PUBLIC	No	CF & OA-1/ PD
31	066-461-009	T PIER	CITY OF MORRO BAY	Harbor Lease Site	115,870	PUBLIC	No	CF/PD
32	066-331-019	209 SURF ST	CITY OF MORRO BAY	Vets Hall	28,750	PUBLIC	Yes	R-2/PD/SP
33	066-031-001	FRNT AVE	CITY OF MORRO BAY	Embarcadero, Parking Lots	79,715	PUBLIC	No	CF/PD & C-VS/S-4
34	066-034-011	1147 WEST ST	CITY OF MORRO BAY	Residential Lot	11,500	RESIDENTIAL	Yes	R-2/PD/SP
35	066-025-001	MAIN ST	CITY OF MORRO BAY	Vets Hall	436	PUBLIC	N/A	C-1/SF
36	066-033-003	FRNT AVE	CITY OF MORRO BAY	Harbor Lease Site	4,356	COMMERCIAL	Yes	WF/PD/S-4
37	066-322-001	901 EMBARCADERO	CITY OF MORRO BAY	Harbor Lease Sites	170,873	PUBLIC	Yes	WF/PD/S-4
38	066-321-007		CITY OF MORRO BAY	Chess Board	4,792	PUBLIC	No	C-VS/PD/S-4
39	066-321-008	EMBARCADERO ST	CITY OF MORRO BAY	Centennial Restroom	2,971	PUBLIC	Yes	C-VS/PD/S-4
40	066-321-026	MARKET AVE	CITY OF MORRO BAY	Parking Lot	2,796	COMMERCIAL	Yes	C-VS/PD/S-4
41	066-321-025	MARKET AVE	CITY OF MORRO BAY	Maintenance Shop, Residential Rental	2,360	COMMERCIAL	No	C-VS/PD/S-4
42	066-321-028	781 MARKET AVE	CITY OF MORRO BAY	Parking Lot	25,410	COMMERCIAL	No	C-VS/PD/S-4
43	066-137-001	501 EMBARCADERO	CITY OF MORRO BAY	Harbor Lease Sites	48,787	PUBLIC	Yes	WF/PD/S-4
44	066-172-002		CITY OF MORRO BAY	Open Space Morro Cove	70,062	VACANT LAND	No	OA-1
45	068-371-002	HWY 41 HOLW	CITY OF MORRO BAY	Open Space along HWY 1	104,792	VACANT LAND	No	M-1/PD
46	068-401-002		CITY OF MORRO BAY	UNK	436	PUBLIC	No	R-A/PD
47	068-159-016	DOWNING AVE	CITY OF MORRO BAY	Vacant Residential	39,640	PUBLIC	No	R-1/S-2

Note: Green highlighted cells may have the highest sale potential.

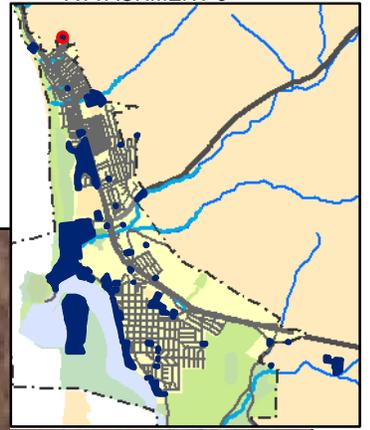
Real Property Owned By
City of Morro Bay

ID	APN	SITE ADDRESS	OWNER NAME	Use	EST. SQUARE FEET	LANDUSE CATEGORY	DEVELOPED	ZONING
48	066-280-025	555 HARBOR ST	CITY OF MORRO BAY	City Center	27,051	PUBLIC	Yes	G-O/S-4
49	066-065-012	570 DUNES ST	CITY OF MORRO BAY	Residential	3,872	RESIDENTIAL	Yes	R-4
50	066-280-023	1001 KENNEDY WAY	CITY OF MORRO BAY	Community Center	59,115	PUBLIC	Yes	R-4
51	066-065-003	985 SHASTA AVE	CITY OF MORRO BAY	Vacant Residential OLCP	3,872	RESIDENTIAL	No	R-4
52	066-280-024	625 HARBOR ST	CITY OF MORRO BAY	Library, Chamber, Parking	61,502	PUBLIC	Yes	G-O/S-4
53	066-071-035	715 HARBOR ST	MORRO BAY FIRE DISTRICT	Fire Station 53	2,178	PUBLIC	Yes	G-O/S-4
54	066-071-034		CITY OF MORRO BAY	Fire Station 53	2,614	PUBLIC	No	G-O/S-4
55	066-074-001	734 HARBOR ST	CITY OF MORRO BAY	City Park	18,295	PUBLIC	No	C-1/S-4
56	066-075-021	850 MORRO BAY BLVD	CITY OF MORRO BAY	PD	6,534	PUBLIC	Yes	C-1/S-4
57	066-280-018	MORRO BAY BLVD	CITY OF MORRO BAY	PD Anex, Water Yard	12,632	VACANT LAND	No	C-1/S-4
58	066-075-007	870 MORRO BAY BLVD	CITY OF MORRO BAY	PD	3,425	PUBLIC	Yes	C-1/S-4
59	066-184-001		CITY OF MORRO BAY	Monte Young Park	30,056	PUBLIC	Yes	R-2
60	066-187-006		CITY OF MORRO BAY	Vacant Strip	4,356	PUBLIC	N/A	R-2
61	066-225-028		CITY OF MORRO BAY	Vacant Strip	1,437	PUBLIC	N/A	R-1
62	066-225-027		CITY OF MORRO BAY	Storm Drain	2,500	PUBLIC	N/A	R-1
63	066-251-014		CITY OF MORRO BAY	Storm Drain, Access	4,792	PUBLIC	No	R-1
64	066-391-010	BAYSHORE DR	CITY OF MORRO BAY	Bay Shore Bluffs	220,218	PUBLIC	No	R-2/PD/SP
65	066-207-008	KINGS AVE	CITY OF MORRO BAY	Kings Tank Access	13,504	PUBLIC	No	R-2
66	066-371-004	BAY BLVD	CITY OF MORRO BAY	Remnant	10,502	VACANT LAND	No	R-2
67	073-133-010	SO BAY BLVD	CITY OF MORRO BAY	Well Site	3,600	AGRICULTURAL	No	Outside of CMB
68	073-133-009	QUINTANA RD	CITY OF MORRO BAY	Well Site	3,600	AGRICULTURAL	No	Outside of CMB
69	073-131-010		CITY OF MORRO BAY	Well Site	205,089	VACANT LAND	No	Outside of CMB
70	073-131-017		CITY OF MORRO BAY	Well Site	50,826	AGRICULTURAL	Yes	Outside of CMB
71	073-131-009		CITY OF MORRO BAY	Well Site	7,405	PUBLIC	No	Outside of CMB
72	ROW	300 EMBARCAERO		Tidelands Park	332,596	PUBLIC	No	Outside of CMB
73	PENDING	1200 EMBARCADERO		Triangle/Rhombus Lot	103,150	VACANT LAND	No	M-2/PD/I

Note: Green highlighted cells may have the highest sale potential.

City of Morro Bay City-Owned Properties

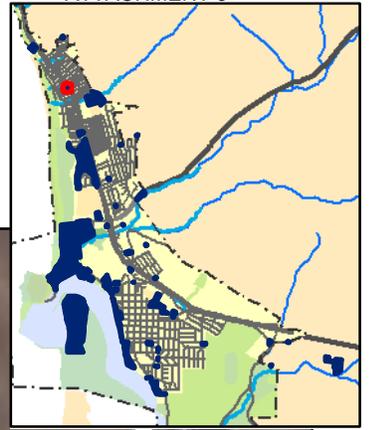
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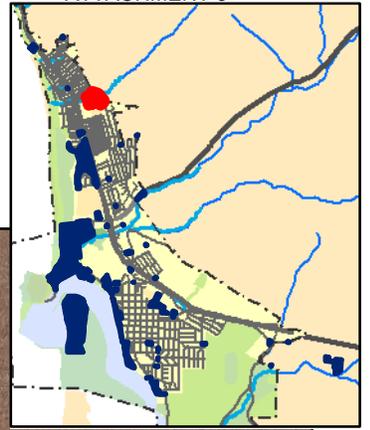
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City of Morro Bay City-Owned Properties

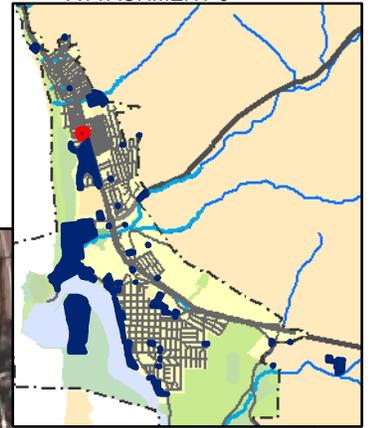
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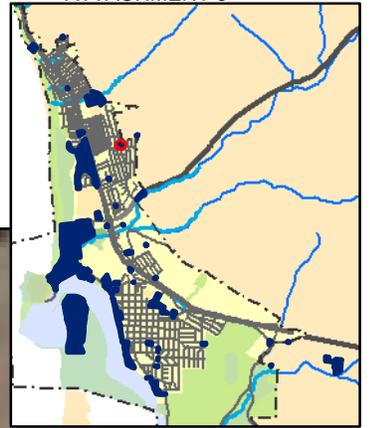
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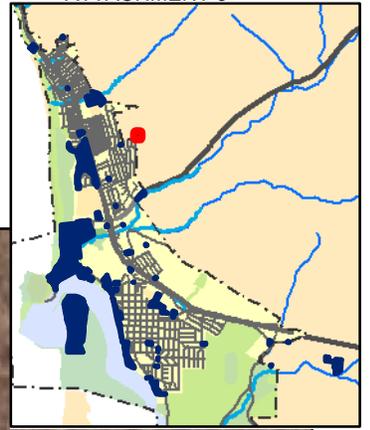
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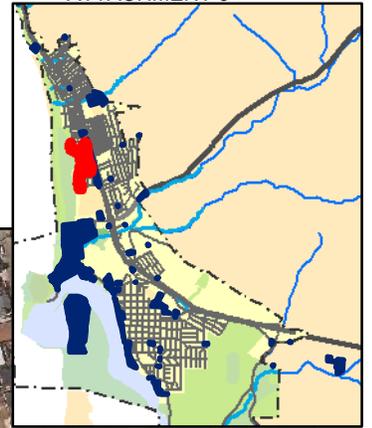
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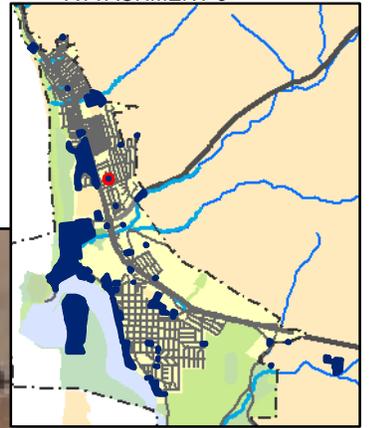
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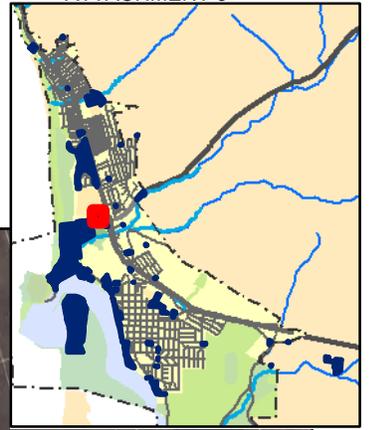
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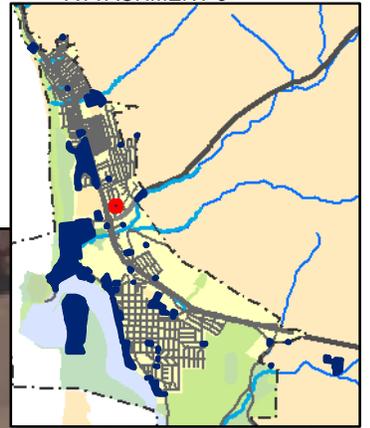
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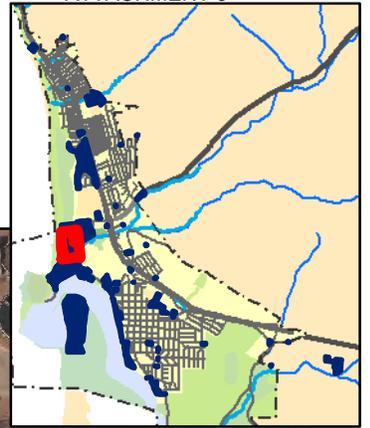
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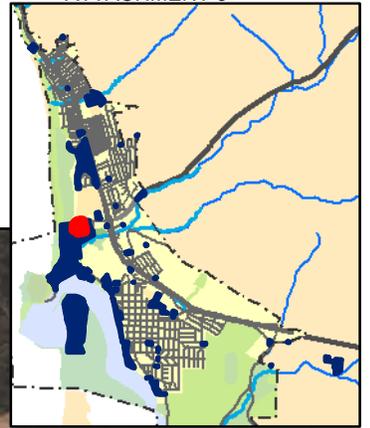
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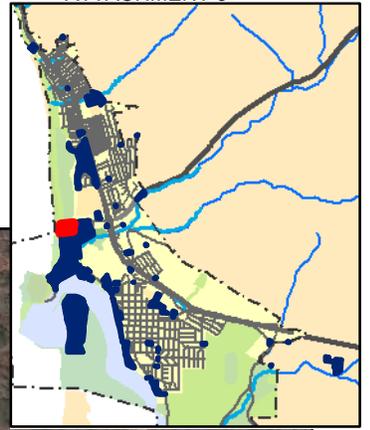
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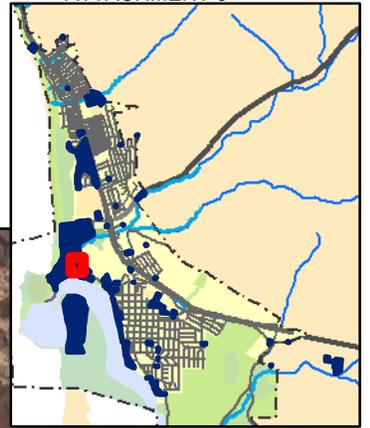
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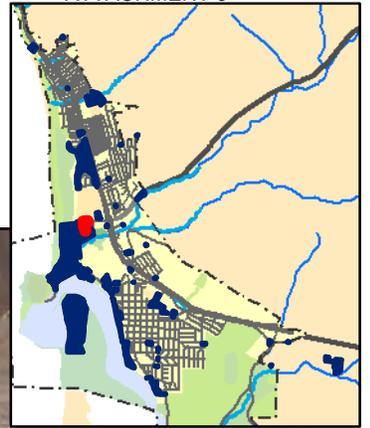
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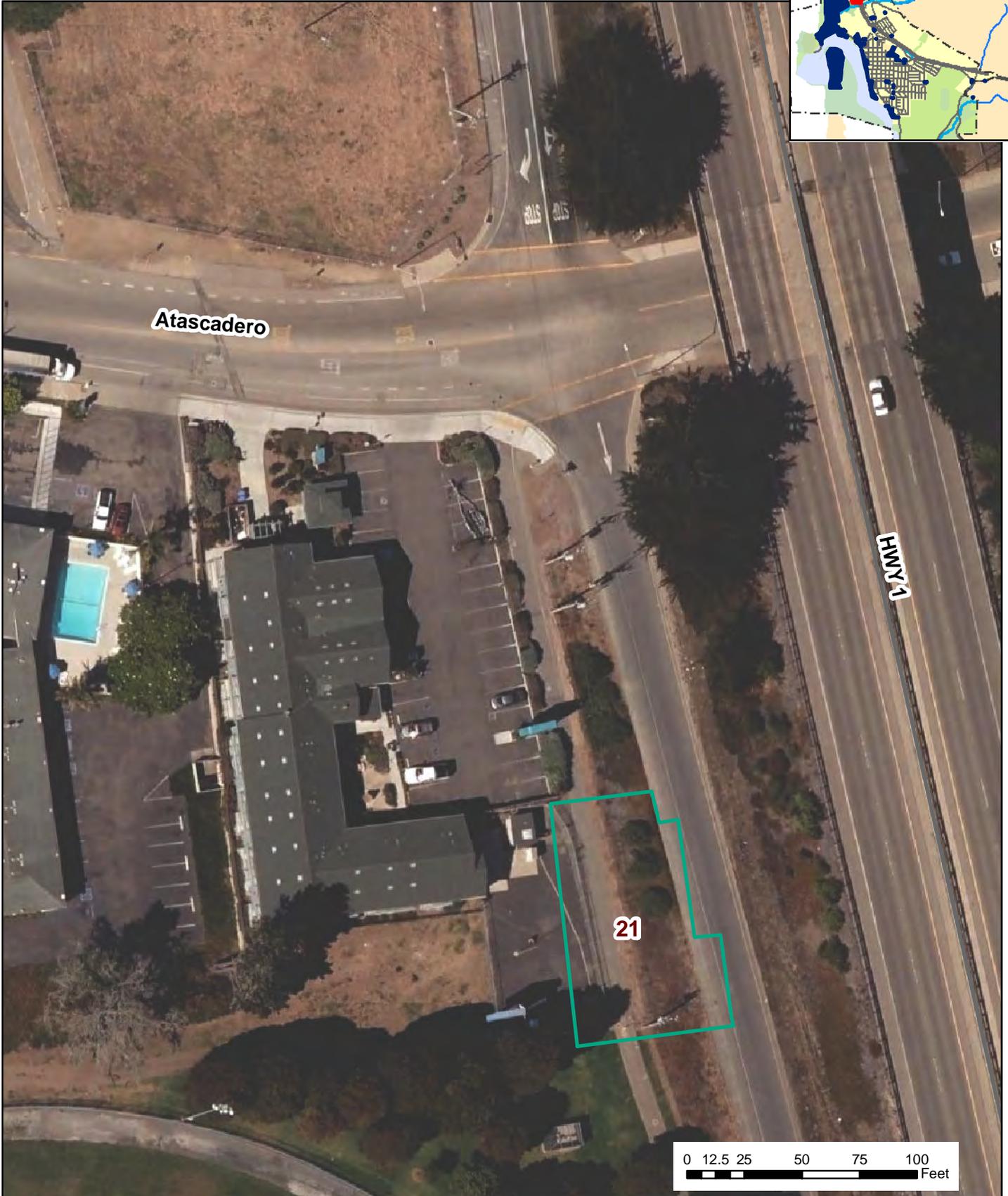
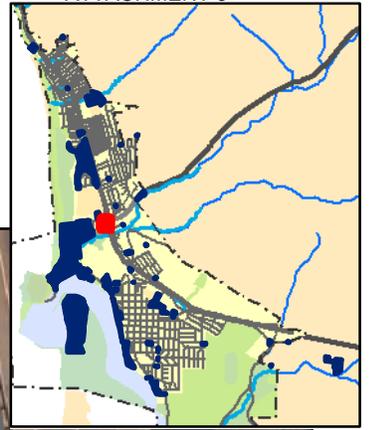
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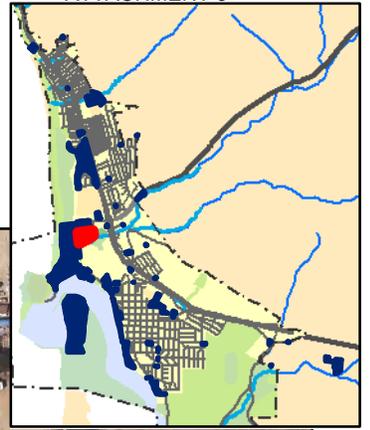
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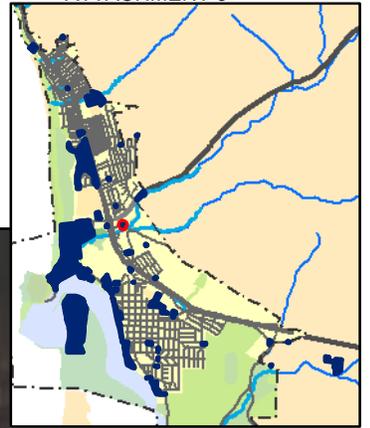
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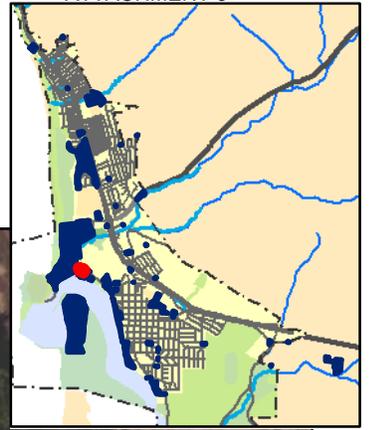


Errol

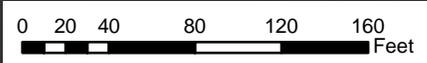
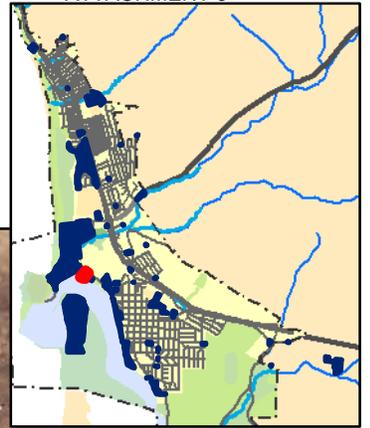
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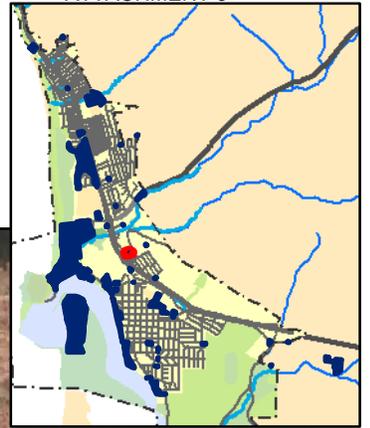


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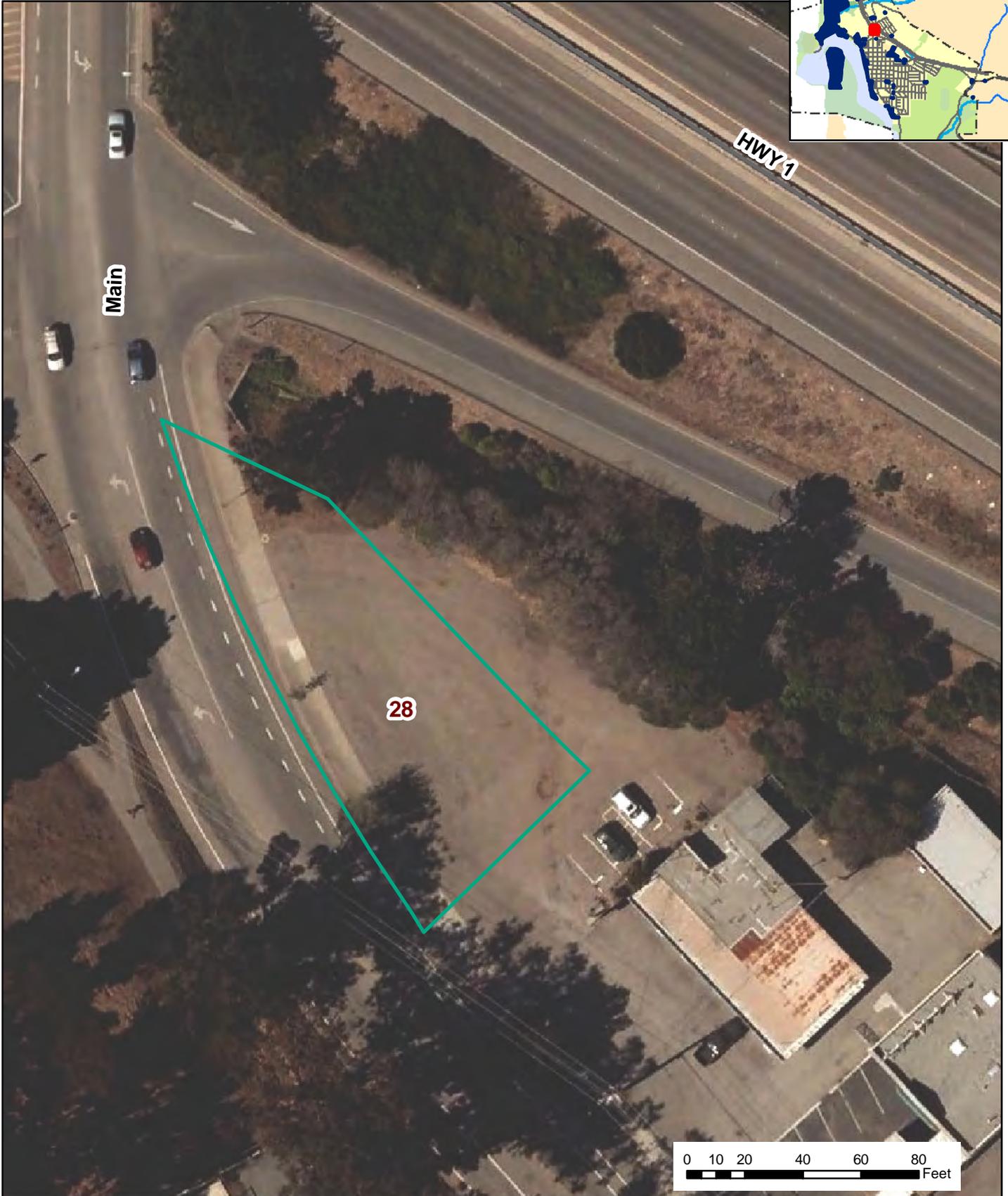
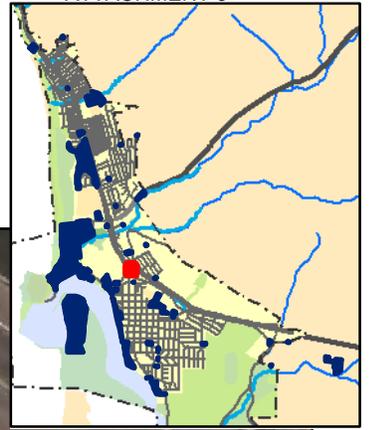


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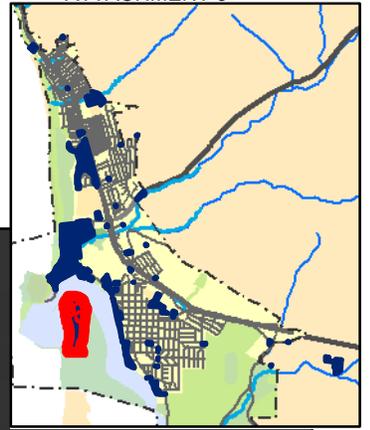
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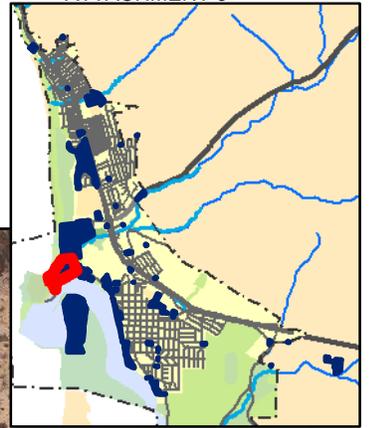
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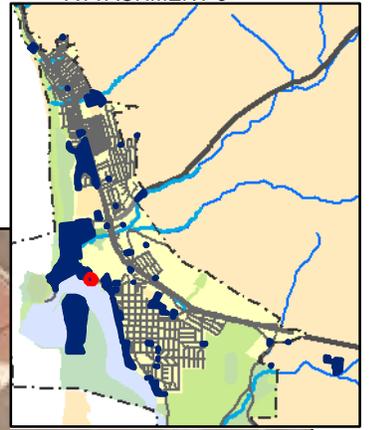


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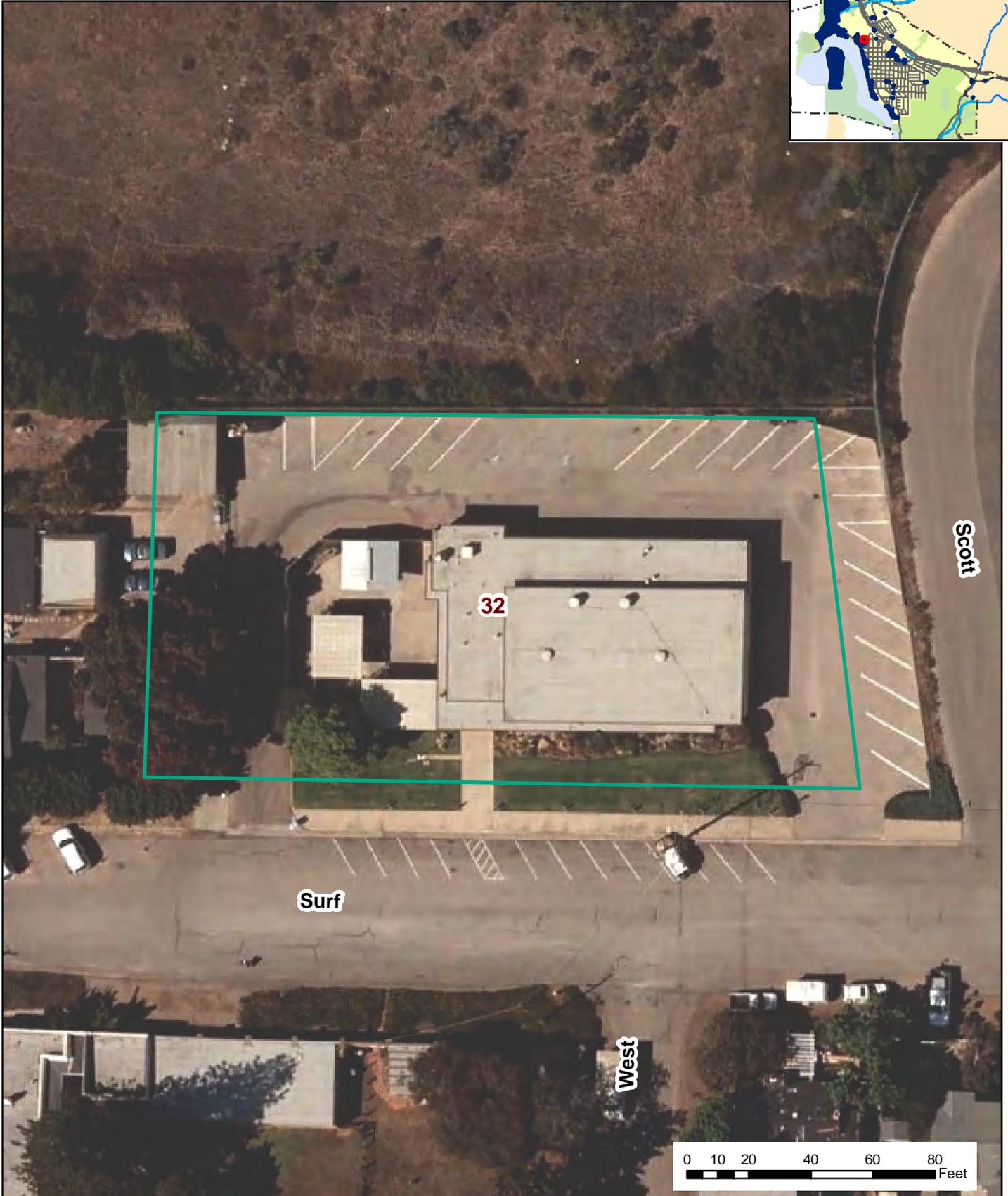
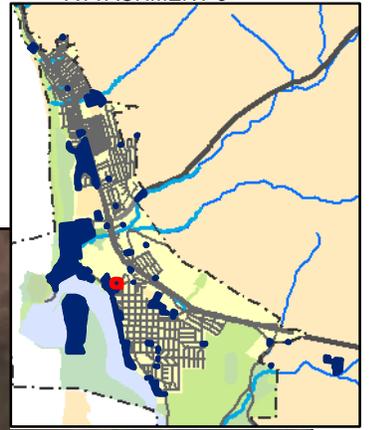
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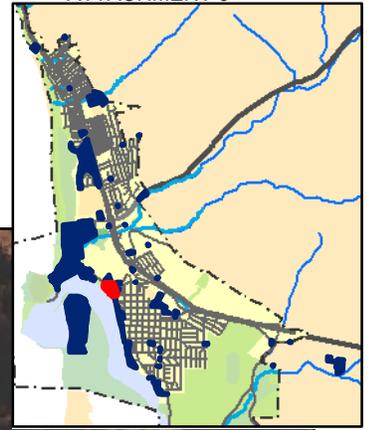


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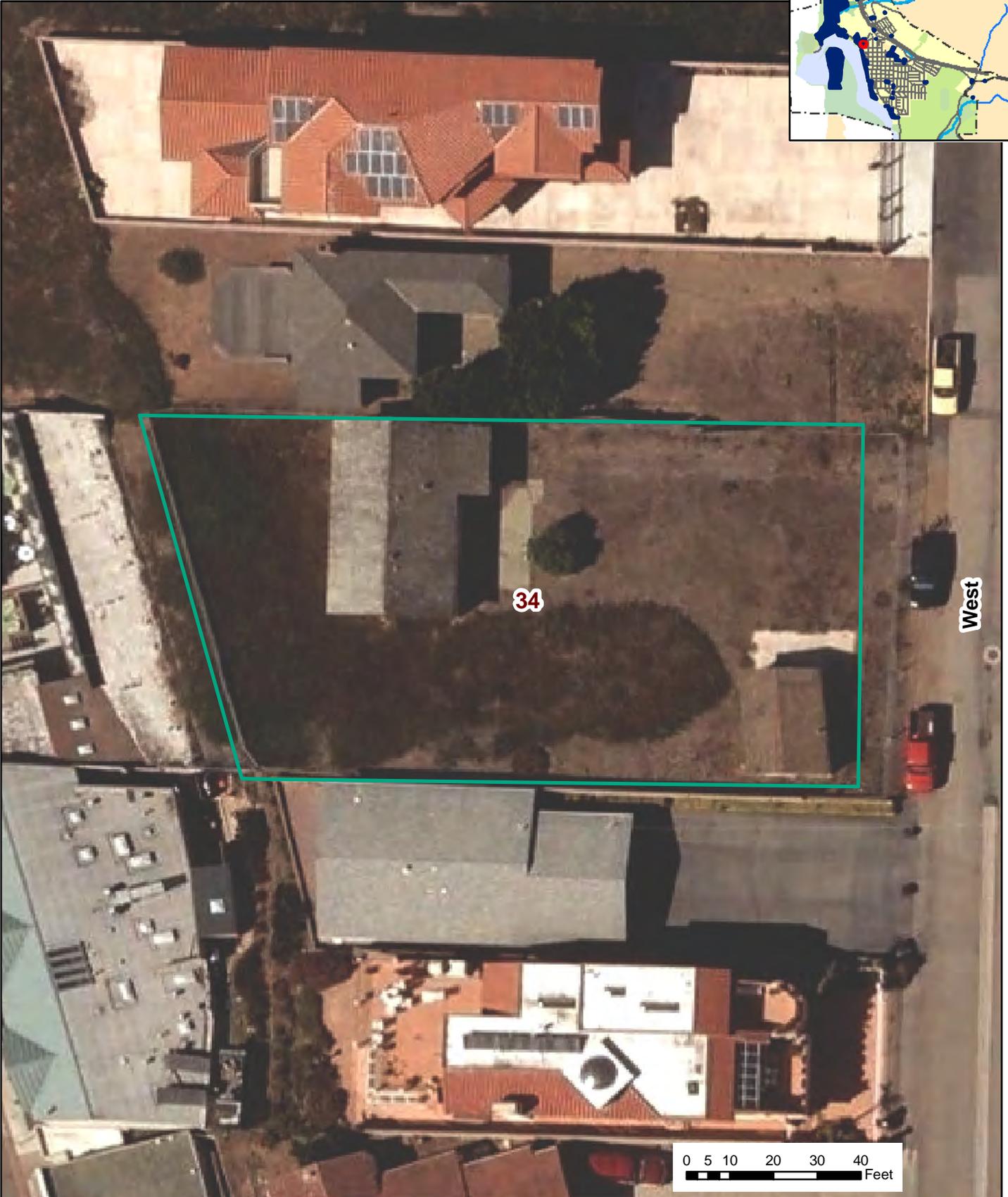
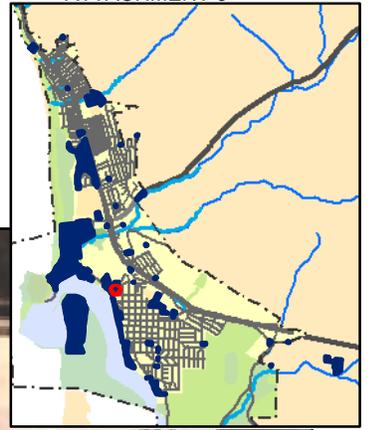
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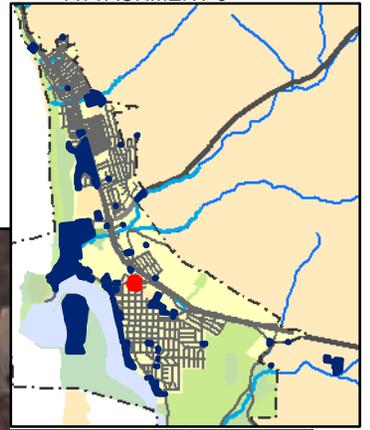
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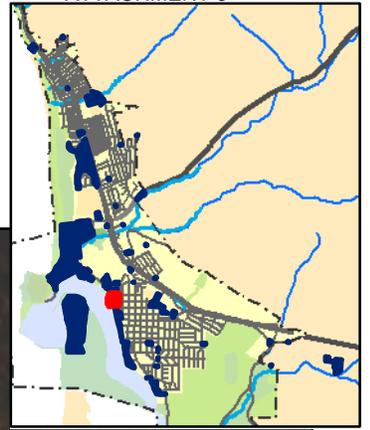


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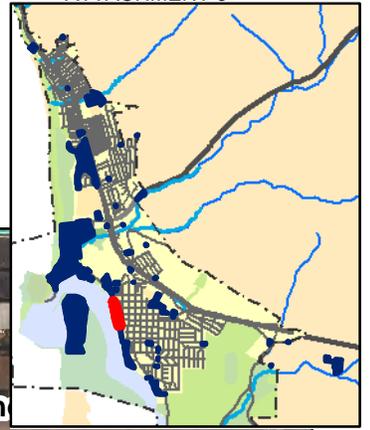
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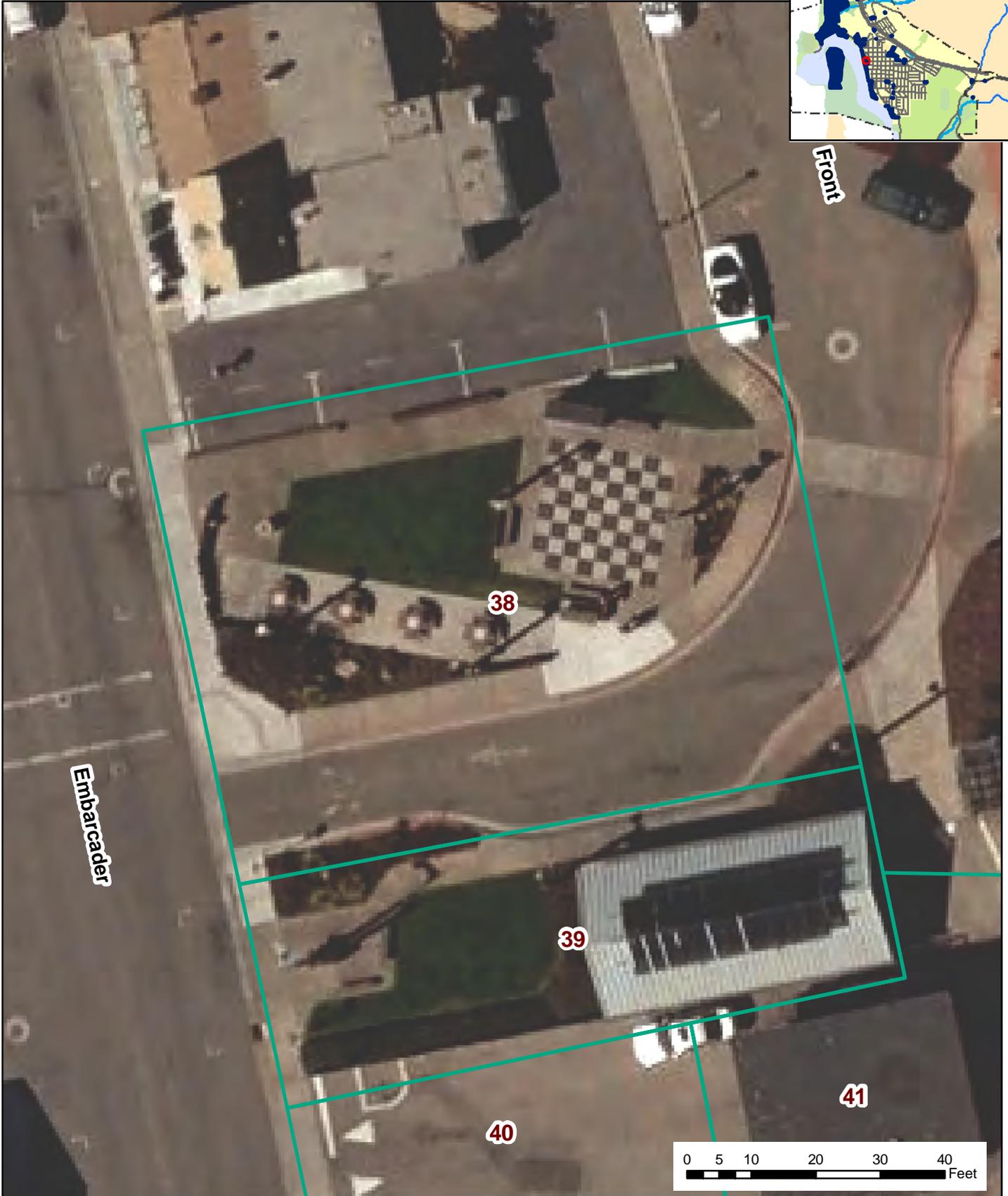
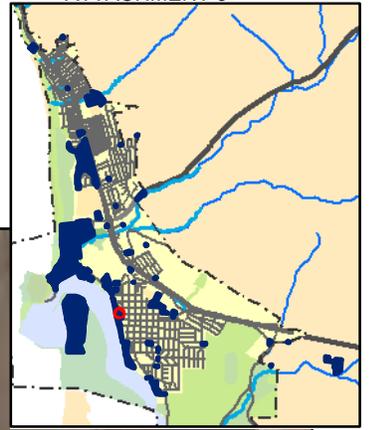


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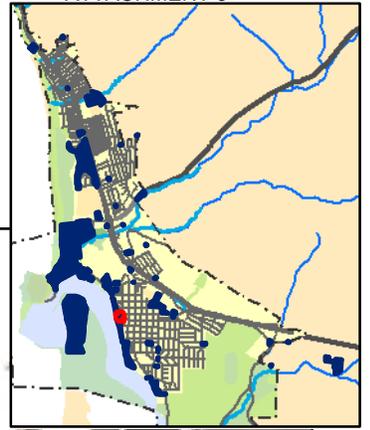
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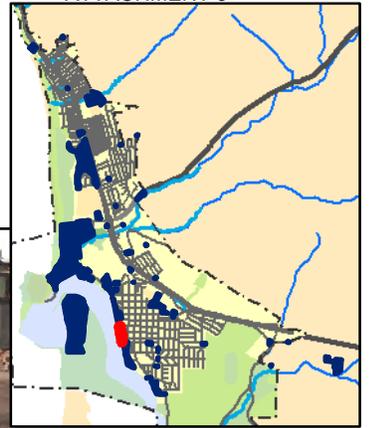
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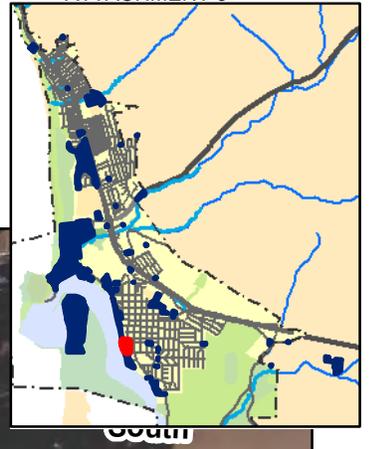
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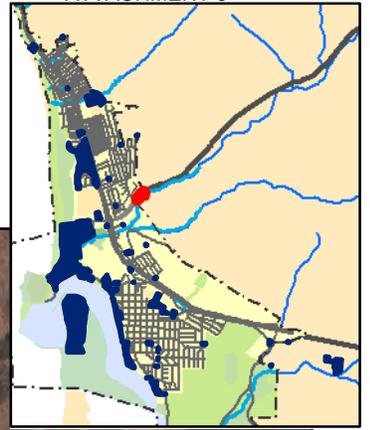
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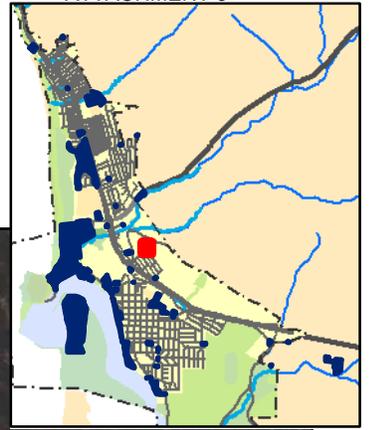
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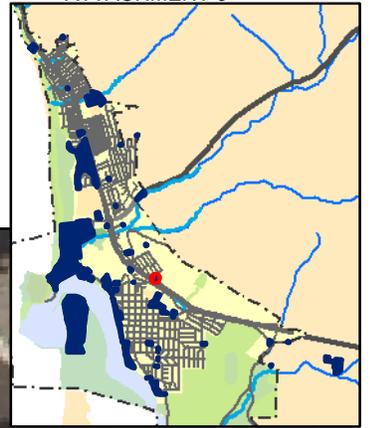
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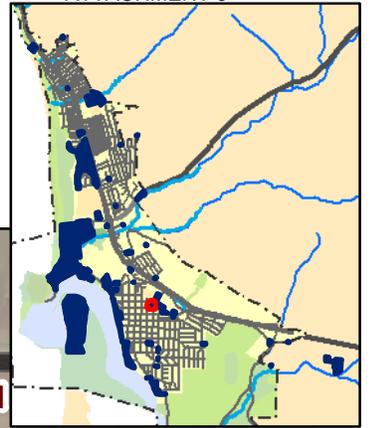


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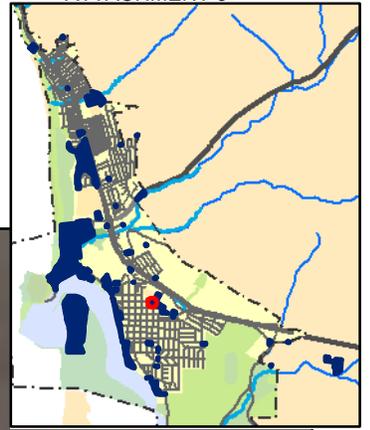
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Harbor

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City of Morro Bay City-Owned Properties



Dunes

49

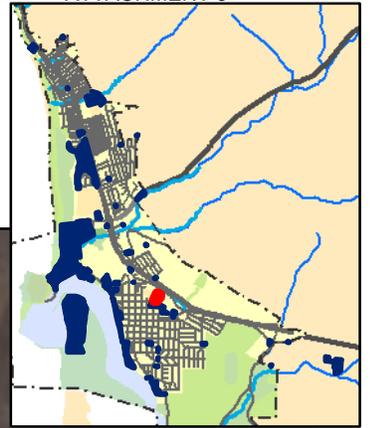
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Shasta

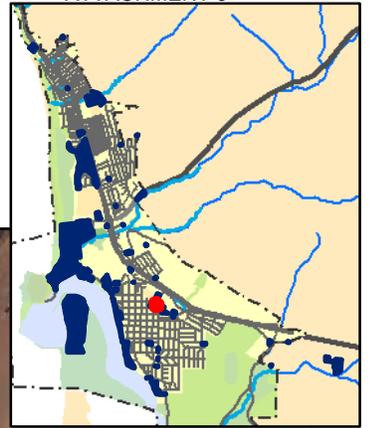
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0 4.75 9.5 19 28.5 38 Feet

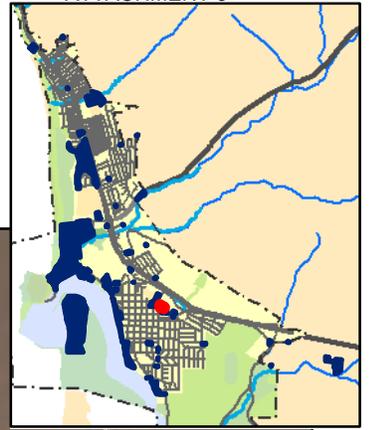
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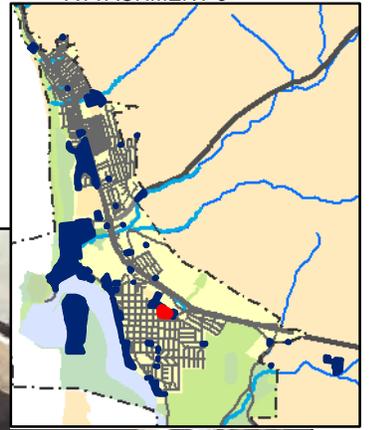
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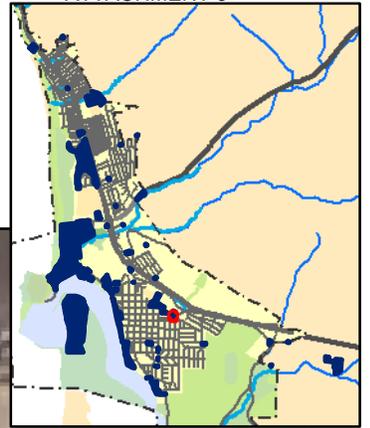
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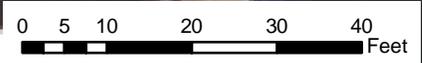
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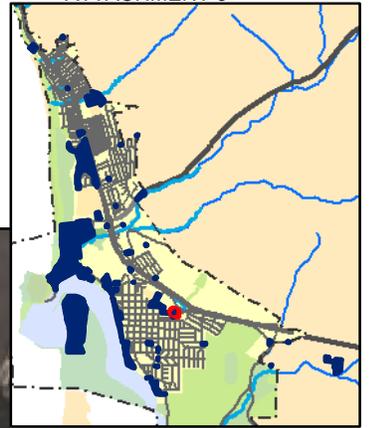
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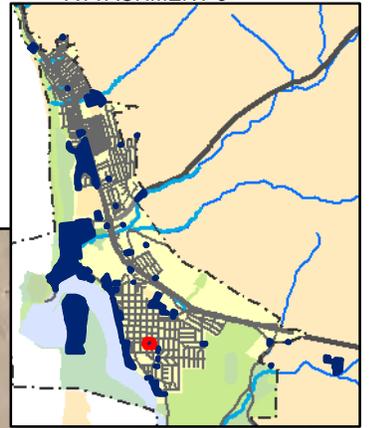
MorroBayAI



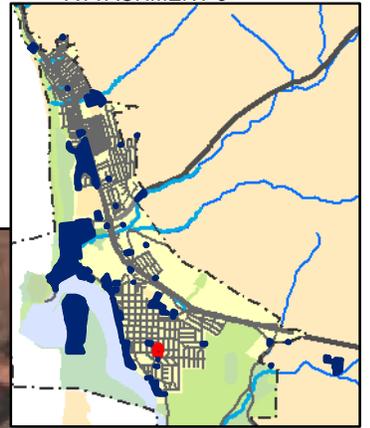
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City of Morro Bay City-Owned Properties



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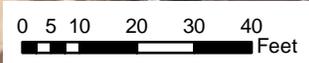


Olive

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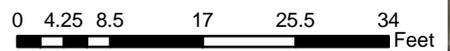
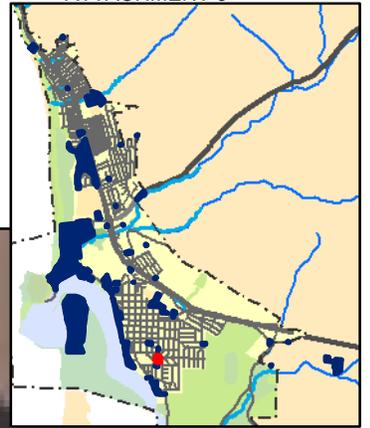
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Olive

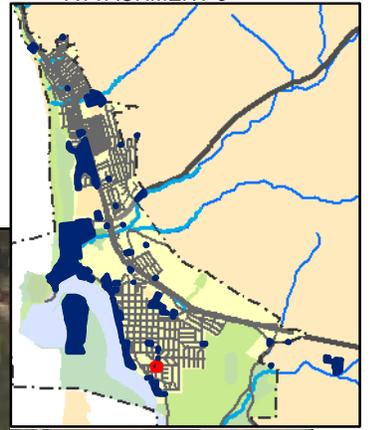


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City of Morro Bay City-Owned Properties



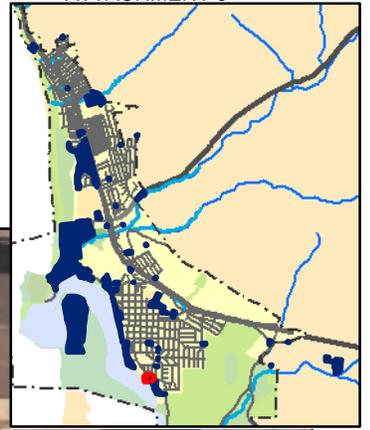
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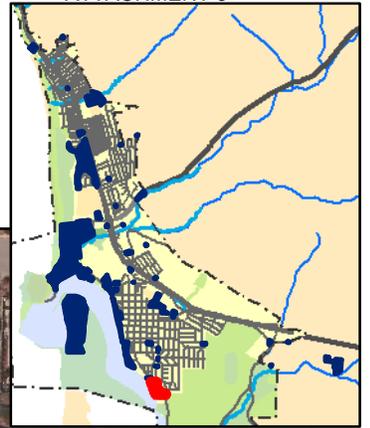
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City of Morro Bay City-Owned Properties

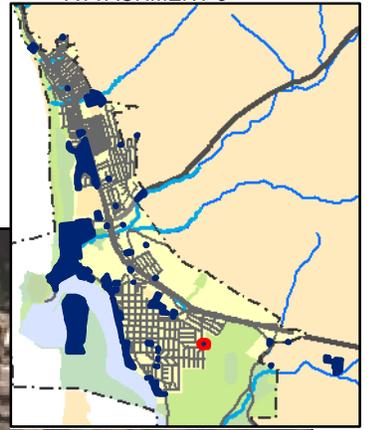


City of Morro Bay City-Owned Properties



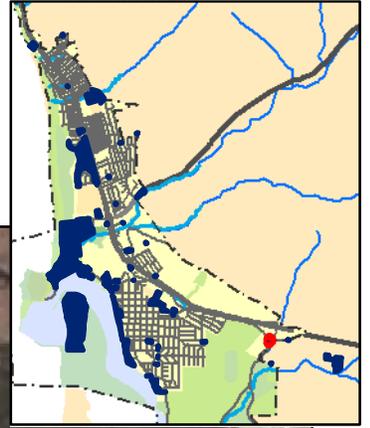
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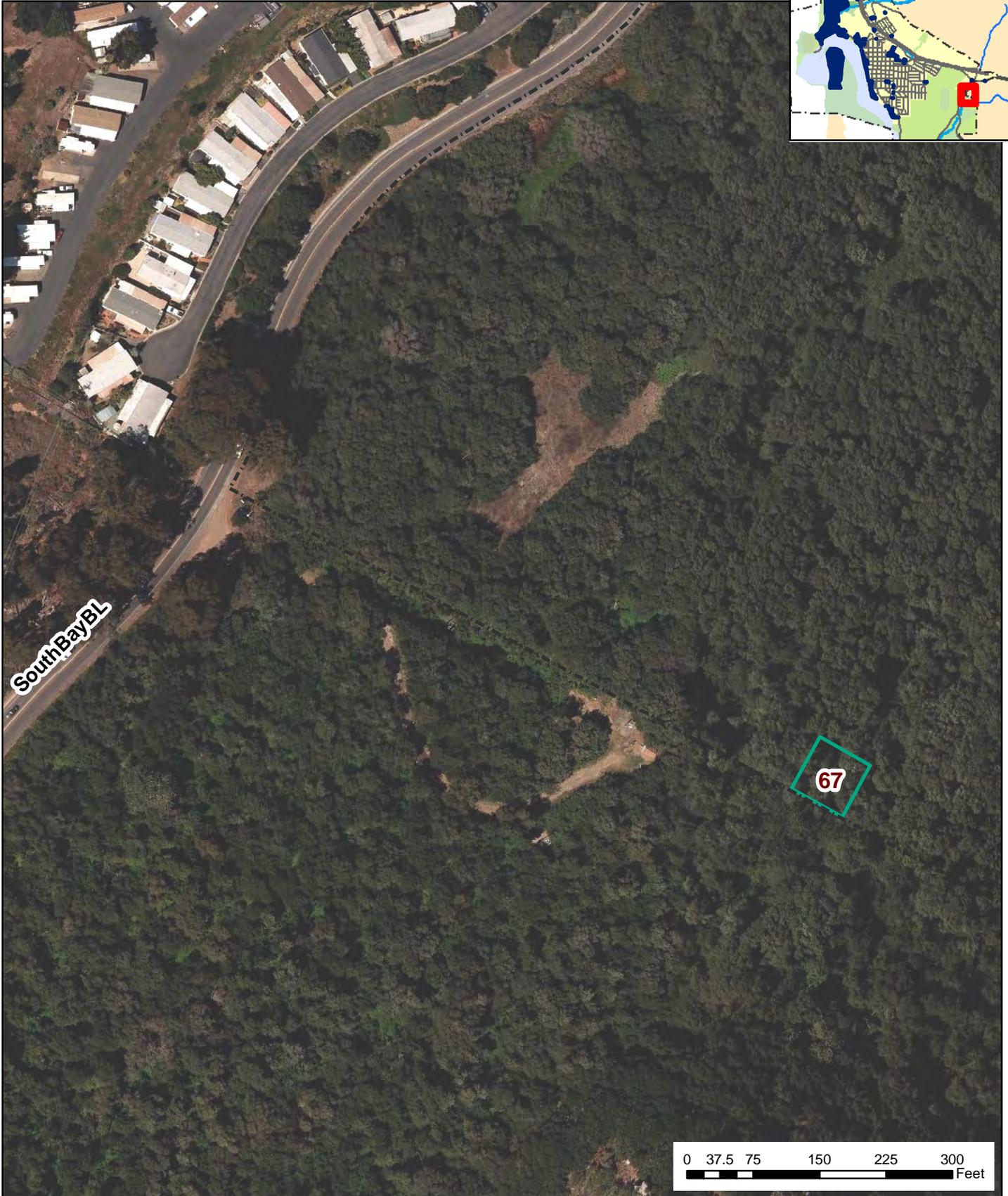
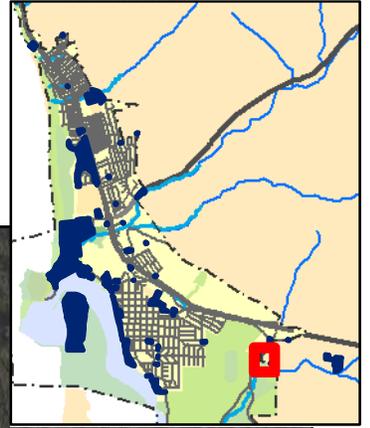


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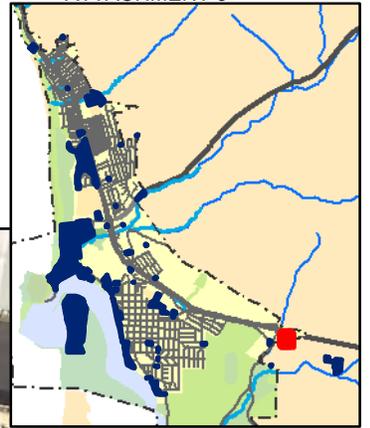
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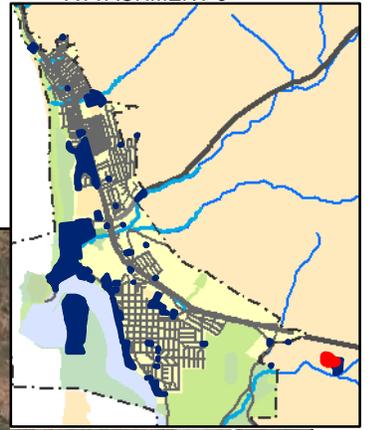
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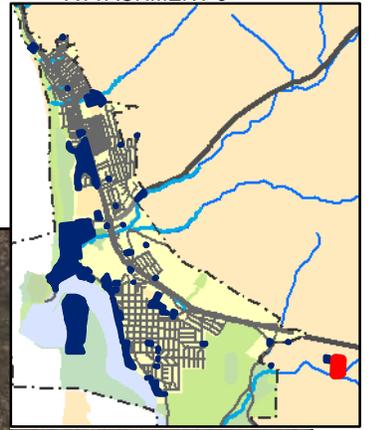
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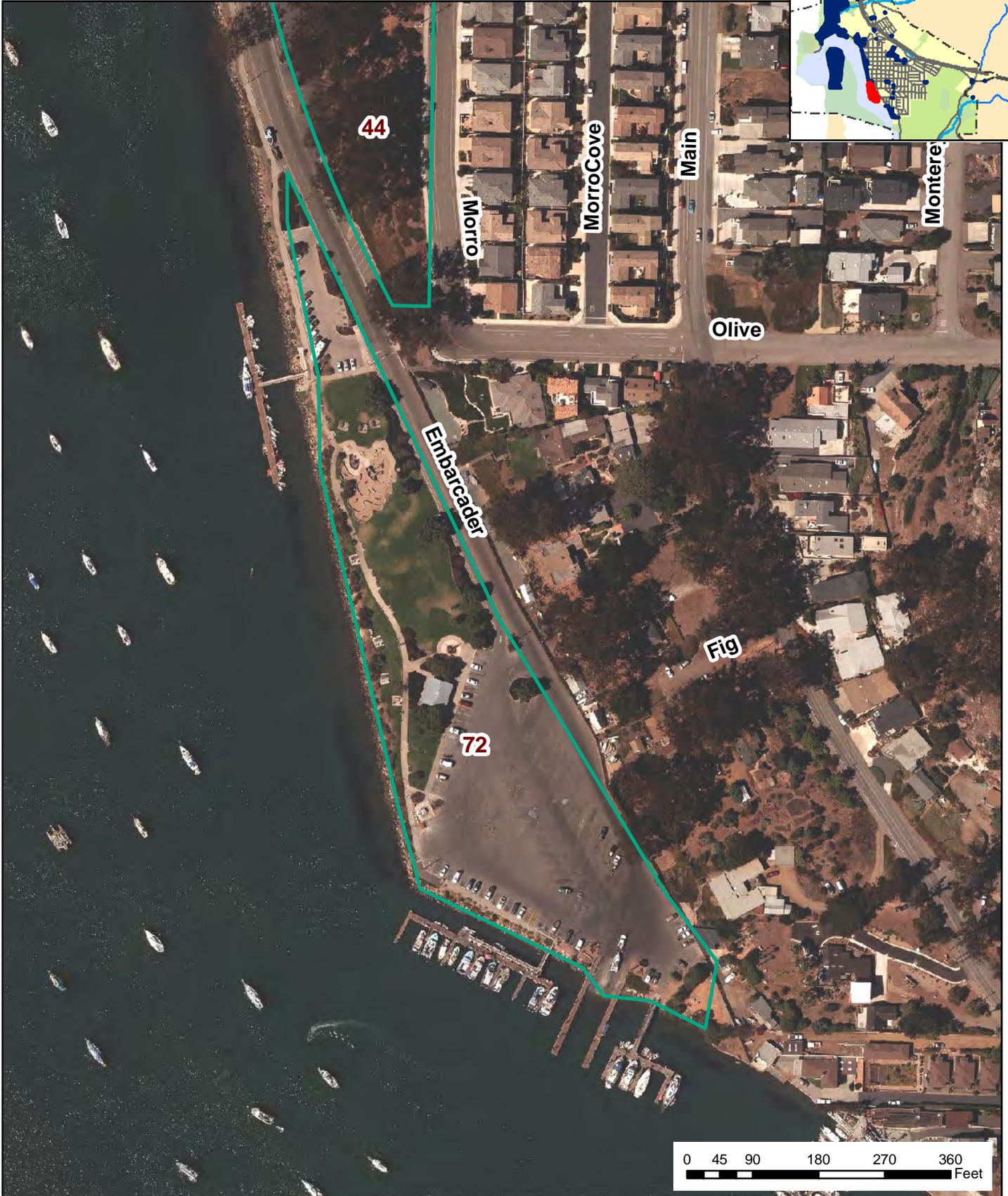
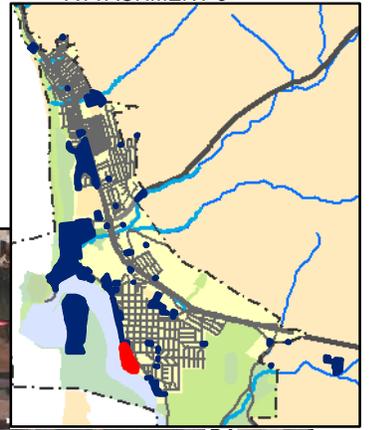
City of Morro Bay City-Owned Properties



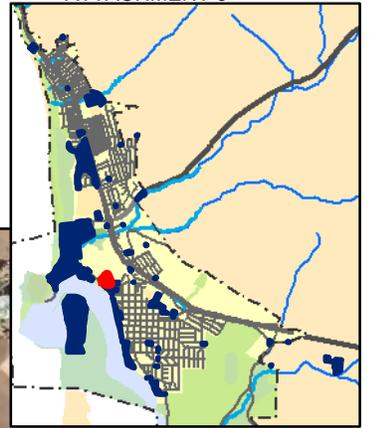
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City of Morro Bay City-Owned Properties





AGENDA NO: D-1

MEETING DATE: March 24, 2015

Council Report

TO: City Council

DATE: March 17, 2015

FROM: Jamie L. Irons, Mayor

SUBJECT: Discuss Advisory Board Joint Meetings and Recognition Event for Advisory Board Members

RECOMMENDATION

The recommendation is to discuss a recognition event and joint meetings for all advisory boards, including: Planning Commission (PC), Recreation & Parks Commission (Rec&Park), Public Works Advisory Board (PWAB), Harbor Advisory Board (HAB), Citizens Oversight Committee (Measure Q)/ Citizens Finance Committee, Water Reclamation Facility Citizen Advisory Committee (WRFCAC), and Tourism Business Improvement District Advisory Board (TBID).

ALTERNATIVES

1. Set annual recognition event and joint meetings with certain advisory boards, as deemed necessary.
2. Forego any recognition event and schedule joint meetings with the Planning Commission as required in the Council Policies and Procedures, and request an annual update from the chair of each advisory board as required in the Council Policies and Procedures.
3. Other recommendations as determined by Council.

FISCAL IMPACT

Cost estimates for a recognition event are \$800 to \$1,500. Joint meeting costs to be determined, however, meetings can be in conjunction with regular scheduled meetings to minimize the impact.

BACKGROUND/DISCUSSION

Advisory board members volunteer their time on behalf of the community and serve the City Council. Each board has a focused purpose that provides valuable information and recommendations to Council. Joint meetings amongst Council and advisory boards provide an opportunity to discuss annual objectives as they pertain to City goals, review policy and procedures, have open dialogue to discuss expectations, and receive an annual update from the advisory boards. Per the Council Policies & Procedures, an annual report is required by advisory board chairs. In the past, joint meetings have taken place with Planning Commission but not all advisory boards. Recognition events for advisory boards have also

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Prepared By: JI

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

taken place in the past, but not for some time.

CONCLUSION

Council may consider setting joint meetings or request annual reports from the advisory board chairs as the opportunity to dialogue and communicate with advisory boards. Recognition events are an opportunity to thank our volunteer advisory board members for their devoted service to our community.