CITY OF MORRO BAY
CITY COUNCIL
AGENDA

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

Regular Meeting - Tuesday, September 11, 2018
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
RECOGNITION
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS
PRESENTATIONS

- Presentation of Proclamation Declaring Peace and Nonviolence Month
- Rideshare Week Presentation

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

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 city of residence 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. <u>CONSENT AGENDA</u>

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

A-1 APPROVAL OF MINUTES FOR THE AUGUST 14, 2018 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE AUGUST 14, 2018, CITY COUNCIL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE AUGUST 28, 2018, CITY COUNCIL SPECIAL MEETING; (ADMINSTRATION)

RECOMMENDATION: Approve as submitted.

A-4 PROCLAMATION DESIGNATING SEPTEMBER 21ST OF EACH YEAR TO BE THE DAY OF PEACE AND THE MONTH OF SEPTEMBER AS PEACE & NONVIOLENCE MONTH; (CITY CLERK)

RECOMMENDATION: Approve as submitted.

A-5 ADOPTION OF RESOLUTION NO. 69-18 OPPOSING CALIFORNIA STATE PROPOSTION 6; (CITY MANAGER)

RECOMMENDATION: Council adopt Resolution No. 69-18 opposing Proposition 6 on the November 2018 General Election.

A-6 APPROVAL OF TBID ADVISORY BOARD MEMBER'S REQUEST FOR AN EXCUSED ABSENCE; (CITY CLERK)

RECOMMENDATION: consider the request submitted by Tourism Business Improvement District (TBID) Advisory Board Member, Steven Allen, to excuse his absence from the September 20, 2018 Regular TBID Advisory Board meeting and allow him to continue serving through the scheduled term ending January 31, 2021.

A-7 ADOPTION OF RESOLUTION NO. 70-18 APPROVING A SUCCESSOR MEMORANDUM OF UNDERSTANDING WITH THE MORRO BAY PEACE OFFICERS' ASSOCIATION AND RELATED COMPENSATION FOR THE PERIOD JULY 1, 2018 – JUNE 30, 2020; (ADMINISTRATION/FINANCE)

RECOMMENDATION: Council adopt Resolution No. 70-18.

B. PUBLIC HEARINGS

B-1 PUBLIC HEARING FOR THE ADOPTION OF RESOLUTION NO. 71-18 ESTABLISHING NEW WATER AND SEWER (WASTEWATER) RATES (USER FEES); (CITY MANAGER/CITY ATTORNEY)

RECOMMENDATION: Hold a Public Hearing and, as a result, adopt both water and sewer (wastewater) surcharges through the adoption of Resolution No. 71-18 for the proposed Water Reclamation Facility (WRF).

C. BUSINESS ITEMS

C-1 COMMUNITY CHOICE ENERGY STATUS REPORT AND PROVIDE DIRECTION ON KEY COMMUNITY CHOICE ENERGY ISSUES; (CITY MANAGER)

RECOMMENDATION: City Council:

1. Receive the attached community choice energy reports and presentation; and
2. Provide policy direction for key community choice energy issues; 1) joint powers agreement components, 2) joint powers authority, 3) director assignments, 4) community choice energy implementing ordinance, and 5) direction on technical energy study components.

C-2 CITY COUNCIL INPUT AND DISCUSSION ON UPDATE OF THE HARBOR DEPARTMENT LEASE MANAGEMENT POLICY DOCUMENT; (HARBOR)

RECOMMENDATION: Council provide input and direction on the Harbor Department Lease Management Policy update process being proposed.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday**, **September 25 2018 at 6:00 p.m.** at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

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

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

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

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MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – AUGUST 14, 2018
VETERAN'S MEMORIAL HALL – 4:00 P.M.

AGENDA NO: A-1

MEETING DATE: September 11, 2018

PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Joseph Pannone	City Attorney
	Dana Swanson	City Clerk
	Jennifer Callaway	Finance Director
	Eric Endersby	Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER
Mayor Irons called the meeting to order at 4:01 p.m. with all members present.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA
Mayor Irons opened public comment for items on the agenda. Seeing none, the public comment period was closed.
https://youtu.be/MGa6KYrTe0I?t=1m53s

SPECIAL MEETING AGENDA ITEMS:

I. **ADOPTION OF RESOLUTION NO. 64-18 APPROVING CONSENT OF LANDOWNER DOCUMENT FOR UNITED STATES COAST GUARD STATION MORRO BAY BUILDING EXPANSION PROJECT PROPOSAL; (HARBOR)**
https://youtu.be/MGa6KYrTe0I?t=2m5s

Harbor Director Endersby presented the staff report and responded to Council inquiries.

Mayor Irons invited Coast Guard representatives to speak to the project.

Chief Tim Crochet, U.S. Coast Guard Morro Bay Station, spoke regarding the importance of this project and need to provide adequate space for gender diversity, berthing space for current staff, additional gear storage, office space and a communications center.

Lt. Maya, U.S. Coast Guard, explained funding for the project was set aside by Congress in 2015 for this project and must be obligated prior to the end of FY19. The Coast Guard will continue to explore additional funding for further development of the site in the future.

Following discussion, the Council was in support of the project and provided additional direction for consideration by the Planning Commission as the project moves through the permit approval process.

MOTION: Council Member Headding moved for adoption of Resolution No. 64-18 approving a Consent of Landowner document for the United States Coast Guard Station Morro Bay building expansion proposal, as presented, with the following direction: consideration at Planning to bring back information regarding signage, especially regarding one-way signage on the road way; 2) parking improvements; 3) potential road area improvements; and then a fourth item to be considered to be brought back by staff – a look at fair market value leasehold issues with regard to the existing lease and the possibility of opening that up. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

II. **ADOPTION OF RESOLUTION NO. 62-18 TO APPROVE A ONE-YEAR TRIAL EXTENSION OF UTILITY DISCOUNT PROGRAM ENROLLMENT AND ADOPTION OF RESOLUTION NO. 63-18 ESTABLISHING A PENALTY WAIVER POLICY FOR UTILITIES; (ADMINISTRATION/FINANCE)**
https://youtu.be/MGa6KYrTe0I?t=40m21s

City Manager Collins and Finance Director Callaway presented the staff report and responded to Council inquiries. Ms. Callaway noted a correction to the draft policy was needed to clarify an adjustment of the penalty or tag notice fee may be made one time during a twenty-four-month period, not two times.

Mayor Irons opened public comment for Item II; seeing none, the public comment period was closed.

MOTION: Council Member Davis moved for adoption of Resolution No. 62-18 to approve a one-year trial extension of Utility Discount Program Enrollment and also adopt Resolution No. 63-18 establishing a Penalty Waiver Policy for Utilities, with the correction to the policy as noted by our Finance Director stating that the full amount of the penalty or tag notice fee may be made one time during a 24-month period. The motion was seconded by Council Member Makowetski and carried unanimously, 5-0.

III. **AUTHORIZE THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH REVENUE AND COST SPECIALISTS, LLC TO UPDATE THE CITY'S COMPREHENSIVE USER FEE STUDY, COST ALLOCATION PLAN, DEVELOPMENT IMPACT FEE STUDY AND MASTER FACILITIES PLAN IN AN AMOUNT NOT TO EXCEED $83,569; (FINANCE)**
https://youtu.be/MGa6KYrTe0I?t=58m10s

Ms. Callaway presented the staff report and responded to Council Inquiries.

Mayor Irons asked the Council to consider including optional presentation as shown on page 88 of agenda packet for a cost of $2,400.

Mayor Irons opened public comment for Item III; seeing none, the public comment period was closed.

There was Council support for including the optional item with a cost of $2,400 within the requested contract amount.

MOTION: Council Member Headding moved the Council authorize the City Manager to execute an agreement with Revenue and Cost Specialists, LLC to update the City's Comprehensive User Fee Study, Cost Allocation Plan, Development Impact Fee Study and Master Facilities Plan in an amount not to exceed $83,569, which includes a contingency amount of $16,714. and that would be to include the optional Task #3 which would be a stakeholder meeting. The motion was seconded by Council Member Makowetski and carried unanimously, 5-0.

Mayor Irons commented this special meeting was necessary due to the large number of normal business items on the agenda, and that based on conversations with the City Manager the Council should be prepared for at least a couple more special meetings to complete items on the 2018 Goals and Objectives.

ADJOURN
The meeting adjourned at 5:15 p.m.

Recorded by:

Dana Swanson,
City Clerk

MINUTES - MORRO BAY CITY COUNCIL
REGULAR MEETING – AUGUST 14, 2018
VETERAN'S MEMORIAL HALL – 6:00 P.M.

AGENDA NO: A-2

MEETING DATE: September 11, 2018

PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	John Headding	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Joseph Pannone	City Attorney
	Dana Swanson	City Clerk
	Jennifer Callaway	Finance Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Director
	Steve Knuckles	Fire Chief
	Eric Endersby	Harbor Director
	Eric Casares	WRF Program Manager (Carollo Engineering)

ESTABLISH QUORUM AND CALL TO ORDER
The meeting was called to order at 6:01 p.m., with all members present.

MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
RECOGNITION - None
CLOSED SESSION REPORT – No Closed Session meeting was held.

MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
https://youtu.be/mmyI1CdL7Fs?t=2m28s

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS
https://youtu.be/mmyI1CdL7Fs?t=5m26s

PRESENTATIONS
- Community Choice Energy (CCE) Update by Chris Read, City of San Luis Obispo
  https://youtu.be/mmyI1CdL7Fs?t=6m47s
- Dynegy Presentation Regarding Pipeline Removal by Michael Sandler, Project Manager
  https://youtu.be/mmyI1CdL7Fs?t=14m52s

PUBLIC COMMENT
https://youtu.be/mmyI1CdL7Fs?t=25m27s

Nancy Castle provided an update on Monday Night Meals held weekly at the Veterans Hall, which to date has served 16,270 people. She appreciated the organizations and businesses who contribute their time and resources.

Judy Salamacha, Morro Bay, thanked the City for their support of the SLO County Human Trafficking Summit to be held September 15, 2018, from 8:30am to 2:00pm at the Community Center. For more information visit www.sloagainsthumantrafficking.eventbrite.com.

Bob Swain, Morro Bay, extended thanks to the Council and staff for their work getting City moving into the future and stated his support for the WRF Project.

John Weiss, Morro Bay resident and business owner, announced his candidacy for Mayor and stated his support for public safety, the Maritime Museum, Natural History Museum, waterfront and Historical Society. He also promised to take a thoughtful look at plans and costs for the sewer and reclamation project.

Glenn Silloway, Morro Bay, compared Cayucos rates for an average water user of $191.80 to Morro Bay projected rates of $191.00.

Jan Der Garabedian, Los Osos, stated she previously shared concerns about trees that line Main Street and had fallen during the Farmer's Market. She added dogs being allowed at the Farmer's Market presented safety concerns.

Anne Marie Schnetzler, Morro Bay, requested the Council pull Item A-5, a contract with Michael Baker, for further discussion.

Cynthia Hawley read letter from Morro Bay Action Team recommending the Council re-send Prop. 218 notices to all property owners and rate payers announcing the new hearing date.

Renn Strong spoke regarding 5G towers, smart meters, and lymphoma concerns.

Karen Aguilar, Morro Bay resident and Morro Bay Beautiful Board Member, shared information and photos of the projects completed the past year. The group welcomes community support and contributions. Please visit www.morrobaybeautiful.org for more information.

Anthony Tiglio asked for assistance with the permit process to replace his home lost in a recent fire.

Betty Winholtz, Morro Bay, spoke to Item A-5, expressing concern ~~about~~ the proposed contract amendment was being approved on the Consent Agenda without further discussion. Regarding Item B-1, she objected to the statement of overriding concerns and didn't believe the EIR was ready to be certified and approved.

Marla Jo Sadowski, Home Front Morro Bay, was concerned with environmental justice issues and policies related to the ESHA maps prepared for the GP/LCP.

Terry Simons, Morro Bay, alerted the harbor master the steel pipe being removed by Dynegy may be of use for harbor pilings.

The Public Comment period was closed.

A. CONSENT AGENDA
https://youtu.be/mmyI1CdL7Fs?t=1h7m10s

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 JUNE 13, 2018 CITY COUNCIL SPECIAL MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE JUNE 23, 2018, COMMUNITY WORKSHOP; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 APPROVAL OF MINUTES FOR THE JULY 9, 2018, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINSTRATION)

RECOMMENDATION: Approve as submitted.

A-4 APPROVAL OF MINUTES FOR THE JULY 26, 2018, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINSTRATION)

RECOMMENDATION: Approve as submitted.

A-5 APPROVAL OF AMENDMENT NO. 5 TO CITY'S CONTRACT WITH MICHAEL BAKER, INTERNATIONAL FOR CONSULTING SERVICES FOR THE GENERAL PLAN/LOCAL COASTAL PROGRAM AND ZONING CODE UPDATE; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Council authorize the City Manager to execute Amendment No. 5 to the agreement with Michael Baker International, in the amount of $23,053.00 for completion of the comprehensive update of the City's General Plan/Local Coastal Program and Zoning Code.

A-6 RECEIPT OF THIRD QUARTER INVESTMENT REPORT (PERIOD ENDING MARCH 31, 2018) FOR FISCAL YEAR 2017/18; (FINANCE)

RECOMMENDATION: Receive the attached Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18.

A-7 AUTHORIZATION FOR SOLE SOURCE PURCHASE OF A FIRE ENGINE PUMPER FROM PIERCE MANUFACTURING AND RECOMMENDED BUDGET ADJUSTMENTS; (FIRE)

RECOMMENDATION:
Council

1. **Authorize the sole source purchase of an Arrow XT 1,500 GPM Fire Engine Pumper, from Pierce Manufacturing, in an amount not to exceed $678,874, since it is the only fire engine manufacturer that can service all of Morro Bay's needs; and**
2. **Authorize budget adjustments as detailed in Resolution No. 59-18 to support purchase of the fire engine with available cash.**

A-8 DESIGNATION OF VOTING DELEGATE AND ALTERNATE AT LEAGUE OF CALIFORNIA CITIES 2018 ANNUAL CONFERENCE BUSINESS MEETING AND AUTHORIZE THE VOTING DELEGATE TO APPROVE THE PROPOSED RESOLUTIONS; (CITY CLERK)

RECOMMENDATION:
City Council:

1. **Select Mayor Pro Tem McPherson, as the voting delegate, and Council Member Headding, as the alternate voting delegate, for the upcoming annual business meeting to be held at the League of California Cities Annual Conference ; and**

2. **Authorize the Voting Delegate(s) to approve the proposed Resolutions provided as Attachment B.**

A-9 ADOPTION OF RESOLUTION NO. 60-18 ADVISORY BODIES HANDBOOK AND BY-LAWS AMENDING THE CITIZENS FINANCE ADVISORY COMMITTEE BY-LAWS; (CITY CLERK)

RECOMMENDATION: City Council adopt Resolution No. 60-18 amending the Advisory Bodies Handbook and By-Laws to reduce the term length for the Citizens Oversight Committee Acting in the Capacity of a Citizens Finance Advisory Committee ("Committee") from six years to four, in accordance with Ordinance No. 614, and modify the Committee's duties and responsibilities to include review of routine quarterly financial reports.

A-10 AMENDMENT NO. 1 TO THE CURRENT AGREEMENT FOR JOINT CONSTRUCTION AND FINANCING COSTS FOR AN ANIMAL SERVICES SHELTER; (CITY MANAGER)

RECOMMENDATION: Council authorize the City Manager to approve Amendment No. 1 to the Agreement for Allocation of Construction and Financing Costs for an Animal Services Shelter.

A-11 APPROVAL OF AMENDMENT NO. 3 TO CITY'S CONTRACT WITH MIKE BRANNAGAN (TERRA SOLUTIONS) FOR CONSULTING SERVICES FOR ARCGIS SERVER MAINTENANCE AND FOR OVERALL GIS DATA MANAGEMENT; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Council authorize the City Manager to execute Amendment No. 3 to the agreement with Mike Brannagan (Terra Solutions), in the amount of $60,000, for maintenance of the City's ArcGIS server and management of City Geographic Information System (GIS) data.

The public comment period for the Consent Agenda was opened.

Barry Branin, Morro Bay, thanked staff for additional information provided in the addendum for Item A-5 and asked if the City would be able to meet its contract requirements with Tri-W.

Nancy Bast, Morro Bay, spoke regarding A-5 stating she was unable to find the MOU in past agendas and the item should not have been placed on Consent.

Cynthia Hawley opposed Item A-5 as taking action to expand City limits without public input.

Steve Stevens, Morro Bay, spoke regarding Item A-5 and suggested it should be a public hearing item to minimize concern.

The public comment period for the Consent Agenda was closed.

Mayor Irons pulled Items A-5 and A-9. Council Members Headding and McPherson pulled Item A-7.

MOTION: Council Member McPherson moved the Council approve all items on the Consent Agenda with the exception of Items A-5, A-9 and A-7. The motion was seconded by Council Member Headding and carried unanimously, 5-0.

A-5 APPROVAL OF AMENDMENT NO. 5 TO CITY'S CONTRACT WITH MICHAEL BAKER, INTERNATIONAL FOR CONSULTING SERVICES FOR THE GENERAL PLAN/LOCAL COASTAL PROGRAM AND ZONING CODE UPDATE; (COMMUNITY DEVELOPMENT)
https://youtu.be/mmyI1CdL7Fs?t=1h16m44s

Community Development Director Graham provided a brief report and responded to Council inquiries.

MOTION: Council Member Headding moved the Council approve Item A-5, and that's the approval of Amendment No. 5 to the City's contract with Michael Baker International for consulting services for the General Plan/Local Coastal Program and Zoning Code update. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

A-7 AUTHORIZATION FOR SOLE SOURCE PURCHASE OF A FIRE ENGINE PUMPER FROM PIERCE MANUFACTURING AND RECOMMENDED BUDGET ADJUSTMENTS; (FIRE)
https://youtu.be/mmyI1CdL7Fs?t=1h35m7s

Council Member Headding complimented the procurement process and noted the Citizens Finance Advisory Committee supported this sole source purchase.

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

A-9 ADOPTION OF RESOLUTION NO. 60-18 ADVISORY BODIES HANDBOOK AND BY-LAWS AMENDING THE CITIZENS FINANCE ADVISORY COMMITTEE BY-LAWS; (CITY CLERK)
https://youtu.be/mmyI1CdL7Fs?t=1h36m58s

Mayor Irons supported reducing the term from six years to four, but suggested the Council further discuss the roles of the Citizens Finance Advisory Committee (CFAC) and Council in an effort to streamline the amount of work CFAC does and reduce staff workload.

MOTION: Council Member Headding moved for approval of Item A-9. The motion was seconded by Council Member Davis.

Council Member McPherson commented when she served on the CFAC, the Committee was mindful to not accept responsibilities they couldn't take on, adding the policy says, "when possible" which allows that flexibility. The motion carried unanimously, 5-0.

The Council took a brief recess at 7:40 p.m. The meeting reconvened at 7:54 p.m. with all members present.

B. PUBLIC HEARINGS

B-1 CERTIFICATION OF THE FINAL ENVIRONMENTAL IMPACT REPORT (FEIR) PROJECT APPROVAL OF THE MORRO BAY WATER RECLAMATION FACILITY (WRF); ADOPTION OF RESOLUTION NO. 61-18; AND PROVIDE OTHER DIRECTION AS DEEMED APPROPRIATE; (COMMUNITY DEVELOPMENT/PUBLIC WORKS)
https://youtu.be/mmyI1CdL7Fs?t=1h41m

City Manager Collins introduced the item and turned it over to WRF Program Manager, Eric Casares, and Jennifer Jacobus from ESA, who provided the report and responded to Council inquiries.

Mayor Irons opened the public hearing.

Clerk Swanson confirmed notice of the public hearing was published in the SLO Tribune on August 3, 2018, as required by law.

The public comment period was opened.

Terry Simons, Morro Bay, stated he was fine with FEIR and staff report but felt the statement of overriding considerations impacts didn't address economic impacts to citizens of Morro Bay. He did not support approving the WRF project and directing staff to pursue necessary permits.

Aaron Ochs, Save Morro Bay, echoed support for Mr. Simons' comments, adding the FEIR didn't addresses project alternatives with same breadth and scope as the South Bay Blvd. site.

Dawn Addis, Morro Bay, thanked the City for its work with the Northern Chumash Tribal Council and asked Council to move forward with approval of Resolution No. 61-18.

Dan Sedley, Morro Bay, did not believe economic issues were adequately addressed.

Dawn Beattie, Morro Bay, expressed her support for the Council direction.

John Weiss, Morro Bay resident and business owner, stated closing one lane on Quintana could be catastrophic to businesses and less expensive projects should be considered.

Steve Stevens, Morro Bay, would have liked more information relative to the viability and feasibility of water recycling. He also was concerned tenants in the area will be impacted by rent increases.

Bob Keller, Morro Bay, recommended the City Council and staff move forward with WRF by adopting Resolution No 61-18.

Mayor Irons closed public comment and closed the public hearing.

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

City Attorney Pannone stated for the record he did not believe the comments that were made raised any new information, discussed any impacts that were not analyzed, or raised any issues that caused the FEIR to not be complete and sound as it is.

Council Member Headding suggested the following language be added as a bullet point on page 278 of the agenda packet (Exhibit C – Benefits of the Project), "Compliance with effluent water quality criteria and with SWRCB/CCRWQCB order."

Council Members expressed some concern regarding the statement of overriding considerations and potential impacts on cultural resources. They appreciated staff's efforts to work with the Northern Chumash Tribal Council and Caltrans to potentially relocate the pipeline to avoid the potentially impacted area.

Mayor Irons acknowledged the FEIR being certified has a route specified that could go through culturally sensitive areas and there are mitigation measures to address that, but the City will do everything it can to re-route that. Also, the City wants to work with Mr. Collins to select an archeological consultant but that is staff's final decision in making that selection. The rest of Council concurred with those comments.

Regarding all those statements relating to the potential impact on cultural resources, the Council concurred with Mr. Pannone's clarification the City was not saying it was committed to move forward with the WRF only if there are no impacts on those cultural resources, but was recognizing, because there may be those impacts, the statement of overriding considerations was required and being adopted.

MOTION: Mayor Irons moved to certify the Final Environmental Impact Report for the Morro Bay Water Reclamation Facility, adopt Resolution No. 61-18, including the comments by Mr. Headding on page 278 of the staff report read into the record by the City Clerk, adding bullet point 7 that states, “Compliance with effluent water quality criteria and with SWRCB/CCRWQCB order.” There was no second.

MOTION: Mayor Irons moved to adopt Resolution No. 61-18 and certify the final EIR, including the statements that were just read into the record. The motion was seconded by Council Member Davis.

RESTATED MOTION: Mayor Irons moved to adopt Resolution 61-18 with the statement that was read into the record, and that includes all a, b, c, and d of the recommendations that are in the staff report, which would be certifying the Final EIR, adopting the Findings of Fact, approving the WRF Project and directing the staff to obtain all necessary governmental permits. The motion carried 5-0 by roll call vote.

MOTION: Mayor Irons moved to direct the Public Works Director to sign and have filed a Notice of Determination with the San Luis Obispo County Clerk. The motion was seconded by Council Member McPherson and carried unanimously, 5-0.

C. BUSINESS ITEMS

C-1 RATIFICATION OF THE ADMINISTRATIVE ACTION TAKEN TO EXTEND THE PROPOSITION 218 PUBLIC HEARING DATE FOR THE PROPOSED WATER RECLAMATION FACILITY (WRF) SURCHARGE TO SEPTEMBER 11, 2018, OR LATER AS DEEMED APPROPRIATE BY THE COUNCIL; (CITY MANAGER/CITY ATTORNEY)
https://youtu.be/mmyI1CdL7Fs?t=3h33m26s

City Manager Collins presented the staff report and responded to Council inquiries.

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

Terry Simons, Morro Bay, disagreed Proposition 218 allows for administrative action to notice a hearing and asked staff to provide the number of protests needed.

Public Works Director Livick stated there are 5,610 parcels.

Dan Sedley, Morro Bay, stated many homeowners and ratepayers had not received ballots and the Prop. 218 process was not compliant.

Aaron Ochs, Save Morro Bay, addressed the comments by Mr. Headding and stood by his Bay News editorial as being factually accurate. He suggested the Prop 218 notice was not compliant.

Barry Branin, Morro Bay, thanked staff for their work getting new notices sent out but believed the hearing date should be established by the Council, not a decision made in its absence.

Jim Warner, Morro Bay, expressed concern about the process and stated he had not received a notice.

Steve Stevens, Morro Bay, discussed rate comparisons and asked for clarification on APN versus a. buildable lot.

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

Staff confirmed there are 5,610 parcels so 50% + 1 is 2,806. Mr. Pannone clarified only one protest will be counted for each parcel.

MOTION: Council Member Headding moved to approve staff recommendation for City Council to ratify the extension of the public hearing to the WRF surcharge, pursuant to Prop 218, to September 11, 2018. The motion was seconded by Council Member Davis and carried unanimously, 5-0.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
https://youtu.be/mmyI1CdL7Fs?t=4h10m54s

Mayor Irons requested discussion of an ordinance prohibiting plastic straws. There was full Council support for this item.

Mayor Irons requested review of the strategic plan process to define public outreach efforts related to that process. There was full Council support for this item.

Council Member McPherson requested Council discussion of the Morro Bay Historical Society's plan to relocate the Thai Boat / Tognazzini's 3 for potential use as a Visitors Center. There was full Council support for this item.

E. ADJOURNMENT

The meeting adjourned at 10:28 p.m. The next Regular Meeting will be held on Tuesday, August 28, 2018, at 6:00 p.m. at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by:

Dana Swanson
City Clerk

AGENDA NO:	A-3
MEETING DATE:	September 11, 2018

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – AUGUST 28, 2018
VETERANS MEMORIAL HALL
209 SURF STREET – 4:30 P.M.

PRESENT:	Jamie Irons	Mayor
	Robert Davis	Council Member
	Matt Makowetski	Council Member
	Marlys McPherson	Council Member
ABSENT:	John Headding	Council Member
STAFF:	Dana Swanson	City Clerk

ESTABLISH QUORUM AND CALL TO ORDER
Mayor Irons established a quorum and called the meeting to order at 4:30 p.m. with all but Council Member Headding present.

Clerk Swanson provided a brief report regarding current vacancies and the recruitment process. At the time of closing, four applications were received to fill the Harbor Advisory Board Member-at-large position and two for a Waterfront Leaseholder representative. Since the posting of the agenda, Dennis Wahlberg elected to withdraw from the process and Rory Kremer advised staff he was unable to attend due to work commitments. City policy requires the Council to take affirmative action in order to consider an applicant who is not present for interviews.

During the application period, which ran from July 9 to August 10, no applications were received to fill the vacancy on the Visit SLO County (VSLOC) Board of Directors. Following the close of the application period, Hemant Patel expressed interest in serving in this capacity and submitted a letter of interest on August 22, 2018, which was provided with the staff report. Based on past difficulties finding hoteliers who are willing to serve on advisory bodies, staff recommended the Council consider Mr. Patel's application.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA
Mayor Irons opened public comment for items on the agenda; seeing none, the public comment period was closed.

SPECIAL MEETING AGENDA ITEM:

I. ADVISORY BOARD INTERVIEWS
https://youtu.be/-1E4jYd88Ag?t=3m33s

MOTION: Council Member McPherson moved the Council move forward with the application. The motion was seconded by Council Member Davis and carried 4-0-1, with Council Member Headding absent.

Staff requested clarification on whether the motion was limited to consideration of Mr. Patel's application or was intended to include consideration of Mr. Kremer's application in his absence.

MOTION: Council Member Makowetski moved the Council consider Mr. Kremer's application. The motion was seconded by Council Member Davis for discussion.

Council McPherson expressed her reluctance to consider the application given the inability to review his resume. The motion failed 1-3-1 with Mayor Irons, Council Member Davis and Council McPherson voting no, and Council Member Headding absent.

Harbor Advisory Board

a. One (1) vacancy for a Member-at-Large for the remainder of a term ending January 31, 2021
b. One (1) vacancy for a Waterfront Leaseholder representative for the remainder of a term ending January 31, 2019

https://youtu.be/-1E4jYd88Ag?t=7m18s

Mark Blackford and Robert Bliss were interviewed for consideration of appointment to the Member-at-Large position. Robert Fowler and Cherise Hansson were interviewed to fill the Waterfront Leaseholder representative position. Following interviews, the Council voted by written ballot and the City Clerk read the results. Mr. Blackford received three votes (Council Members Davis, Makowetski and McPherson) and Mr. Bliss received one vote (Mayor Irons). Mr. Blackford was appointed to fill the current vacancy with a term ending January 31, 2021. Ms. Hansson received three votes (Mayor Irons and Council Members Davis and Makowetski) and Mr. Fowler received one vote (Council Member McPherson). Ms. Hansson was appointed to fill the current vacancy with a term ending January 31, 2019.

Visit SLO County ("VSLOC") Board of Directors

One (1) vacancy for a representative from a Morro Bay lodging establishment to fill the remainder of a term ending June 20, 2020.

https://youtu.be/-1E4jYd88Ag?t=37m49s

The Council interviewed Hemant Patel to fill a current vacancy for as the City's representative to the VSLOC Board of Directors.

MOTION: Mayor Irons moved to appoint Mr. Patel to the Visit SLO CAL Board. The motion was seconded by Council Member Makowetski and carried 4-0-1 by roll call vote, with Council Member Headding absent.

ADJOURNMENT

The meeting adjourned at 5:17 p.m.

Recorded by:

Dana Swanson
City Clerk

**A PROCLAMATION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY
DESIGNATING SEPTEMBER 21ST OF EACH YEAR TO BE THE
CITY OF MORRO BAY DAY OF PEACE AND THE MONTH OF SEPTEMBER
AS THE CITY OF MORRO BAY PEACE & NONVIOLENCE MONTH**

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

WHEREAS, peace is not merely the absence of war and violence, but a condition where a society has achieved a balance of prosperity, security, justice, and hope, and peace is achieved through following the concepts and methodology of nonviolence, and

WHEREAS, for peace and nonviolence to prevail the City of Morro Bay will endeavor to foster a culture of peace through education and sustainable economic and social development as a necessity for peace to prevail, and

WHEREAS, the City of Morro Bay desires to promote and respect all human rights, advance understanding, tolerance, and solidarity, support participatory communication and the free flow of information and knowledge, and

WHEREAS, the City of Morro Bay is committed to establishing peace and nonviolence in the region to promote understanding, economic opportunity, and improve the quality of life of the people of our region, and this vision builds on the expertise of each person and involves all segments of our City in planning actions and making a difference, and

WHEREAS, the City of Morro Bay will work together to create and implement initiatives that not only foster peace and nonviolence but create a positive and lasting change in our community, seeking to become a model for other communities, and

WHEREAS, with these statements the City of Morro Bay rejects war, poverty, injustice, and environmental degradation, and

WHEREAS, each year the International Day of Peace is observed around the world on September 21, and the General Assembly of the United Nations has declared this as a day devoted to strengthening the ideals of peace, both within and among all nations and peoples.

NOW, THEREFORE, BE IT RESOLVED, that I, Mayor Jamie L. Irons and the City Council of the City of Morro Bay, designate September 21 of each year to be the City of Morro Bay Day of Peace and the month of September as the City of Morro Bay Peace & Nonviolence Month.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 11th day of September, 2018

JAMIE L. IRONS, MAYOR
City of Morro Bay, California

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AGENDA NO:	**A-5**
MEETING DATE:	**September 11, 2018**

Staff Report

TO: **Honorable Mayor and City Council** **DATE: September 4, 2018**

FROM: **Scott Collins, City Manager**

SUBJECT: **Adoption of Resolution No. 69-18 Opposing California State Proposition 6**

RECOMMENDATION

Council adopt Resolution No. 69-18 opposing Proposition 6 on the November 2018 General Election.

ALTERNATIVES

Council may choose to modify or not to adopt Resolution No. 69-18.

FISCAL IMPACTS

There is no specific fiscal impact from this item. However, repeal of SB 1 funding through passage of Proposition 6 would reduce existing transportation funding to the City of Morro Bay (City) by approximately $191,000 in FY 18/19. The $191,000 is approximately 26-percent of the FY 18/19 pavement management plan budget

BACKGROUND/DISCUSSION

The League of California Cities opposes Proposition 6, which would repeal SB 1 approved by the Legislature in 2017. SB 1 (The Road Repair and Accountability Act of 2017) provides over $5 Billion in transportation funding annually in the State of California through increasing the gas tax and vehicle license fees for road repairs and other critical transportation funding needs. Morro Bay is anticipated to receive approximately $191,000 for FY 18/19 in SB 1 funding, which the Council has allocated along with other revenues for our annual work on streets and roads.

Repealing SB 1 would eliminate $5 Billion in existing transportation funding to cities over the next 10 years and stop funding for more than 6,500 bridge, road safety, transportation, and public transit improvement projects currently underway throughout the state. As an example, the City uses the funds to repair critical deficiencies and support the annual paving work for our local streets and roads. In this current fiscal year the City has budgeted $728,672 for our annual Pavement Management Plan work. Should SB 1 be repealed, the result would be a reduction of 26.2 percent in the pavement management plan or approximately 1-1/2 miles of Morro Bay's streets.

There is a broad coalition opposing this initiative, including the California Professional Firefighters, California Association of Highway Patrolmen, American Society of Civil Engineers, business, local government, labor, environmentalists and first responders. The SLOCOG Board of Directors has also taken action to oppose Proposition 6 given the funding impacts to San Luis Obispo County.

Prepared By: ___SC_____	**Dept Review: ______**
City Manager Review: _SC_______	**City Attorney Review: __JWP____**

More information about this proposition is available from the League of California Cities at https://www.cacities.org/Policy-Advocacy/Hot-Issues/2018-Statewide-Ballot-Measures/No-on-Proposition-6.

CONCLUSION

SB 1 has, and will continue to provide significant benefit to the community in the form of much needed transportation-related funding. Thus, it is recommended City Council adopt Resolution No. 69-18 opposing Proposition 6 on the November General Election ballot, which would repeal SB 1 if approved by California voters.

ATTACHMENT

1. Resolution No. 69-18

RESOLUTION NO. 69-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, TAKING A POSITION TO OPPOSE PROPOSITION 6 ON THE NOVEMBER 2018 GENERAL ELECTION, WHICH WOULD REPEAL SB 1 FUNDING FOR TRANSPORTATION PROJECTS THROUGHOUT CALIFORNIA

WHEREAS, SB 1 provides over $5 Billion in transportation funding annually through increasing the gas tax and vehicle license fees for road repairs and other critical transportation funding needs; and

WHEREAS, Proposition 6, a ballot initiative for the November 2018 general election would repeal SB 1 transportation funding; and

WHEREAS, the League of California Cities opposes Proposition 6, because repealing SB 1 would eliminate $5 Billion in existing transportation funding to cities over the next 10 years and stop funding for more than 6,500 bridge, road safety, transportation, and public transit improvement projects currently underway throughout the state; and

WHEREAS, the City of Morro Bay would lose approximately $191,000 in FY 18/19 and at least $2,000,000 over the next 10 years in existing transportation funding should SB 1 be repealed, and

WHEREAS, the City Council has allocated $191,000 of anticipated SB 1 funding along with other gas and other tax funding for FY 18/19 work on the City's streets.

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

SECTION 1: The City Council does hereby take a position to oppose Proposition 6 on the November 2018 general election.

SECTION 2: This resolution will become effective immediately upon adoption.

PASSED and **ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 11th day of September 2018, on the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

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AGENDA NO: A-6

MEETING DATE: September 11, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE: August 31, 2018**

FROM: Dana Swanson, City Clerk

SUBJECT: Approval of TBID Advisory Board Member's Request for an Excused Absence

RECOMMENDATION

Staff recommends the City Council consider the request submitted by Tourism Business Improvement District (TBID) Advisory Board Member, Steven Allen, to excuse his absence from the September 20, 2018 Regular TBID Advisory Board meeting and allow him to continue serving through the scheduled term ending January 31, 2021.

ALTERNATIVES

The Council may choose not to excuse Mr. Allen's absence and direct staff to begin recruitment to fill the vacancy.

BACKGROUND/DISCUSSION

In November 2016, the Council adopted Resolution No. 74-16 amending the By-Laws for all standing advisory bodies to establish a policy regarding absences. The policy states:

> *"Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting."*

Staff received a request from TBID Member, Steven Allen, for Council consideration to excuse his absence from the September 20, 2018 regular meeting so he can remain on the Board through his term, which ends January 31, 2021. Mr. Allen missed the February 2018 and June 2018 regular meetings, so absence from the September 2018 meeting would constitute his voluntary resignation from the Board. Mr. Allen represents the hotel industry, as a member-at-large; so, if vacated, then the position would need to be filled with a representative from the hotel industry.

It is worthwhile noting TBID Member, Kenn Clark, who represents hoteliers with 50 rooms or less, submitted his resignation effective August 31, 2018, and staff will begin a recruitment to fill that vacancy. Additionally, two other members currently have two absences within the 12-month rolling period and have been notified a 3rd absence, unless excused by the Council, would result in their positions being declared vacant.

It can be challenging to find hoteliers willing to commit time necessary to participate on this

Prepared By: __DS_____ Dept Review:_____

City Manager Review: ___SC_____ City Attorney Review: __JWP___ important advisory board, given their time commitments to their businesses. In 2017-18, the City conducted three recruitments to fill vacancies for positions representing the hotel industry and received one application per vacancy each time. For that reason, staff recommends the Council approve Mr. Allen's request and allow him to continue serving on the TBID Advisory Board.

CONCLUSION

In accordance with policy established by Resolution No. 74-16, staff recommends the Council approve TBID Advisory Board Member Allen's request for an excused absence from the September 20, 2018 Regular Meeting.

ATTACHMENTS

1. Resolution No. 74-16
2. August 17, 2018 Request for Excused Absence submitted by Mr. Allen

RESOLUTION NO. 74-16

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA AMENDING THE CITY OF MORRO BAY ADVISORY BOARDS HANDBOOK AND BY-LAWS REGARDING ABSENCE FROM MEETINGS

THE CITY COUNCIL CITY OF MORRO BAY, CAILFORNIA

WHEREAS, to ensure that all Advisory Board Members are familiar with and understand the City of Morro Bay's philosophies and policies regarding serving on an Advisory Board, and to establish consistency throughout the by-laws for all commissions and advisory boards, the City of Morro Bay adopted the Advisory Boards Handbook and By-Laws on August 12, 2002; and

WHEREAS, the Advisory Boards Handbook and By-Laws for the City of Morro Bay is a composite of the City Council actions, policies, references, and information regarding the City Advisory Boards; and

WHEREAS, the current By-Laws for each Advisory Body do not contain clear and consistent language regarding advisory board member absence from meetings; and

WHEREAS, the City Council desires to amend the Advisory Boards Handbook and By-Laws for the City of Morro Bay to incorporate language set forth below and in Exhibit A.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morro Bay does hereby amend the By-Laws of all Advisory Bodies to include the following language regarding Absence from Meetings:

> *"Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting."*

PASSED AND ADOPTED by the City Council, City of Morro Bay at a regular meeting thereof held on the 15th day of November 2016 by the following vote:

AYES:	Irons, Headding, Johnson, Smukler
NOES:	None
ABSENT:	Makowetski
ABSTAIN:	None

Jamie L. Irons

JAMIE L. IRONS, Mayor

ATTEST:

Dana Swanson

DANA SWANSON, City Clerk

CITY OF MORRO BAY

ADVISORY BOARDS

HANDBOOK

AND

BY-LAWS

Date: November 15, 2016

Approved by Resolution 74-16

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.

INTRODUCTION

Welcome and thank you for your interest in serving on one of the City's Advisory Boards. By serving on one of Morro Bay's Advisory Boards, you can help plan and guide the City's future. It is important that members of the Advisory Boards understand the functions and responsibilities of a board member. We hope that you find serving on the City's advisory board personally satisfying, and in the process gain invaluable knowledge and experience.

The City of Morro Bay Municipal Code empowers the City Council to form boards and commissions to assist the City Council in legislating and managing the affairs of the City. From time to time citizen advisory committees are appointed to meet a specific topic and need. Their varied roles provide significant opportunities for formulating City policy and for creating public forums for meaningful community participation.

Consistent with the City's Mission Statement, advisory boards can help the City achieve its mission and purpose, which is to preserve and enhance the citizens of Morro Bay's quality of life. This Handbook shall serve as a guide to assist you in the sometimes-complex, but often rewarding, process of serving on one of the City's Advisory Boards. These advisory bodies assist the City Council in making better-informed decisions by formulating new ideas, information gathering, receiving public testimony and comments, analyzing complex issues, and making recommendations on specific projects and broad policy.

Advisory Boards advise the City Council and the City Manager on matters within their area of responsibility and interest; help focus attention on specific issues and problems within their scope of responsibilities, and recommend action and alternatives for Council consideration; act as channels of communication among City government, the general public, and interest groups; and balance community wants with municipal responsibility and resources.

At times, your role may be challenging and complex. Public opinion can be sharply divided, questions may overlap, and sometimes the province of one body may also be the territory of another. Therefore, we have created this handbook to assist you with some of the fundamental aspects of your new responsibility.

Much of the information in this handbook comes from City policy, such as the City's Municipal Code and the City Council Policies and Procedures Manual. In addition, State Law governs certain responsibilities of advisory body members. The material presented is intended to: (1) Give interested persons an understanding of why the City's advisory bodies have been established and how they function within the overall governmental framework and, (2) Summarize the roles, relationships and responsibilities of each advisory body member.

Each Advisory Board within the City has its own By-Laws. The By-Laws are included herein for your ease of reference. The sections of the Handbook are divided as follows:

1. General Information on Advisory Boards
2. FAQs
3. Background Information of City Government
4. The Brown Act
5. Political Reform Act of 1974 (Conflict of Interest)
6. Advisory Body Summary
7. Advisory Board By-Laws

We hope this handbook will answer many of your questions, get you off to a good start, and contribute to your satisfaction in serving the citizens of the City of Morro Bay.

1. General Information on Advisory Bodies

Advisory bodies are authorized by both the Morro Bay Municipal Code and the City Council.

Advisory boards provide an opportunity for interested residents to participate in the governing of their community under guidelines and procedures established by the Council. Advisory boards can improve the quality of City government by providing the Council with resources to make better-informed decisions. Because of the nature of various advisory boards, they can serve as the "eyes and ears" of the Council for issues and matters that otherwise might not receive attention. Other benefits of advisory boards include improvement in the lines of communication between the public and the Council, greater opportunities for discussion of public issues, and more citizen involvement in City government. There is considerable variety in the purpose or responsibility of these bodies. Advisory boards have been created by the City Council to serve the City of Morro Bay's unique needs.

The authority of an advisory body will depend upon its specific purpose. Each has a specific focus and will make recommendations to the Council on issues related to that specific field. *Decisions made by an advisory body may be appealed to the Council*. The Council may not always accept the recommendation of an advisory body because of additional information available or a need to balance the recommendation with policy or community priorities.

Generally, advisory bodies are empowered only to make recommendations to the Council or to the City staff, unless specifically authorized by law or Council to do otherwise. There should be two-way communication so that commissions are aware of the long-term goals Council has adopted, and the advisory body is able to present new ideas to the Council. Advisory board members are encouraged to attend and/or watch Council meetings.

Members of the advisory boards are volunteers who are appointed by the City Council and serve at the pleasure of the City Council. There is no compensation or benefits for board members, except for Planning Commission, whose responsibilities are greater and meetings more frequent. All members are expected to attend scheduled advisory board meetings and all meetings shall be conducted in accordance with Robert's Rules of Order, City Council Policies and Procedures Manual and State Law.

As used herein references to advisory board shall include commission and committee. Currently, the City of Morro Bay has seven advisory boards:

- Harbor Advisory Board
- Public Works Advisory Board
- Recreation and Parks Commission
- Tourism Business Improvement District Board
- Planning Commission
- Citizens Oversight Committee/Finance Committee

2. Frequently Asked Questions

A. <u>HOW ARE ADVISORY BOARD MEMBERS CHOSEN</u>?

◆ **APPLICATION AND SELECTION PROCESS**

- All recruitment for advisory board members is open and published in a local newspaper. The City accepts applications from interested persons throughout the year.
- Applicants will be sought from all segments of the community, representing various interests and groups.
- Appointment is made by the City Council. Each application is carefully reviewed by the City Council.
- Members serve at the pleasure of the City Council.
- Incumbents are considered for reappointment at the conclusion of their terms.
- Terms are four years, commencing on February 1^{st}, and the terms are staggered.

◆ **HOW DO I GET AN APPLICATION?**

- Applications may be obtained from the City Clerk's office at City Hall. Information on vacancies and/or specific recruitment periods may be requested by phoning the City Clerk. An official application form must be completed for each position.

◆ **ARE THERE ANY TIPS TO IMPROVE MY CHANCES OF BEING APPOINTED?**

- Fill out a separate form for each advisory board in which you are interested. It is to your advantage to tailor each application to the specific board or commission for which you are applying. Emphasize different aspects of your background to match those needed for a particular advisory board.
- Emphasize your talents. Clearly indicate how your particular talents, skills, training, or experience will benefit the advisory board for which you wish to be considered.
- Become familiar with the appropriate advisory board. Attend meetings, talk with advisory board members, or read documents they have developed to acquaint yourself with their work. Talk with the department head responsible for staffing the specific advisory board in which you are interested.

B. QUALIFICATIONS FOR SERVICE

Advisory board members may be required to wear "different hats" at different times. The ability to suitably perform the varied roles requires specialized skills and knowledge. Qualification for service can be divided into four general areas:

- **LONG-RANGE INTEREST IN THE COMMUNITY**

  The ability to conceive and be concerned with the impact of current decisions on future citizens is paramount. Advisory board members are required to analyze issues, to listen to public comment through formal hearings or informal discussion, to interpret and apply mandates of the General Plan, and to analyze all the pertinent data before arriving at objective decisions which will be in the best interest of the community as a whole.

- **FAIRNESS, COMMON SENSE, HONESTY AND GOOD CHARACTER**

  Keeping the public interest in mind, a board member will be called upon to use every day good sense in balancing the need of public and private groups. Controversial issues do arise, and the ability to make decisions based on merit rather than personalities is a must. Other traits include imagination, flexibility and the ability to act in a judicial vs. legislative capacity.

- **KNOWLEDGE OF THE COMMUNITY MARKETPLACE, PROCESS, OBJECTIVES, AND LAWS**

  A first-hand knowledge of economic systems, the general operation of government, and a basic understanding of the legal process is important. This knowledge will be of tremendous value when board members are required to conduct public hearings, analyze and receive testimony and make meaningful decisions.

- **TIME TO SERVE IN APPOINTED CAPACITY**

  The amount of time an advisory board member devotes to his/her duties varies with each advisory board. Before making a personal commitment, a prospective applicant should honestly evaluate whether he/she has adequate free time to attend the meetings, to review and be familiar with meeting materials, and to communicate with the public as well as with department staff.

C. STATEMENTS OF ECONOMIC INTERESTS / CONFLICT OF INTEREST

Members of any advisory board are required to file Statements of Economic Interest. Additionally, advisory board members are required to refrain from participation in matters where they have the potential for conflict of interest. (See Section 5 for the City's policy on Conflict of Interest)

3. Background Information on City Government

The City of Morro Bay is a general law city and became incorporated in 1964 and operates under the laws of the State of California.

The City Council, City Manager, City Clerk and City Attorney are integral to the day-to-day operations of the City. As such, we have included a summary of the City government's main function for your information and reference.

a. City Council:

The City Council is elected by a majority vote by the citizens of Morro Bay. The City Council is the governing body of the City and is made up of the Mayor and four council members. The City Council is accountable to the citizens of Morro Bay. The decisions of the City Council are reached by a majority vote.

The City Council formulates policy, approves programs, appropriates funds and establishes local taxes and assessments. The City Council enacts local laws (ordinances) and regulations for governing of the City. The local ordinances adopted by the City Council are compiled in the City's Municipal Code.

b. City Manager:

The City Manager is the administrative head of the government of the City. The City Manager is appointed by the City Council, and serves at its pleasure. The City Manager's duties include implementation of policies and procedures initiated by the City Council. The City Manager also is responsible for all City personnel, except as to the City Attorney, and serves as a liaison to each board, unless otherwise noted in the Board By-Laws.

c. City Clerk:

The City Clerk's duties include, but are not limited to: recording, writing and maintaining Council proceedings, conducting municipal elections, publishing ordinances and resolutions and other official City documents, storing and indexing official documents and City records for retrieval, administering Conflict of Interest disclosures, and serving as the custodian of the seal of the City.

d. <u>City Attorney</u>:

The City Attorney is appointed by the City Council. The City Attorney advises the City Council and City Officers (in their official capacity) in legal matters, attends all Council meetings and some board meetings, represents the City in legal actions and proceedings, and retains, supervises and monitors outside legal counsel. The City Attorney also approves all bonds and contracts made by the City, prepares ordinances and resolutions as required by the Council and prosecutes violations of the City's Municipal Codes and Ordinances.

4. The Brown Act

This is a mere glimpse of the Brown Act. A more detailed Brown Act and Political Reform Act Booklet is available to the advisory board through the City Attorney's office.

a. The Brown Act.

The general purpose of the Brown Act is to aid in the conduct of the people's business. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not for the people to know. Therefore, it is the intent of this Act that the actions and deliberations of all local agencies be taken openly, including deliberations and collective discussion involving the examination, weighing and reflection on the reasons for or against a choice. It also includes the exchange of facts preliminary to the ultimate decision.

Generally all meetings of City boards, commissions, committees and groups are to be open and public and all persons are to be permitted to attend any meeting. Under certain *strict* circumstances, closed session meetings are permitted.

Brown Act Compliance is absolutely required. We encourage you to carefully review the Brown Act Booklet which is available through the City Attorney's Office which describes in detail the Brown Act.

5. Political Reform Act (Conflicts of Interest)

A. Background

The Political Reform Act (Government Code sections 81000, et seq.) was approved by the voters of the State of California and is intended to prevent conflicts of interest by requiring public officials to disclose certain personal financial interests which could foreseeably cause conflicts. In addition, a public official may be required to disqualify himself/herself from making, participating in, or attempting to influence any government decision which will affect any of his/her financial interests, not just those that are required to be disclosed. The City's Brown Act and Political Reform Act Booklet explains in more detail what a conflict of interest is, and when the law requires disqualification. In addition, the Fair Political Practices Commission is available for advice.

Under the Political Reform Act, no public official may make, participate in making, or in any way attempt to use his or her official position to influence a governmental decision if he or she knows or has reason to know that he or she has a financial interest. (Government Code Section 87100). A public official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect on one or more of his or her economic interests. (Government Code Section 87103; 2 Cal. Code of Regs. Section 18700 (a)).

The term "financial interest" denotes a conclusion that a public official has a financial interest in a decision if it is concluded that it is reasonably foreseeable that the decision will have a material financial effect on his or her economic stake greater than that of other citizens. The term "economic interest" is a label applied to the particular types of stakes recognized by the Act as potential sources of a conflict of interest. There are specific types of economic interest recognized by the Act, as such, we direct you to carefully review the Brown Act and Political Reform Act Booklet which is available from the City Attorney's Office and/or visit the Fair Political Practices Commission Web page for more detailed information.

B. City Policy Regarding Conflicts of Interests

Because the City of Morro Bay is a small, closely knit community it is imperative that the citizens have trust and confidence in City government. Therefore, the City has adopted this public policy to prevent any possibility of conflict that may arise.

Generally stated, any elected or appointed official has a conflict of interest if he or she has a financial interest in a project before the City and/or when compensation is received from anyone seeking approvals from the City. There are some exceptions but, generally, elected or appointed officials are prohibited from voting on projects where a conflict exists. A conflict of interest also occurs when officials live within a certain distance from a project (usually 500 feet). Even if a legal conflict does not exist, it may be inappropriate to participate in a decision for personal reasons to avoid even the appearance of a conflict of interest. As an example, there could be a conflict if your good friend has a matter before your board, and you do not feel that it would be appropriate for you to voice an opinion in your "City" capacity. While the latter case is not defined by the Fair Political Practices Commission as a conflict, it could be perceived as a conflict, and then stepping down is appropriate.

It is the policy of the City, in addition to strictly adhering to the FPPC rules, all elected and appointed officials conduct themselves in a manner that does not raise a reasonable perception or belief that there is a conflict of interest or an abuse of your position. All board and commission members should avoid the appearance of conflict at all costs.

If you step down from the dais and refrain from voting on an issue, then you are not precluded from speaking as an individual. Your presentation, however, must be made from the floor, at the microphone with the rest of the public. You should state for the record that you are speaking as an *individual*. Many times in the past, Council Members and advisory board members have stepped down from their official position at the dais when projects are presented in which there may be the potential for conflict of interest. That provides the opportunity to present your views as an *individual* on any matter before any City body.

6. ADVISORY BOARD BY-LAWS

The City Council has approved the rules and regulations (referred to herein as By-Laws) to set forth their purpose, procedures, and specific issues such as their functions, meeting dates, officers, vacancies and budgets.

All advisory board meetings will be conducted in strict compliance with Robert's Rules of Order, the City Council Policy and Procedures and State Law. For more detailed information, we suggest you review the City Council's Policies and Procedures Manual.

Attached hereto are the applicable By-Laws for all of the City of Morro Bay's Advisory Boards.

CITY OF MORRO BAY
HARBOR ADVISORY BOARD
BY-LAWS

PURPOSE AND AUTHORITY

The Harbor Advisory Board is established to review, advise and recommend to the City Council on items pertaining to the City Harbor. These include, but are not limited to:

A. Use, control, promotion and operation of vessels and watercraft within the harbor, docks, piers, slips, utilities and publicly-owned facilities as a part of the City's Harbor, and water commerce, navigation, or fishery in the Harbor.

B. Review and recommend rules and regulations pertaining to any of the matters listed in subsection A of this section.

C. Review and recommend rates, tolls, fees, rents, charges or other payments to be made for use or operation of the Harbor.

D. The Board shall make reports and recommendations to the various city boards, commissions or the City Council on matters relating to activities within the harbor. When requested to do so, will review items referred by other city boards, commissions or the City Council. Resulting reports and recommendations will be included in presentations before the City Council.

APPOINTMENT

The Harbor Advisory Board shall be comprised of seven voting members, four of which must be qualified electors of the City of Morro Bay. Appointments and the filling of vacancies shall be made by the City Council. Harbor Advisory Board members shall serve at the pleasure of the City Council. The City Council will attempt to select members from the following categories:

Morro Bay Commercial Fishermen's Association
Waterfront Leaseholders
Marine Oriented Business
Recreational Boating
Representative of South Bay/Los Osos
Two Members at Large

However, the City Council and Harbor Advisory Board recognize the importance of the Morro Bay Commercial Fisherman's Association (MBCFO) seat, and acknowledge that it is often difficult for commercial fishermen serving on the HAB to meet the attendance requirements due to the nature of their business. As such, up to two (2) Alternate MBCFO members to the Primary member may be appointed by the City Council in the same manner and fashion as regular appointments in order to stand-in for the Primary member in the event of the Primary member's absence.

TERMS OF OFFICE

Members shall serve, without compensation, for a period of four (4) years commencing February 1st in the year specified when members are appointed. Appointments shall be made in such a manner so as no more than three members' terms expire concurrently. Unanticipated vacancies shall be filled for the duration of the unexpired term only.

QUALIFICATIONS

Four of the seven members must be a resident and registered voter of the City during the term of appointment, unless excepted by State Law or Council approved special requirements; must be at least 18 years of age at the time of appointment; and, may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting in each year wherein newly appointed Members are seated, the Members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of one year. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, duties of the office shall be performed by the Vice-Chairperson. If both the Chair and Vice-Chair are absent, the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Harbor Advisory Board.

PROCEDURE

Regular meetings shall be held monthly on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comments, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

These advisory board meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Harbor Advisory Board", the term "Mayor" shall mean "Chairperson" and the term "Council Member" shall mean "Harbor Advisory Board Member". In all matters and things not otherwise provided for in the by-laws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the Harbor Advisory Board shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Harbor Advisory Board Members and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Manager or the designee of the City Manager shall be responsible for preparing agendas, reports, and minutes pertaining to Harbor Advisory Board business and shall attend the Harbor Advisory Board meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

CITY OF MORRO BAY
PUBLIC WORKS ADVISORY BOARD
BY-LAWS

PURPOSE AND AUTHORITY

The Public Works Advisory Board is established to review, advise and recommend to the City Council on items pertaining to Water, Waste-water, Streets, Recycling, and Solid Waste, Cable Television, Telecommunications, Trees, Transportation and other issues related to Public Services Department responsibilities.

The Board shall make reports and recommendations to the various city boards, commissions or the City Council on the above matters. When requested to do so, will review items referred by other city boards, commissions or the City Council. Resulting reports and recommendations will be included in presentations before the City Council.

APPOINTMENT

The Public Works Advisory Board shall be comprised of seven voting members, all of which must be qualified electors of the City of Morro Bay. Appointments and the filling of vacancies shall be made by the City Council. The Public Works Advisory Board members shall serve at the pleasure of the City Council.

TERMS OF OFFICE

Members shall serve, without compensation, for a period of four years commencing February 1st in the year specified when members are appointed. Appointments shall be made in such a manner so as no more than three members' terms expire concurrently. Unanticipated vacancies shall be filled for the duration of the unexpired term only.

QUALIFICATIONS

A member must be a resident and registered voter of the City during the term of appointment, unless excepted by State Law or Council approved special requirements; must be at least 18 years of age at the time of appointment; and, may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting in each year wherein newly appointed Members are seated, the Members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of one year. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, duties of the office shall be performed by the Vice-Chairperson. If both the Chair and Vice-Chair are absent, the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Advisory Board.

PROCEDURE

Regular meetings shall be held every month on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comments, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

These advisory board meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Board", the term "Mayor" shall mean "Chairperson" and the term "Council Member" shall mean "Public Works Advisory Board Member". In all matters and things not otherwise provided for in the by-laws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the Public Works Advisory Board shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Public Works Advisory Board members and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Manager or the designee of the City Manager shall be responsible for preparing agendas, reports, and minutes pertaining to the Public Works Advisory Board business and shall attend the Public Works Advisory Board meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

CITY OF MORRO BAY
RECREATION AND PARKS COMMISSION
BY-LAWS

PURPOSE AND AUTHORITY

The Recreation and Parks Commission is established to provide the following:

A. Act in an advisory capacity to the City Council in all matters pertaining to parks and public recreation and to cooperate with other governmental agencies and civic groups in the advancement of sound recreation and parks planning and programming. The Board shall make reports and recommendations to the various city boards, commissions or the City Council on the above matters. When requested to do so, will review items referred by other city boards, commissions or the City Council. Resulting reports and recommendations will be included in presentations before the City Council.

B. Formulate policies on recreation services, parks and open space for approval by the City Council.

C. Recommend to the City Council the development of recreational areas, parks, facilities, open spaces, programs, and improved recreation services.

D. Recommend to the City Council the adoption of rules, regulations and standards concerning recreation and parks in respect to organization, personnel, areas and facilities, program and financial support.

E. Advise the Recreation and Parks Director in the preparation of the annual parks maintenance, park improvement and recreation budgets and long-range recreation and parks facilities improvements.

F. Hold public hearings and meetings to conduct investigations and surveys for the purpose of securing facts and data concerning parks and public recreation.

APPOINTMENT

The Recreation and Parks Commission shall be comprised of seven voting members, five of which must be qualified electors of the City of Morro Bay. Appointments and the filling of vacancies shall be made by the City Council. Commissioners shall serve at the pleasure of the City Council.

TERMS OF OFFICE

Members shall serve, without compensation, for a period of four (4) years commencing February 1st in the year specified when members are appointed. Appointments shall be made in such a manner so as no more than three members' terms expire concurrently. Unanticipated vacancies shall be filled for the duration of the unexpired term only.

QUALIFICATIONS

Five of the seven members must be a resident and registered voter of the City during the term of appointment, unless excepted by State Law or Council approved special requirements; must be at least 18 years of age at the time of appointment; and, may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting in each year wherein newly appointed Members are seated, the Members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of one year. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, duties of the office shall be performed by the Vice-Chairperson. If both the Chair and Vice-Chair are absent, the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Commission.

PROCEDURE

Regular meetings shall be held every month, except the months of February, June, October and December, on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comments, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

All Commission meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Commission", the term "Mayor" shall mean "Chairperson" and the term "Council Member" shall mean "Commissioner". In all matters and things not otherwise provided for in the by-laws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the Commission shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Commission members and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Manager or the designee of the City Manager shall be responsible for preparing agendas, reports, and minutes pertaining to Commission business and shall attend the Commission meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

CITY OF MORRO BAY
TOURISM BUSINESS IMPROVEMENT DISTRICT
ADVISORY BOARD BY-LAWS

PURPOSE AND AUTHORITY

The Morro Bay Tourism Business Improvement District (MBTBID) Advisory Board (the "Board") advises the City Council on the administration and use of the MBTBID assessment funds. The Board recommends projects to the City of Morro Bay to promote tourism to directly benefit the City's lodging industry.

The primary purpose of the MBTBID is to increase occupancy and room nights across all lodging types (motel, hotels, bed and breakfast) that pay the business improvement assessment, along with transient occupancy tax (TOT) within the City while placing particular emphasis on marketing that positively impacts the lodging.

APPOINTMENT

The Board shall be comprised of seven voting members. Appointments and the filling of vacancies shall be made by the City Council. The Board members shall serve at the pleasure of the City Council. Because of the diversity among assessment district members represented by the Board including local, regional and national lodging industry interests, it is neither practical nor advisable to limit Board membership to City residents. Accordingly, membership on the Board shall be exempt from residency requirements otherwise applicable to other City advisory boards. In addition, a member of the Board may not sit on any other City advisory board.

TERMS OF OFFICE

Members of the Board shall serve, without compensation, for a period of four years. Appointments shall be made in such a manner such that no more than three members' terms expire concurrently. Unanticipated vacancies shall be filled for the duration of the unexpired term only. If a vacancy is within the last 6 months of a term, then it will be held over to the normal interview process.

QUALIFICATIONS

The Board shall consist of five members from the Morro Bay lodging industry and two members from the community at large.

The five members from the lodging industry shall consist of three members representing hotels "at large" (no specific number of rooms), and two other positions shall give preference to a member representing lodging rooms of less than 22 rooms and one member representing 50 or less rooms (single hotel or cumulative representation), respectively. If no preferential applicant from a small or large hotel – as defined above – apply, then the seat shall be made available to applicants at an "at large" hotelier representative basis.

The community "at large" members shall be residents and registered voters of the City during the term of appointment.

Each member must be at least 18 years of age at the time of appointment and may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

FUNCTIONS AND DUTIES

The functions and duties of the Board shall include, but not be limited to, the following:

1. Plan a comprehensive program to promote tourism to the City of Morro Bay and prepare an annual marketing program consistent with industry goals and objectives.
2. Develop advertising and promotional programs and projects to benefit the lodging industry in Morro Bay
3. Present an annual assessment report to the City Council regarding the implemented promotional programs and projects.
4. Perform any other lawful tasks as directed by the Council.

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting in each year wherein newly appointed Members are seated, the Members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of one year. The Chair and Vice-Chair of the Board as well as any presiding officers shall be hoteliers. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, the Vice-Chairperson shall perform duties of the office. If both the Chair and Vice-Chair are absent, the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Board.

PROCEDURE

Regular meetings shall be held monthly on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comment, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

These advisory board meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Board", the term "Mayor" shall mean "Chairperson" and the term "Council Member" shall mean "Board Member". In all matters and things not otherwise provided for in the Bylaws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the advisory board shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Board members, and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Manager or the designee of the City Manager shall be responsible for preparing agendas, reports, and minutes pertaining to the Board business and shall attend the Board meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

CITY OF MORRO BAY
PLANNING COMMISSION
BY-LAWS

PURPOSE AND AUTHORITY

The Planning Commission is established in accordance with the provisions of Government Code Sections 65100, *et seq*. The functions of the Planning Commission shall be as follows:

A. To develop and periodically review, a general plan and recommend its adoption or any revisions to the city council;
B. To maintain and implement the general plan after its adoption by the city council;
C. To develop specific plans as may be necessary to implement the general plan;
D. To periodically review the capital improvement program of the city for its consistency with the general plan, and forward recommendations to the city council;
E. Consult and advise with public officials and agencies, public utility companies, civic, educational, professional, and other organizations, and citizens generally concerning implementation of the general plan.
F. Endeavor to promote public interest in, comment on, and understanding of the general plan, and regulations relating to it;
G. To perform such other functions as the city council may direct.

The Planning Commission shall:

A. In addition to the duties and responsibilities set forth by state laws and local ordinances, the planning commission shall act in the public interest and serve in an advisory capacity to the city council on all matters pertaining to the planning function;
B. Cooperate with other city boards and commissions, governmental agencies and civic groups in the advancement of sound planning, both within and without the city;
C. Formulate policies on planning services for recommendation to the city council;
D. Upon the request of the City Council, hold a joint meeting with the city council twice annually to discuss proposed policies, programs, goals and objectives, budgeting, future planning, or any other planning matter requiring joint deliberation. The city clerk shall in January of each year bring forth an agenda item to the city council to schedule the two joint meetings;
E. Recommend to the city council the adoption of standards with respect to organization, personnel, facilities, programs and financial support of the planning commission;
F. Disseminate to the public information concerning the policies and functions of the planning commission.

APPOINTMENT

The Planning Commission shall consist of five voting members and they shall be qualified electors and residents of the City. Appointments and the filling of vacancies shall be made by the City Council. Commissioners shall serve at the pleasure of the City Council.

TERMS OF OFFICE

Members of the Planning Commission shall be appointed by and serve at the pleasure of the City Council. Terms shall be for a period of four years; vacancies shall be filled for the unexpired term only. Two-year short terms may be established to stagger terms. Expiration dates of specific terms shall be established by resolution of the City Council.

QUALIFICATIONS

A member must be a resident and registered voter of the City during the term of appointment, unless excepted by State Law or Council approved special requirements; must be at least 18 years of age at the time of appointment; and, may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting in each year wherein newly appointed Members are seated, the Members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of one year. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, duties of the office shall be performed by the Vice-Chairperson. If both the Chair and Vice-Chair are absent, then the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Commission.

PROCEDURE

Regular meetings shall be held twice a monthly on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comment, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

All Commission meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Commission", the term "Mayor" shall mean "Chairperson" and the term "Councilmember" shall mean "Commissioner." In all matters and things not otherwise provided for in the Bylaws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the Commission shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Commission members, and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Manager or the designee of the City Manager shall be responsible for preparing agendas, reports, and minutes pertaining to Commission business and shall attend the Commission meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

CITY OF MORRO BAY
CITIZENS OVERSIGHT COMMITTEE
ACTING IN THE CAPACITY OF A CITIZENS FINANCE COMMITTEE

PURPOSE AND AUTHORITY

The Citizens Oversight Committee was established in accordance with the provisions of Morro Bay Municipal Code Section 3.22.120 as a result of Measure Q. The functions of the Citizens Oversight Committee shall be to semi-annually review revenues and expenditures from the collection of tax and present its findings and conclusions to the City Council no later than the last day of the sixth month following the end of each City fiscal year.

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 City Treasurer.

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 Citizens Oversight Committee shall review a semi-annual expense report of the City relative to activities funded with the additional general purpose local sales tax monies and present its findings and conclusions to the City Council for its review no later than December 31st each year.

APPOINTMENT AND TERMS OF OFFICE

The Committee shall have seven citizen-members appointed by the City Council for six year terms with initially three members serving three years, and four members serving six years. Appointees shall be residents of the City; however, no member of the Committee shall be an elected official. Unanticipated vacancies shall be filled for the duration of the unexpired term only.

QUALIFICATIONS

All Committee Members must be residents and registered voters of the City during the term of appointment, unless excepted by State Law or Council approved special requirements; must be at least 18 years of age at the time of appointment; and may not be an Elected Official, Officer, or Employee of the City of Morro Bay. (Council Policies and Procedures, Section 6.6.1)

ABSENCE FROM MEETINGS

Absence from three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period, without the formal consent of the City Council, shall constitute the resignation of such absent member and the position will be declared vacant. Requests for extended excused absences of three consecutive regular meetings or twenty-five (25) percent of the regular meetings during any 12-month period must be submitted to the City Council in writing prior to the extended absence to allow sufficient time for review and approval at a regular Council meeting.

ORGANIZATION

At the first regular meeting every two years wherein newly appointed members are seated, the members shall elect a Chairperson and Vice-Chairperson who shall hold office for a period of two years. The Chairperson shall preside over meetings, appoint appropriate sub-committees, and direct the affairs of the Committee. In the absence of the Chairperson, the Vice-Chairperson shall perform duties of the office. If both the Chair and Vice-Chair are absent, then the remaining quorum shall appoint one member to preside at that meeting. The City of Morro Bay staff will maintain accurate minutes of the official activities of the Committee.

PROCEDURE

Regular meetings shall be held monthly on a regular schedule. The meetings shall be open to the public. The date, time and location along with the meeting agenda shall be noticed in accordance with Government Code Sections 54970-54975. The Chair may close meetings to public comment, provided that the action is consistent with the Brown Act. Agendas, reports, meetings and any and all actions shall be governed by the requirements of the Brown Act, as amended.

All Committee meetings will be conducted in strict compliance with the City Council Policies and Procedures Manual. Where used in the City Council Policies and Procedure Manual, the term "City Council" shall mean the "Committee", the term "Mayor" shall mean "Chairperson" and the term "Council Member" shall mean "Committee Member". In all matters and things not otherwise provided for in the Bylaws or the Policies and Procedures of the City Council, proceedings shall be governed by "Robert's Rules of Order," revised edition. However, no ordinance, resolution, proceeding or other action of the City Council pertaining to the Committee shall be invalidated or the legality thereof otherwise affected by the failure or omission to observe or follow "Robert's Rules of Order."

Communication between the Committee members, and the Council shall be in accordance with the City Council Policies and Procedures as currently adopted.

QUORUM

A majority of voting members shall constitute a quorum.

CITY STAFF

The City Treasurer shall be responsible for preparing agendas, reports, and minutes pertaining to Committee business and shall attend the Committee meetings.

BY-LAW AMENDMENTS

All amendments to the By-Laws shall be approved by the City Council.

From: Jennifer Little
Sent: Thursday, August 30, 2018 2:52 PM
To: Dana Swanson; Lori Kudzma; Scott Collins
Subject: FW: Request for Possible Excused Absence - TBID
Attachments: Federal Summons_2018Aug15.pdf

From: Steven Allen >
Sent: Thursday, August 30, 2018 2:50 PM
To: Jennifer Little <jlittle@morrobayca.gov>
Subject: Request for Possible Excused Absence - TBID

Jennifer,

Please see attached Federal Summons for Jury Service from 9/10-9/21. If I am called for service, I would request the Morro Bay City Council to grant me an excused absence for the 9/20 TBID meeting. If I am not called, I will plan to attend the TBID meeting as well as the Strategic Planning Meeting that same day. Thank you for your consideration.

Steve

– –

Steven Allen

SUMMONS FOR JURY SERVICE

United States District Court—Northern District of California

* 1 0 2 6 3 6 0 9 7 *   2 1
STEVEN DOUGLAS ALLEN

CA

Thank you in advance for fulfilling one of American citizens' most important responsibilities — jury duty. This federal court draws citizens from all over Northern California to serve on its juries. You may be called outside your county for this federal jury service.

You will be "on call" for two weeks, but you don't have to sit in the courthouse each day. We'll ask you to come in only when we need you for a specific jury selection. This form explains how to find out when to come to the courthouse and how to contact the court.

STEP 1 Fill out juror questions online

You must visit the court's website within 10 days from today at http://cand.uscourts.gov/jury to complete the online juror qualification questionnaire.

If you do not have access to the Internet you can fill out the questions on a paper form. To request that one be mailed to you, please call 1-877-458-6306; select option 3 and leave a message with your name, address and participant number.

If you have already completed the online questions but are receiving this after postponing jury duty, you must visit the court's website again to confirm your information.

STEP 2 Check your status daily

During your on-call period, you must check the status of your jury service at 5:00 PM each evening to find out whether you must come to the courthouse the next day. Check online or by phone, starting the evening before your first on-call day.

If you request a postponement or excuse from serving, you may check one week prior to your on-call period to find out the result. You must complete the juror qualification questionnaire (online or on paper), even if you think you may not be qualified or you are requesting postponement or to be excused.

STEP 3 Report for jury duty

When you check online or by phone during your on-call period, you may be told to come to the courthouse the next morning. The message will tell you what time to arrive. Find out how to get to the courthouse on the back of this page.

Bring this summons and photo identification with you when you report for jury duty.

YOUR 2-WEEK ON-CALL PERIOD

Monday, September 10 to Friday,September 21, 2018

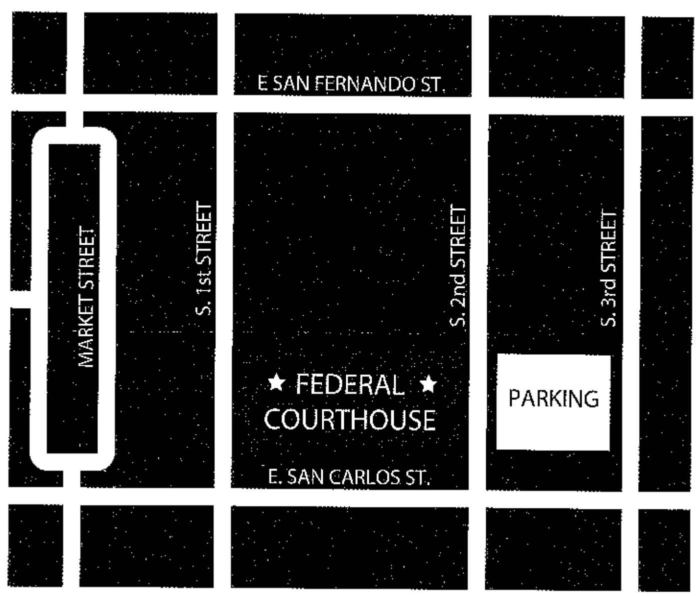
If you are selected, your jury trial may last longer than your on-call period.

YOUR PARTICIPANT NUMBER

Participant # 102636097

YOUR JURY SERVICE LOCATION

Robert F. Peckham Federal Building
& United States Courthouse
280 South 1st Street, 2nd Floor
San Jose, CA 95113



http://cand.uscourts.gov/jury

1-877-458-6306 (toll-free)
1-408-535-5385 (FAX)
jury_sj@cand.uscourts.gov

Mailing Address:
United States District Court
Attn: Jury Office
280 South 1st Street, 2nd Fl.
San Jose, CA 95113

AGENDA NO:	**A-7**
MEETING DATE:	**September 11, 2018**

Staff Report

TO: **Honorable Mayor and City Council** **DATE: September 6, 2018**

FROM: **Dana Swanson, City Clerk**
Laurie Goforth, Human Resources Analyst
Jennifer Callaway, Finance Director

SUBJECT: **Adoption of Resolution No. 70-18 Approving a Successor Memorandum of Understanding with the Morro Bay Peace Officers' Association and Related Compensation for the Period July 1, 2018 – June 30, 2020.**

RECOMMENDATION
Staff recommends the City Council adopt Resolution No. 70-18.

ALTERNATIVES
No alternatives are being recommended at this time.

FISCAL IMPACT
As per City Council's direction, this Successor Memorandum of Understanding between the City of Morro Bay and the Morro Bay Peace Officers' Association reflects the following deal points and associated costs to the City:

1. 2% longevity pay is rolled into the base salary for employees and no longer considered Special Pay, effective with the pay period including July 1, 2018, at an estimated cost to the City of $4,600;
2. 2% Cost of Living Adjustment (COLA), effective with the pay period including July 1, 2018, at an estimated cost to the City of $40,000;
3. $600.00 lump sum signing bonus per employee effective the first full pay period after City Council adoption of the Tentative Agreement at an estimated cost to the City of $9,000;
4. Increase current cafeteria health plan by 1% effective July 1, 2018, at an estimated cost to the City of $2,700;

Fiscal Impact Not Identified at this Point Due to Unknown Conditions:

5. An additional 1% COLA to represented employees with an additional 1% employee payment to CalPERS as cost sharing for Tier 1 and Tier 2 employees, and one-half of the total normal cost or 13% for represented PEPRA employees, effective the first full payroll period after City Council approval of a CalPERS contract Amendment;
6. 2% COLA increase to base salaries, effective July 1, 2019, subject to the City meeting defined economic thresholds for the FY 2018/19 fiscal year;
7. Additional 1% COLA increase to base salaries, effective July 1, 2019 and a 1% CalPERS cost share for Tier 1 and Tier 2 employees, and one half of the normal cost or 14%

Prepared By: _JC/DS_____	**Dept Review:_____**
City Manager Review: __________	**City Attorney Review: ______**

contribution for PEPRA employees, conditioned on City meeting defined economic thresholds; and

8. An additional two days of paid bereavement leave, per occurrence, where the funeral service is held out-of-state.

BACKGROUND/DISCUSSION

City representatives met and conferred with Morro Bay Peace Officers Association (MBPOA) representatives to reach a Tentative Agreement (TA) for a successor MBPOA Memorandum of Understanding (MOU), which was approved by the City Council on July 10, 2018 and is provided as Attachment 2. Proposed Resolution No. 70-18 incorporates the terms of the Tentative Agreement into the Successor MOU. The fiscal impact to the City is estimated to be $56,195 in fiscal year 2018/19 (actual impact will be less as it will likely take several months for the CalPERS contract amendment to be approved by CalPERS and the City, the estimated cost is based on a full fiscal year). The MOU is for a two-year period ending June 30, 2020 and includes a COLA and cost sharing provisions for FY 2019/20 if defined economic conditions are met during the FY 2018/19 fiscal year. The economic conditions are the same conditions identified in the Service Employees International Union MOU and Morro Bay Firefighters Association MOU. The MOU has been ratified by the MBPOA and the authorizing resolution is provided as Attachment 1.

ATTACHMENTS

1. Resolution No. 70-18
2. Resolution No. 57-18 with executed Tentative Agreement
3. Redlined Version of the Proposed MOU

RESOLUTION NO. 70-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, APPROVING THE SUCCESSOR MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MORRO BAY AND THE MORRO BAY PEACE OFFICERS' ASSOCIATION FOR THE PERIOD OF JULY 1, 2018 THROUGH JUNE 30, 2020

THE CITY COUNCIL
Morro Bay, California

WHEREAS, the City of Morro Bay ("City") has, and continues to, recognize the Morro Bay Peace Officers' Association ("POA") as the sole exclusive bargaining agent for those City employees designated as being in the Law Enforcement Unit, including the classifications of Police Officer, Senior Officer, Corporal and Sergeant, for all matters concerning wages, hours and working conditions; and

WHEREAS, the most current Memorandum of Understanding ("MOU") between the City and the POA expired on June 30, 2018; and

WHEREAS, City labor relations representatives and POA representatives successfully met and conferred to negotiate a tentative agreement and successor MOU between the parties, pursuant to both the Meyers-Milias-Brown Act ("MMBA") (Government Code Sections 3500-3511) and the City's Employer-Employee Relations Resolution No. 08-17, and jointly prepared and executed a tentative agreement which was approved by the City Council on July 10, 2018; and

WHEREAS, Government Code Section 3505.1 provides: "If a tentative agreement is reached by the authorized representatives of the public agency and a recognized employee organization, or recognized employee organizations, the governing body shall vote to accept or reject the tentative agreement, within 30 days of the date it is first considered, at a duly noticed public meeting. If the governing body adopts the tentative agreement, the parties shall jointly prepare a written memorandum of understanding;" and

WHEREAS, City labor relations representatives and POA representatives have jointly prepared and executed the attached successor MOU between the City and the POA, for the period of July 1, 2018 through, and including, June 30, 2020 ("MBPOA MOU 2018-2020"), subject to City Council acceptance and approval, which is made a part hereof by this reference; and

WHEREAS, once approved by the City Council, the MBPOA MOU 2018-2020 will become a binding agreement between the City and the POA.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, AS FOLLOWS:

Section 1. The City Council hereby approves the successor MOU between the City and the POA for the period of July 1, 2018 through, and including, June 30, 2020, a copy of which is attached hereto as Exhibit 2 with a red-lined version attached as Exhibit A.

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 11th day of September 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
JAMIE L. IRONS, Mayor

ATTEST:

____
DANA SWANSON, City Clerk

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MORRO BAY PEACE OFFICERS ASSOCIATION
AND
THE CITY OF MORRO BAY

JULY 1, 2018 – JUNE 30, 2020

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MEMORANDUM OF UNDERSTANDING BETWEEN THE MORRO BAY PEACE OFFICERS' ASSOCIATION AND THE CITY OF MORRO BAY 2018 - 2020

ARTICLE 1 - PURPOSE

WHEREAS, the City of Morro Bay is a municipal corporation, existing under the laws of the State of California as a general law city; and

WHEREAS, the City of Morro Bay is limited, insofar as funds are concerned, because of a fixed tax rate, and in structure because it is a public entity, rather than a profit-making business; and

WHEREAS, the Morro Bay Peace Officers' Association, Inc, is a California corporation, existing under the laws of the state of California; and

WHEREAS, the Morro Bay Peace Officers' Association, Inc., and the City of Morro Bay recognize that the mission and the purpose of the City is to provide high-quality and economical municipal services and facilities to the residents of the City of Morro Bay;

THEREFORE, this Memorandum of Understanding, referred to as "MOU", is entered into as of July 1, 2018, between the City of Morro Bay, referred to as "CITY," and the Morro Bay Peace Officers' Association, referred to as "ASSOCIATION."

It is the intent and purpose of this MOU to assure sound and mutually beneficial working and economic relations and conditions between the parties hereto, to provide for an orderly and peaceable method and manner of resolving any differences, which may arise, to negotiate any misunderstanding, which could arise, and to set forth herein the basic and full agreement between the parties, concerning the pay, wages, hours of employment, and other terms and conditions of employment.

ARTICLE 2 - MANAGEMENT

2.1 In order to ensure that the CITY shall continue to carry out its public safety functions, programs, and responsibilities to the public imposed by law, and to maintain efficient public safety service for the citizens of Morro Bay, the CITY continues to reserve and retain, solely and exclusively, all management rights, regardless of the frequency of use, including those rights and responsibilities set forth by law and those CITY rights set forth in the CITY's Personnel Rules and Regulations, and including, but not limited to, the following:

2.1.1 To manage the Police Department, and determine policies and procedures and the right to manage the affairs of the Department.

2.1.2 To determine the existence, or nonexistence, of facts which are the basis of the management decision in compliance with State law.

2.1.3 To determine the necessity, organization, implementation, and termination of any service or activity conducted by the CITY or other government jurisdiction, and to expand or diminish police services.

2.1.4 To direct, supervise, recruit, select, hire, evaluate, promote, transfer, discipline, discharge, terminate, demote, reduce, suspend, reprimand, withhold salary increases and benefits for disciplinary reasons, or otherwise discipline employees, in accordance with Department or CITY Rules, Regulations, or Ordinances.

2.1.5 To determine the nature, manner, means, extent, type, time, quantity, quality, technology, standard, and level of police services to be provided to the public.

2.1.6 To require the performance of other public safety services, not specifically stated herein, in the event of an emergency or disaster, as deemed necessary by the CITY.

2.1.7. To lay off employees of the Police Department because of lack of work or funds or under conditions where continued work would be inefficient or nonproductive or not cost effective, as determined by the CITY.

2.1.8. To determine and/or change the police facilities, methods, technology, equipment, operations to be performed, organization structure, and allocate or assign work by which the CITY police operations and services are to be conducted.

2.1.9. To determine methods of financing.

2.1.10 To plan, determine, and manage the Department’s budget, which includes, but is not limited to, changes in the number of locations and types of operations, processes and materials to be used in carrying out all Police Department functions, and the right to contract or subcontract any work or operations of the Police Department.

2.1.11 To determine the size and composition of the Police Department work force, assign work to employees of the Police Department, in accordance with requirements determined by the Police Department, and to establish and require compliance to work hours and changes to work hours, work schedules, including call back, standby, and overtime, and other work assignments, except as otherwise limited by this MOU, or subsequent MOUs.

2.1.12 To establish and modify goals and objectives, related to productivity and performance programs and standards, including, but not limited to, quality and quantity, and required compliance therewith.

2.1.13 To determine qualifications, skills, abilities, knowledge, selection procedures and standards, job classification, job specifications, and to reallocate and reclassify employees, in accordance with division and/or CITY Rules and Regulations.

2.1.14 To determine the issues of public policy and the overall goals and objectives of the Police Department, and to take necessary action to achieve the goals and objectives of the Police Department.

2.1.15 To hire, transfer intra- or inter-Department, promote, reduce in rank, demote, reallocate, terminate, and take other personnel action for non-disciplinary reasons, in accordance with Department and/or CITY Rules, Regulations and Ordinances.

2.1.16 To determine policies, procedures, and standards for recruiting, selecting, training, and promoting employees.

2.1.17 To establish, implement, and/or modify rules and regulations, policies, and procedures related to productivity, performance, efficiency, personal appearance standards, code of ethics and conduct, safety, health, and order, and to require compliance therewith.

2.1.18 To maintain order and efficiency in police facilities and operation.

2.1.19 To restrict the activity of an employee organization on CITY facilities, except as set forth in this MOU.

2.1.20 To take any and all necessary steps and actions to carry out the service requirements and mission of the CITY in emergencies or any other time deemed necessary by the CITY, and not specified above.

2.2 Nothing herein is meant to diminish CITY rights provided by the Government Code.

2.3 Nothing herein is meant to diminish the Public Safety Officers Procedural Bill of Rights Act, as set forth in the Government Code Sections 3300-3313.

2.4 AUTHORITY IF THIRD PARTY NEUTRAL - MANAGEMENT RIGHTS

All management rights, powers, authority, and functions, whether heretofore or hereinafter exercised, shall remain vested exclusively with the CITY. No third party neutral shall have the authority to diminish any of the management rights, which are included in this MOU.

ARTICLE 3 - RECOGNITION

3.1 Pursuant to Resolution No. 74-69, the Employer-Employee Relations Resolution of the City of Morro Bay and applicable State law, ASSOCIATION was designated by CITY as the representative of CITY employees in the Law Enforcement Unit (hereafter "UNIT"). The UNIT is comprised of the following classifications:

Sergeant
Corporal
Senior Officer
Police Officer

The term "employee" or "employees," as used herein, shall refer only to the foregoing classifications.

3.2 Employees working on a regular basis in a classified position, but less than full-time, shall receive vacation and sick leave accruals on a pro-rated basis, commensurate with hours worked. All benefits for new hires, including insurance benefits, will be allocated on a pro-rated basis commensurate with hours worked.

3.3 ELECTRONIC DEPOSIT:

All employees, hired after July 1, 1999, shall receive their pay by electronic methods. New hires must present account information for a checking or a savings account with an ACH member financial institution.

ARTICLE 4 - ASSOCIATION BUSINESS

4.1 Employee representatives, designated by the ASSOCIATION, shall be granted time off, without loss of pay, to attend "meet and confer" sessions with the City Manager, and/or his/her designee, on subjects within the scope of representation when such meetings are scheduled during regular working hours. Should such meetings extend beyond an employee representative's regular working hours, the employee representative shall be paid for only the regular working hours.

It is understood that this time-off provision shall only apply to a maximum of three (3) employees attending any one meeting between the CITY and the ASSOCIATION. Where exceptional circumstances warrant, the City Manager may approve the attendance at such meetings of additional employee representatives. The ASSOCIATION shall, whenever practicable, submit the names of all employee representatives to the City Manager, or designee, at least two working days in advance of such meetings. Provided further: (1) no employee representative shall leave his or her duty or work station or assignment, without specific approval of the department head or other authorized CITY management official; and (2) any such meeting is subject to scheduling by CITY management, in a manner consistent with operating needs and work schedules.

4.2 Nothing provided herein shall limit or restrict CITY management from scheduling such meetings before or after regular CITY or work hours.

4.3 Off-duty employees will not be paid for attending meet and confer sessions, nor will over-time be paid for same.

ARTICLE 5 - AUTHORIZED AGENTS

For the purpose of administering the terms and provisions of this MOU:

5.1 The CITY's principal authorized agent shall be the City Manager, or his/her duly authorized representative (address: 595 Harbor Street, Morro Bay, CA 93442; telephone (805) 772-6201), except where a particular management representative is specifically designated in the MOU.

5.2 The ASSOCIATION's principal authorized representative shall be the President of the Association, or his/her duly authorized representative (address P. O. Box 276, Morro Bay, CA 93443).

ARTICLE 6 - ASSOCIATION DUES AND DEDUCTIONS

6.1 The ASSOCIATION may request that the CITY deduct membership dues, initiation fees, and general assessments, as well as payment of any other membership benefit program sponsored by the ASSOCIATION, from the wages and salaries of ASSOCIATION members. The ASSOCIATION hereby certifies that ASSOCIATION has and shall maintain all such deduction authorizations signed by the individual from whose salary or wages the deduction is to be made and shall not be required to provide a copy of an individual authorization to the CITY unless a dispute arises about the existence or terms of the authorization. Accordingly, ASSOCIATION membership dues shall be deducted each pay period in accordance with CITY procedures and provisions of applicable law from the salary of each employee whose name is provided by the ASSOCIATION. Any changes in ASSOCIATION dues must be given to the CITY a minimum of thirty (30) days prior to change to accommodate changes to payroll. ASSOCIATION will pay the costs incurred by the CITY in order to set up the employee's deductions. After initial set up, ASSOCIATION may be charged $5 per employee to make changes to requested dues deductions.

6.2 The ASSOCIATION shall defend and indemnify, and hold harmless, the CITY, its officers, agents, and employees from any and all claims, demands, damages, costs, expenses, or liability arising out of this Article.

6.3 DEPOSIT OF DEDUCTIONS
It is agreed that the CITY will deposit payroll deductions, made payable to credit unions in which the CITY participates, providing the ASSOCIATION makes arrangements for such services that are acceptable to both members and the CITY under the same conditions as prevails for deductions as set forth above.

ARTICLE 7 – TERM

Except as otherwise provided herein, the term of this MOU commences on July 1, 2018, and expires, and is otherwise fully terminated, on June 30, 2020.

ARTICLE 8 - RENEGOTIATIONS

The parties agree to commence renegotiations for a successor MOU for the period beginning July 1, 2020, by serving their initial written proposals by January 1, 2020, with negotiations meetings to commence no later than March 1, 2020. Should the parties be unable to reach agreement on a new contract before the current contract expires, all applicable provisions of this MOU shall remain in full force and effect until such time as a new MOU is reached, or September 30, 2020, whichever first occurs.

ARTICLE 9 - ANTI-DISCRIMINATION

The CITY and ASSOCIATION mutually agree they will not discriminate against employees for the exercise of their rights under the State of California Government Code Section 3502.

ARTICLE 10 - WORK SCHEDULE

10.1 Alternative work schedules, in compliance with the federal Fair Labor Standards Act ("FLSA"), may be implemented upon approval of the Chief of Police. No guarantee of work, per day or per week, or of days of work per week, is implied.

The implementation of an alternate work schedule shall not incur any CITY obligation to allocate additional sworn personnel, vehicles or equipment. All deployment of sworn personnel shall ensure effective and efficient delivery of police protection to the community, sufficient to continue during times of vacation, sick leave, and Department-approved training.

10.2 OVERTIME

10.2.1 Sworn Personnel

Overtime shall be all work, authorized by management and actually worked by the employee, in excess of eighty (80) hours worked in a work period. For the purpose of defining hours worked, vacation leave and holiday leave taken shall count towards time worked, for the purpose of overtime. All overtime, as defined herein, shall be paid at one and one-half (1.5) times the employee's regular rate of pay.

NOTE: Hours spent in court under what used to be termed “Court Appearance Pay” shall be considered and paid as part of this article; except for the “minimum pay,” which is now covered under Special Pay Practices.

10.2.2 Compensatory Time Off

Effective with the ratification of this MOU, Compensatory Time Off (hereinafter “CTO”) shall be earned at the overtime rate of one and one-half (1.5) times the number of overtime hours, worked as defined in Articles 10.2.1 and 10.2.2. CTO may be accrued up to a maximum of 140 hours. Overtime earned, in excess of the CTO maximum accrual, shall be compensated in cash.

10.2.3 Compensatory Time Payoff

Employees may elect a payoff of up to a maximum total of 60 hours per fiscal year of accrued compensatory time. Upon 30 days’ advance notice, partial or full payment will be made on the second paycheck received in March and/or on the second paycheck in September, as elected by the employee.

10.3 EMERGENCIES

10.3.1 Nothing herein shall be construed to limit or restrict the authority of management to make temporary assignments to different or additional locations, shifts, or duties for the purpose of meeting an emergency.

10.3.2 Such emergency assignments shall not extend beyond the period of said emergency.

10.3.3 Short staffing, caused solely by absences due to employees taking approved paid leave, shall not be considered an emergency.

10.4 SHIFT ROTATION

Shift rotation shall coincide with the first day of a pay period.

ARTICLE 11 - VACATION/HOLIDAY LEAVE

NOTE: ALL LEAVE TIME (VACATION, SICK LEAVE, HOLIDAY, ETC.), WILL BE TAKEN OFF ON AN HOUR FOR HOUR BASIS EQUALING EMPLOYEE ACTUAL TIME OFF, REGARDLESS OF ACCUMULATION RATES.

11.1 VACATION

11.1.1 The following is a list of vacation annual accrual schedule by years of employment, effective retroactive to July 1, 2016 for those employees still employed by the CITY upon City Council adoption of this successor MOU:

SERVICE YEARS	VACATION ACCRUAL
1-2	88 hrs
3-4	96 hrs
5	104 hrs
6-7	112 hrs
8-9	120 hrs
10	128 hrs
11-12	136 hrs
13-14	144 hrs
15 or more	160 hrs

UNIT members hired after July 1, 2016 may be credited with years of service based upon prior law enforcement service at other agencies as determined within the sole discretion of the Police Chief and as approved by the City Manager and to be documented in both the recruit’s conditional offer and the City’s initial hire Personnel Action Form. Retroactive application shall be applied to those employees hired on or before the City Council’s adoption of this MOU, but there shall be no increased retroactive accrual of vacation. Rather the increased accrual only applies starting July 2, 2016.

11.1.2 Employees’ vacation accrual will be credited to employee on a pro-rated basis over twenty-six (26) pay periods per year.

11.1.3 In determining priority of individual members for assignment of vacation periods, “seniority within rank” shall be the primary criteria. During the month of January of each year, each employee shall submit his/her preferences for vacation time off during that calendar year. It is agreed that every effort will be made to permit UNIT members to take vacation at a time and for periods as close to members’ preference as possible, consistent with the necessity for maintaining adequate manning to assure performance of police department functions. It is further agreed that every effort will be made to schedule individual vacation periods so as to maximize consecutive vacation days off, consistent with annual vacation entitlement.

11.1.4 Effective retroactive to the pay period including July 1, 2016, the maximum amount of vacation accrual will be 280 hours. When an employee reaches the maximum accrual limit of 280 hours, the employee shall cease to accrue vacation leave until the usage of vacation causes the balance to be less than 280 hours. Employees, who have a requested vacation denied or canceled within 60 days prior to reaching the 280 hour accrual maximum, shall, upon request, be given an additional 60 days following reaching the maximum to utilize vacation, prior to ceasing to accrue.

11.1.5 A UNIT employee may exercise an option to convert into cash a maximum of forty (40) hours of accrued vacation leave each fiscal year, upon 30 days' notice to payroll. Such conversion shall be computed at the employee's current base hourly rate, on an hour-per-hour basis.

11.2 HOLIDAYS

11.2.1 For the purpose of this MOU, the following days are the holidays for the employees in this UNIT:

New Year's Day	January 1
Martin Luther King, Jr. Day	3rd Monday in January
Lincoln's Birthday	February 12
Washington's Birthday	3rd Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4th
Labor Day	1st Monday in September
Veterans Day	November 11th
Thanksgiving Day	4th Thursday in November
Day after Thanksgiving Day	Friday after Thanksgiving
Christmas Day	December 25th
Day after Christmas	December 26th
Floating Holiday	Varies

11.2.2 Effective upon City Council adoption of this MOU, employees who work a holiday listed in 11.2.1, shall be paid one and one-half (1.5) times their base hourly rate. An employee is eligible for the one and one-half time pay only for the hours actually worked during the actual calendar holiday date as set forth in 11.2.1 above regardless of any change in City observation of same based upon the actual day of the week of the holiday. Each employee will be credited eight (8) hours Holiday leave for each holiday listed in 11.2.1 or recognized under 11.2.3, in addition to pay for time worked on that holiday. Holiday Leave hours shall be pro-rated annually and credited to employees at the rate of four hours per pay period. (For example, if a listed holiday is Sunday, and the City recognizes the holiday on Monday, the employee working the actual holiday on Sunday shall receive credit under the code Police Holiday Worked for working the actual holiday).

11.2.3 Holidays Proclaimed by Government Officials: It is agreed that when a holiday is proclaimed by the Mayor of the CITY, then each regular member of the UNIT shall be granted compensation in the same number of hours as equivalent to the time-off granted other employees of the CITY. Such time-off shall be selected by the Police Chief.

11.2.4 Accumulated Holiday Leave may be scheduled and taken upon approval of the Police Chief, or his/her designee.

11.2.5 Employees may accumulate up to a maximum of 116 hours Holiday Leave per year. All Holiday Leave, not taken by the pay period containing December 1, shall be paid off at the employee's current rate of pay. By request only, employees may be paid for a designated amount of accumulated Holiday Leave with the pay period including June 1, upon 30 days' advance notice to Payroll. When an employee terminates employment with the CITY, employee shall receive pay for employee's current holiday balance at employee's current base hourly rate.

NOTE: Subject to maximum accrual limits, employee specified amounts of Holiday Leave may be transferred to Compensatory Time Off, upon request in December only. Payroll must be notified by November 1st.

11.3 MILITARY LEAVE

11.3.1 Military Leave will be provided pursuant to City Resolution 65-01 and Military and Veterans Code 395.03

11.4 ASSOCIATION LEAVE

11.4.1 UNIT members will be allowed to contribute accumulated compensatory, holiday, or vacation time off to a special compensatory time account for the use of ASSOCIATION executive officers. ASSOCIATION officers, or their designee(s), may, subject to all normal approvals and restrictions for time off requirements, receive up to a total of forty (40) hours per fiscal year off for attendance at meetings, seminars, etc., on behalf of the ASSOCIATION.

At no time may the ASSOCIATION compensatory time account contain more than one hundred (100) accrued hours.

The parties agree herewith to retain the option to re-open collective bargaining, with respect to this section 11.4.1, regarding the specific issue of initiating a process in which the UNIT members can donate to a time bank for ASSOCIATION business.

ARTICLE 12 - SICK LEAVE

12.1 Sick leave shall be earned at the rate of eight hours each calendar month of service. There is no limit on the amount of sick leave that may be accumulated by members of this UNIT.

12.2 Based on individual utilization of paid sick leave in the preceding calendar year, rolling backwards 365 days from the date of requested conversion, employee may convert unused accumulated sick leave into paid vacation leave once per fiscal year, pursuant to the formula below:

8 Hour Schedule	10 Hour Schedule	12 Hour Schedule	Maximum Conversion To Vacation Leave
0	0	0	48 hours
.25 to 8	.25 to 10	.25 to 12	36 hours
8.25 to 16	10.25 to 20	12.25 to 24	24 hours
16.25 to 25	20.25 to 30	24.25 to 36	12 hours
over 25	over 30	over 36	0 hours

At least 160 accrued hours must remain in employee's sick leave bank for any employee to be eligible for conversion, or for any conversion to be authorized. In addition, the right to convert, along with any conversion hours, does not carry over or rollover from fiscal year to fiscal year; failure to request conversion, in any fiscal year, eliminates the right to do so for that fiscal year, and does not permit employees to aggregate conversion hours in any other fiscal year.

12.3 At termination, unused accumulated sick leave is not compensable; however, upon retirement, may be converted to additional time, as provided by the PERS sick leave option.

ARTICLE 13 - BEREAVEMENT

Employees shall be permitted to utilize three (3) days of paid bereavement leave, per occurrence, in the case of the death of members of the employee's immediate family (as defined in the Personnel Rules), where the funeral service will be held in state and five (5) days paid bereavement leave for funeral services held out-of-state. The three or five days shall be regardless of shift length, subject to a maximum of 12 hours per day. Any necessary extra time shall be taken from the employee's accrued sick leave. In cases where sick leave is exhausted, vacation time shall be charged. Paid leave beyond the initial three or five days is subject to department approval.

ARTICLE 14 - RETIREMENT

14.1 It is the employee's obligation to contribute the employee's contribution to CalPERS. The employee shall pay his/her own contribution by payroll deduction, consistent with the provisions of 414 (h) 2 of the Internal Revenue Code.

14.1.1 For Sworn members, the current contribution rates are 9% CalPERS Safety for classic members (Tier 1 & Tier 2), 11.5% for new members (Tier 3).

14.1.2 Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher.

14.1.3 Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the CITY meets the economic thresholds in subsection E above, and only after City Council approval of an additional CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher

14.2 The ASSOCIATION understands and agrees that employees bear the risk of payment of any increases in the employee contribution, above the current percentage, made by action of CalPERS or the state legislature.

14.3 Parties agree that CITY payment of CalPERS contributions are made based upon tax treatment currently permitted by the State Franchise Tax Board and the IRS.

14.4 Should current tax treatment change, the ASSOCIATION and the employee shall hold harmless the CITY, its officers and agents, from any and all claims or costs of any type, including, but not limited to, liability for back taxes, arising out of this MOU, to pay part of the employee's CalPERS contribution. Should current tax treatment change, the ASSOCIATION shall have the opportunity to meet and confer, regarding any such changes.

14.5 For Sworn employees, hired prior to September 17, 2011, the CITY agrees to continue to provide CalPERS Safety employees in this UNIT with a retirement benefit program through the California Public Employees Retirement System (CalPERS) as follows:

14.5.1 3% @ 50 formula (21362.2)
14.5.2 Unused Sick Leave Credit (Section 20965)
14.5.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.5.4 Final Compensation 1 Year (Section 20042)
14.5.5 1959 Survivor Benefit, Level 4 (Section 21574)
14.5.6 Pre-Retirement Death Benefits (Section 21548 Option 2W & 21551)
14.5.7 Retired Death Benefit $500 (Section 21620)

14.5.8 Prior service (Section 20055)
14.5.9 Public Service Credit for Periods of Layoff (Section 21022)

14.6 For Sworn employees, hired on or after September 17, 2011, and those hired on or after January 1, 2013, who meet the definition of classic member, pursuant to the California Public Employees Pension Reform Act of 2013 (PEPRA), the CITY will provide the following CalPERS formula and optional benefits:

14.6.1 3% @ 55 formula (21363.1)
14.6.2 Unused Sick Leave Credit (Section 20965)
14.6.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.6.4 Final Compensation 3 Year (Section 20037)
14.6.5 1959 Survivor Benefit Level 4 (Section 21574)
14.6.6 Pre-Retirement Death Benefits (Section 21548 Option 2W and 21551)
14.6.7 Retired Death Benefit $500 (Section 21620)
14.6.8 Prior Service (Section 20055)
14.6.9 Public Service Credit for Periods of Layoff (Section 21022)

14.7 Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, Sworn employees hired, who meet the definition of new member under PEPRA and are not eligible for reciprocity, will be provided the following retirement formula and optional benefits:

14.7.1 2.7% @ 57 formula (Section 7522.25(d))
14.7.2 Unused Sick Leave Credit (Section 20965)
14.7.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.7.4 Final compensation 3 Year (Section 20037)
14.7.5 1959 Survivor Benefit Level 4 (Section 21574)
14.7.6 Pre-Retirement Death Benefits (Section 21548 Option 2W and 21551)
14.7.7 Retired Death Benefit $500 (Section 21620)
14.7.8 Prior Service (Section 20055)
14.7.9 Public Service Credit for Periods of Layoff (Section 21022)

ARTICLE 15 - HEALTH BENEFITS

15.1 HEALTH INSURANCE

15.1.1 Effective July 1, 2018, UNIT employees shall receive a cafeteria plan contribution, including the amount required by CalPERS, as follows:

Employee only - up to $715/month or cost of insurance, whichever is less
Employee + 1 – up to $1,135/month or cost of insurance, whichever is less
Employee + family - up to $1,460/month or cost of insurance, whichever is less

15.2 DENTAL AND VISION INSURANCE:

15.2.1 During the term of this MOU, the CITY shall offer dental, life and vision insurance, and each employee shall be required to carry both dental, life and vision insurance for self. Life Insurance is provided at $50,000 per employee. The following rates are effective January 1, 2018:

	Vision	Dental	Life	Totals	City pays	EE pays
Employee only	$ 8.73	$ 55.03	$8.15	$ 71.91	$ 68.98	$ 2.93
Employee + 1	$ 16.40	$152.27	$8.15	$ 176.82	$ 165.07	$11.75
Employee + 2+	$ 23.34	$152.27	$8.15	$ 183.76	$ 171.55	$12.21

CITY will pay the remaining premium for dental, life and vision.

15.3 Any coverage made available to future retirees, beyond COBRA time requirements, shall be paid for by the retiree.

15.4 CITY contributions pursuant to this Article 15.0 shall remain effective through June 30, 2019. The CITY and ASSOCIATION agree herewith to retain the option to re-open collective bargaining, with respect to this Article 15, to discuss any health provider rate changes effective in calendar year 2019.

ARTICLE 16 - EDUCATIONAL INCENTIVES

16.1 P.O.S.T. CERTIFICATES

16.1.1 For UNIT members, hired prior to January 1, 1998, and possessing the Intermediate P.O.S.T. Certificate, CITY agrees to pay three percent (3%) over the base salary range and step schedule established for the position classification held by the UNIT member and as specified herein under Article 18, Salaries.

16.1.2 For UNIT members, hired prior to January 1, 1998 and possessing the Advanced P.O.S.T. Certificate, CITY agrees to pay six percent (6%) over the base salary range and step schedule established for the position classification held by the ASSOCIATION member and as specified herein under Article 18, Salaries.

16.1.3 For Sworn UNIT members hired on or after January 1, 1998, CITY agrees to pay $140 per month for P.O.S.T. certificates as follows:

	Intermediate	Advanced
Sergeant	$140	$140
Corporal	$140	$140
Officer	$140	$140

ARTICLE 17 - UNIFORMS

17.1 Uniforms for employees shall be as set forth in Morro Bay Police Department Policy Manual Section 1046, Uniform and Equipment Regulations and Specifications.

17.2 Newly-hired employees shall receive a full uniform issue and will receive full uniform replacement as needed until the following July 1. Effective July 1 after hire, such employees shall commence receiving an annual uniform allowance.

17.3 The following uniform articles are covered by the uniform allowance and must meet the department uniform standards:

a. Uniform pants
b. Uniform shirts - long and short sleeves
c. Dress belt
d. Ties
e. Duty jacket
f. Uniform patches

17.4 All maintenance, tailoring and other alterations will be at the employee's expense.

17.5 All optional equipment will be the responsibility of the employee.

17.6 All safety equipment originally issued and replaced by the department remains the Department's property.

17.7 The annual uniform allowance will be as follows:

Sworn officers: $ 1,150

17.8 The CITY agrees to repair or replace any personal article damaged while on duty, including uniform items as listed above, providing that such article is a reasonable and necessary part of the employee's attire.

ARTICLE 18 - SALARIES

18.1 For UNIT members employed as of July 1, 2018, the CITY will pay a one-time, lump sum signing bonus payment of $600 to be paid the next full pay period after City Council approval and adoption of this MOU. The lump sum payment shall not be PERSable compensation and shall not be treated as off-salary schedule pay as defined under Section 571 of the California Code of Regulations.

18.2 Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the CITY upon City Council adoption of this MOU, Longevity Pay shall be rolled into salary for all UNIT classifications and eliminated as a separate pay item per the attached revised salary schedule.

18.3 Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the CITY upon City Council adoption of this MOU, the CITY shall provide a Cost of Living Adjustment (COLA) increase to base salaries for all UNIT classification by 2% per the attached revised salary schedule.

18.4 Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment ~~pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher~~, the CITY shall provide an additional 1% COLA increase to base salaries for all UNIT classifications.

18.5 Effective July 1, 2019, the CITY shall provide a 2% COLA increase to base salaries for all UNIT classifications with a condition precedent being that the CITY meets the following economic thresholds on three key revenue sources (Property Tax, Sales Tax and TOT) based on 10-year budget forecasts shown below:

- Total major General Fund Revenues (Property Tax, Sales Tax and Transient Occupancy Tax) meet or exceed the combined forecasted amount of $9,395,906 (matches 10-year forecast presented to City Council in February 2017). These figures are based on current tax rates. Increased tax rates would not count towards increased revenue receipts for this purpose (currently 1% Property Tax, 1.0% CITY Sales Tax, 10% TOT). The revenue projections serving as economic thresholds for purposes of this Section 18.5 are depicted in the following table:

COLA Year Affected	FY19-20
Combined Receipts Forecast	FY18-19 Forecast
Property Tax	3,034,754
Property Tax In-Lieu (VLFAA)	1,037,401
Subtotal Property Tax	4,072,155
Sales Tax (local & triple-flip)	1,745,439
Sales Tax (Prop 172-Safety)	123,525
Subtotal Sales Tax	1,868,964
Transient Occupancy Tax	3,454,787
Combined Total Threshold	$9,395,906

- The CalPERS investment rate of return (i.e. "Discount Rate") to take effect in FY18-19 does not drop below the rates announced by CalPERS on December 22, 2016, causing the CITY's contribution to CalPERS to increase more than $100,000 beyond the current budgeted amounts for the General Fund.

- The CITY does not become responsible, during FY17-18, for any state/federally imposed unfunded mandates from any external source(s) that require significant unplanned/ un-forecasted General Fund expenditure(s) of more than $300,000 in a fiscal year, including significant natural disasters affecting the CITY. Any such expenditure will be counted as a reduction in the combined revenue amount discussed in this section on which the various conditions are based, resulting either in a lower employee bonus or reduction in the intended COLA increase to 1% or 0%.

- For timing purposes, the COLA adjustment shall take effect on July 1, 2019 if the CITY determines, based on revenues received as of June 1, 2019, that it is reasonable to assume the combined receipts will meet or exceed the stated thresholds. If meeting the stated threshold is not a reasonable assumption as of June 1, 2019, then the parties agree to wait for actual receipts to be posted which are normally by the end of August. If the thresholds are met at the time actual receipts are received, then the CITY agrees to implement the 2% COLA retroactive to July 1, 2019.

- If total major General Fund Revenues are less than $71,000 below the forecasted amount (i.e. more than $9,322,906), then the COLA will still be 2%, effective July 1, 2019. If total major General Fund Revenues are between $71,000 and $141,000 below the forecasted amount (i.e. between $9,253,907 - $9,335,194), then the COLA will be 1% effective July 1, 2019. If total major General Fund Revenues are $142,000 or more below the forecasted amount (i.e. less than $9,253,906), then there will be no COLA effective July 1, 2019.

- If the conditions precedent described above are satisfied, and total major General Fund Revenues for FY 2018/19 are above forecast, then in addition to the 2% COLA, 20% of the amount above the forecast amount will be divided equally by the number of full-time equivalent (FTE) employees then working at the CITY and paid to UNIT members in the form of a one-time lump sum payment which shall not be PERSable compensation and shall not be treated as off-salary schedule pay as defined under Section 571 of the California Code of Regulations.

18.6 Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the CITY meets the economic thresholds in subsection 18.5 above, and only after City Council approval of an additional CalPERS Contract ~~Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher~~, the CITY shall provide an additional 1% COLA increase to base salaries for all UNIT classifications.

ARTICLE 19 - SPECIAL PAY PRACTICES

19.1 STANDBY

19.1.1 Standby duty is defined as that circumstance which requires an employee so assigned to:

1. Be ready to respond immediately to a call for service;
2. Be readily available at all hours by telephone or other agreed-upon communication equipment; and
3. Refrain from activities which might impair his/her assigned duties upon call.

The parties agree that employees on standby as defined above, are "waiting to be engaged."

19.1.2 Regardless of any hours actually worked, employees on standby shall be compensated for two (2) hours computed at their straight hourly base rate per twenty-four (24) hours of authorized standby time (e.g., 2 hours standby + actual time worked).

The twenty-four (24) hours' time period is defined as 0700 hours to 0659 hours the following day.

Subject to the maximum accrual provisions of Section 10.2.3, employees may elect to receive two (2) straight time compensatory time off hours in lieu of paid standby compensation.

19.1.3 Court standby – Employees on court standby will receive two (2) hours computed at their straight hourly base rate to be available for court callback on off duty days. Subject to the maximum accrual provisions of Section 10.2.3 employees may elect to receive two (2) straight time compensatory time off hours in lieu of court standby compensation.

19.2 CALL BACK

19.2.1 Call back is defined as that circumstance which requires an employee to unexpectedly return to work after the employee has left work at the end of the employee's work shift or work week; except that, an early call in of up to two (2) hours prior to the scheduled start of a work shift shall not constitute a call back; or, employee is required for off-duty court appearance.

19.2.2 Required off-duty court appearance. Employees called back shall receive either a two (2) hour minimum computed at straight hourly base rate or pay for all time actually worked, whichever is greater. An employee shall not receive overlapping minimums.

19.2.3 An employee shall not receive standby pay for the same hours he/she received callback pay.

19.3 OUT OF CLASS ASSIGNMENT

19.3.1 The term "out-of-class assignment" shall be defined as the full-time performance of the significant duties of a vacant, funded position in one classification by an individual in a classification with a lower compensation range.

19.3.2 If an employee is required to work in an out-of-class assignment for more than fifteen (15) workdays, within a calendar month his/her department head shall, with prior approval of the Administrative Services Director, make an acting appointment. Such acting appointment shall be effective on the sixteenth (16th) workday within a calendar month of the out-of-class assignment.

19.3.3 An employee on an acting appointment shall receive a one (1) step increase within the employee's current classification salary as provided by CITY's Personnel Rules and Regulations. In the absence of available steps within his/her current range, the employee shall be granted a five percent (5%) increase above his/her current base salary.

19.4 BILINGUAL PAY

Qualified employees who possess the necessary ability and who are assigned to perform services as an interpreter in Spanish, shall be eligible for additional stipend depending upon the employee's level of bilingual expertise. Qualifications shall be determined by the CITY.

19.5.1 For those employees who conduct conversational assistance in Spanish on a regular basis, seventy-five dollars ($75) per month stipend is available.

19.5.2 For those employees who interpret and explain legal documents, conduct conversational assistance, and write documents for those persons who speak only Spanish, One Hundred Fifty dollars ($150) per month stipend shall be available.

19.5 FIELD TRAINING OFFICER (FTO) ASSIGNMENT PAY

Individuals, in the classification of Police Officer formally assigned a trainee by the Chief of Police, or his/her designee, shall be compensated at the rate of 5% of base hourly rate. Compensation will be paid only when acting as FTO.

19.6 SENIOR OFFICER ASSIGNMENT PAY

Up to four (4) individuals may be assigned as Senior Police Officers. This assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards," as well as at the discretion of the Chief of Police. Senior Police Officers will be compensated at the rate of 5% above base pay for the term of the assignment. While receiving Senior Officer Assignment pay, employees are not eligible for FTO pay.

Incumbents in the Corporal classification will maintain status in the Corporal class, and maintain the terms and conditions of the classification as they existed at the time of their promotion; however, if the incumbents in the Corporal classification leave the positions (due to promotion, retirement, etc.), the Corporal classification revert to assignments of Senior Officers as provided above.

No individual may be concurrently assigned as both a Senior Officer and Detective.

19.7 DETECTIVE ASSIGNMENT PAY

Up to two individuals may be assigned as Detectives. The Detective assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards" as well as at the discretion of the Chief of Police. Detectives will be compensated at the rate of 5% above base pay for the term of the assignment.

Incumbent Corporals may apply for, and be appointed to the Detective assignment. If appointed, Corporals will maintain status in the Corporal class and maintain the terms and conditions of the classification as they existed at the time of their promotion. When the Detective assignment ends, the Corporal may be placed into a Senior Officer assignment or a regular officer position; still in the Corporal classification with the terms and conditions of the Corporal classification being maintained.

Any individual concurrently assigned as both a Corporal and Detective shall for compensation pay purposes only receive the Corporal salary and no additional compensation for being assigned as a Detective.

19.7.1 SCHOOL RESOURCE OFFICER (SRO) ASSIGNMENT PAY

The SRO assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards," as well as at the discretion of the Chief of Police.

SRO will be compensated at the rate of 5% above base pay for the term of the assignment, and will be responsible for juvenile investigations, as assigned.

19.8 NIGHT SHIFT DIFFERENTIAL

Sworn employees in this UNIT will receive 2.5% of base hourly pay for each hour worked between the hours of 7:00 p.m. and 7:00 a.m.

19.9 CANINE CARE PAY

An employee who is assigned a City canine, as part of a drug detection search program or a service dog program, and who boards the canine at his/her home, shall be paid $13.50 per hour (hereinafter, the "canine care pay rate") for all time the employee spends outside of regular work hours on the care of the assigned canine. Compensable canine care activities include feeding, grooming, exercising, cleaning up, obtaining veterinarian services or caring for any injuries, and shall not include other time spent with the canine (e.g., commute time, as a family pet, etc.). Employees, subject to this provision, shall not receive on-call pay or call back pay for any time spent in the care of the assigned canine. The residence of the employee, assigned a City canine, shall not constitute the employee's work place. Travel (commute) time, from the employee's home to the assigned work site, or from the assigned work site to the employee's home, with the canine, shall not be considered time worked or care of the canine.

It is estimated and agreed that the officers spend one-half hour per day outside of regular work hours on compensable canine care activities. Off duty time spent on compensable canine care tasks shall be considered actual hours worked. These hours will be paid at the rate of 1.5 times the canine care pay rate ($20.25).

ARTICLE 20 - BULLETIN BOARD

20.1 CITY agrees to furnish space for ASSOCIATION-purchased bulletin boards of reasonable size for the posting of ASSOCIATION material. Location of such bulletin boards shall be at the Police Station in an area commonly used for briefings or meetings.

20.2 ASSOCIATION agrees it shall not use bulletin boards to ridicule, defame, or harass any CITY employees, officer or agent.

ARTICLE 21 - PROBATIONARY PERIOD

The probationary period for new officers and lateral hires shall be 12 months.

ARTICLE 22 - DRUG AND ALCOHOL TESTING

ASSOCIATION agrees to the terms of the Substance Abuse and Testing Policy adopted by the Morro Bay City Council pursuant to Resolution No. 14-99.

ARTICLE 23 - GRIEVANCE PROCEDURE

23.1 The ASSOCIATION agrees that whenever investigation or processing of a grievance is to be transacted during working hours, only the amount of time necessary to bring about a prompt disposition of the matter will be utilized. It is further agreed that the time spent on an investigation and processing of grievances will not interfere with the normal operation of the department. CITY agrees to provide every reasonable amount of time for the investigation and the processing of a grievance, but by so agreeing does not imply that the processing or investigation of a grievance shall take priority over normal functions of the department.

CITY further agrees that any payment of overtime arising because of UNIT personnel's involvement in grievance investigation or processing shall not be authorized. Time spent on the investigation and processing of grievances will be recorded on a form provided by CITY. Stewards will be permitted reasonable time-off with pay for the investigation and processing of grievances provided, however, stewards shall first obtain permission from the department head and/or his/her designee and inform him/her of the nature of his/her business. CITY shall grant such permission promptly unless such absence would cause an undue interruption of work or would require the CITY to pay overtime in order to maintain the normal operation of the department.

Upon entering the work location, the steward shall inform the department head and supervisor of the nature of his/her business. Permission to leave a job will be granted to the employee involved unless such absence would cause an interruption of work. If the employee cannot be made available, the steward will seek an alternate time for employee availability with the department head or supervisor.

It is agreed that in some instances the investigation and processing of a grievance may be accomplished on the employee's time. This MOU is in recognition of the mutual sharing of costs involved in the handling of employee-initiated actions.

23.2 PURPOSE

The primary purpose of this procedure shall be to provide a means whereby an employee, without jeopardizing his employment, can express a personal grievance relating to his wages, hours of work, and working conditions, and obtain a fair and equitable disposition of his grievance.

23.3 ASSOCIATION REPRESENTATIVE

The CITY agrees that the ASSOCIATION may designate a representative to represent employees in the processing of grievances. The ASSOCIATION shall furnish the City Manager with a written list identifying by name and work location all regular and alternate representatives and the list shall be kept current by the ASSOCIATION at all times. The representatives are to begin investigating grievances only after the employee has tried to resolve the problem with his/her immediate supervisor and the two parties have failed to reach resolution of the problem.

23.4 PROCEDURE

Procedures shall be in accordance with Resolution No. 46-74 and any amendments thereto.

ARTICLE 24 - NO STRIKE, SLOW-DOWN OR OTHER INTERRUPTION TO WORK

24.1 ASSOCIATION agrees not to cause, authorize, advise, encourage or participate in any interruption of work or any other concerted action. The term “interruption of work” shall mean any work stoppage or strike (including economic and unfair labor practice strikes) or any intentional slow-down of work. The term “other concerted action” includes picketing or boycott activities by the ASSOCIATION.

24.2 Participation by any employee in any activity resulting in interruption of work or other concerted action or use of paid or unpaid leave for these purposes shall subject employee to disciplinary action, up to and including, discharge. When the City Manager has reason to believe that such leave is being used as a method of interruption work, the burden of proof of illness is upon the employee. Doctor’s statements can be required in accordance with Resolution No. 34-83, Personnel Rules & Regulations, Section 13.B.4.

ARTICLE 25 - FULL UNDERSTANDING, MODIFICATION, WAIVER

25.1 This MOU sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any other prior or existing understanding or agreements by the parties, whether formal or informal, regarding any such matters are hereby superseded or terminated in their entirety.

25.2 It is agreed and understood that each party hereto voluntarily and unqualifiedly waives its right to negotiate, and agrees that the other party shall not be required to negotiate, with respect to any matter covered herein.

25.3 No agreement, alteration, understanding variation, waiver, or modification of any of the terms or provisions contained herein shall in any manner be binding upon the parties hereto unless made and executed in writing by all parties hereto, and if required, approved by the CITY and ratified by the membership of the ASSOCIATION.

25.4 The waiver of any breach of any term, or condition of this MOU by either party shall not constitute a precedent in the future enforcement of all its terms and provisions.

ARTICLE 26 - SEVERABILITY

If any provision(s) are held to be contrary to law by a court of competent jurisdiction, such provision will not be deemed valid and subsisting except to the extent permitted by law, but all other provisions will continue in full force and effect.

ARTICLE 27 – JOINT DRAFTING

Each party has cooperated in the drafting and preparation of this MOU. Hence, in any legal construction or interpretation to be made of this MOU, the same shall not be construed against any party.

ARTICLE 28 – CITY COUNCIL APPROVAL

The CITY's labor relations representatives and the ASSOCIATION's representatives have met and conferred in good faith on wages, hours and other terms and conditions of employment for the unit members represented by the ASSOCIATION and have reached agreements which are set forth in this MOU. This MOU, when executed by the CITY's labor relations representatives and the ASSOCIATION representatives, constitutes a joint recommendation therefrom, after ratification of the ASSOCIATION membership, to be submitted to the City Council for its determination and approval by resolution, as the City Council may deem fit and proper. This MOU is of no force or effect unless or until approved and adopted by a resolution of the City Council.

[SIGNATURES ON NEXT PAGE]

MORRO BAY PEACE OFFICERS' ASSN.	**CITY OF MORRO BAY**
Greg Gruich, President	Scott Collins, City Manager
Stephen Leonesio, Chief Labor Negotiator	Colin Tanner, Labor Negotiator
Thomas Nolen, Employee Representative	Dana Swanson, City Clerk/ Risk Manager
William Marvos, Employee Representative	Laurie Goforth, City Clerk/ Risk Manager

ATTACHMENT A

POLICE SALARY SCHEDULE

	ANNUAL COMPENSATION RANGE					
POSITION	**1**	**2**	**3**	**4**	**5**	**6**
Sergeant	$ 78,089	$ 81,993	$ 86,093	$ 90,398	$ 94,918	$ 99,664
Corporal	$ 66,357	$ 69,675	$ 73,159	$ 76,817	$ 80,658	$ 84,691
Special Assignments: Detective School Resource Officer Senior Officer	$ 65,747	$ 69,034	$ 72,486	$ 76,111	$ 79,916	$ 83,912
Police Officer	$ 62,616	$ 65,746	$ 69,034	$ 72,485	$ 76,110	$ 79,915

RESOLUTION NO. 57-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, APPROVING THE TENTATIVE AGREEMENT FOR A SUCCESSOR MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MORRO BAY AND THE MORRO BAY PEACE OFFICERS' ASSOCIATION, INC. FOR THE PERIOD OF JULY 1, 2018 THROUGH JUNE 30, 2020

THE CITY COUNCIL
Morro Bay, California

WHEREAS, the City of Morro Bay (City) has, and continues to, recognize the Morro Bay Peace Officers' Association, Inc. (MBPOA) as the sole exclusive employee organization for those City employees designated as being in the Law Enforcement Unit, including the classifications of Police Officer, Senior Officer, Corporal and Sergeant, for all matters concerning wages, hours and working conditions; and

WHEREAS, the most recent Memorandum of Understanding (MOU) between the City and the MBPOA expired on June 30, 2018; and

WHEREAS, the City labor relations representatives and MBPOA labor representatives successfully met and conferred to negotiate a successor MOU between the parties, pursuant to both the Meyers-Milias-Brown Act (MMBA) (Government Code Sections 3500-3511), and the City's Employer-Employee Relations Resolution No. 74-69, and have jointly prepared and executed the attached Tentative Agreement for a Successor MOU between the City and the MBPOA, for the period July 1, 2018 through, and including, June 30, 2020, which has been ratified by the MBPOA but remains subject to City Council determination and approval, which is made a part hereof by this reference; and

WHEREAS, MMBA Section 3505.1 provides: "If a tentative agreement is reached by the authorized representatives of the public agency and a recognized employee organization, or recognized employee organizations, the governing body shall vote to accept or reject the tentative agreement, within 30 days of the date it is first considered, at a duly noticed public meeting. If the governing body adopts the tentative agreement, the parties shall jointly prepare a written memorandum of understanding;" and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, the City Council accepts, approves and adopts the Tentative Agreement for a Successor MOU between the City and the MBPOA for the period of July 1, 2018 through and including June 30, 2020, a copy of which is attached hereto as Exhibit 1, and directs the parties to jointly prepare a written memorandum of understanding reflecting same to be brought back for City Council approval at a later date.

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 10th day of July 2018, by the following vote:

AYES:	Irons, Davis, Makowetski, McPherson
NOES:	None
ABSENT:	Headding
ABSTAIN:	None

Jamie L. Irons

JAMIE L. IRONS, Mayor

ATTEST:

Dana Swanson

DANA SWANSON, City Clerk

TENTATIVE AGREEMENT
FOR A SUCCESSOR MEMORANDUM OF UNDERSTANDING
Per California Government Code Section 3505.1
Between
The City of Morro Bay and
Morro Bay Peace Officers' Association Inc.

The current Memorandum of Understanding ("MOU") and related MOU Amendments between the City and the Morro Bay Peace Officers' Association Inc. ("MBPOA") expired by their own terms on June 30, 2018 ("MBPOA MOU 2016-18"). The parties began meeting on April 30, 2018 regarding a successor MOU. The parties reached an oral tentative agreement on the terms for a successor MOU, the deal points of which are set forth below and affirmed by the execution of this formal written Tentative Agreement by the parties' labor representatives. By executing this Tentative Agreement, the MBPOA further represents that this Tentative Agreement has been ratified by the MBPOA. This Tentative Agreement, however, shall not become effective until accepted, approved, and adopted by the City of Morro Bay City Council per California Government Code Section 3505.1, which provides:

> "If a tentative agreement is reached by the authorized representatives of the public agency and a recognized employee organization or recognized employee organizations, the governing body shall vote to accept or reject the tentative agreement within 30 days of the date it is first considered at a duly noticed public meeting. A decision by the governing body to reject the tentative agreement shall not bar the filing of a charge of unfair practice for failure to meet and confer in good faith. If the governing body adopts the tentative agreement, the parties shall jointly prepare a written memorandum of understanding."

All terms and conditions of the prior MBPOA MOU 2016-18 and any Amendments thereto shall be maintained unless expressly modified or changed herein until the successor MBPOA MOU is accepted, approved and adopted by City Council.

1. <u>**ARTICLE 6 – WITHHOLDING OF ASSOCIATION DUES AND INSURANCE**</u>

   The parties agree to a re-opener to negotiate the impacts of the United States Supreme Court decision in <u>Janus v. AFSCME</u> ((2018) 585 U.S. __) and the recently enacted AB 119 and SB 866 and any changes to be made accordingly in the MBPOA MOU.

2. <u>**ARTICLE 7 -TERM [Replace existing language]**</u>

   Two year contract July 1, 2018 to June 30, 2020.

3. **ARTICLE 11, SUBSECTION 11.4 – ASSOCIATION LEAVE**

The parties agree to a re-opener to work on initiating a process in which the Unit members can donate to a time bank for Association business.

4. **ARTICLE 13 – BEREAVEMENT [Replace existing language with the following]**

Employees shall be permitted to utilize three (3) days of paid bereavement leave, per occurrence, in the case of the death of members of the employee's immediate family (as defined in the Personnel Rules) where the funeral service will be held in state and five (5) days paid bereavement leave for funeral services held out-of-state. The three or five days shall be regardless of shift length, subject to a maximum of 12 hours per day. Any necessary extra time shall be taken from the employee's accrued sick leave. In cases where sick leave is exhausted, vacation time shall be charged. Paid leave beyond the initial three or five days is subject to department approval.

5. **ARTICLE 15 – HEALTH BENEFITS [Modify existing language as follows]**

15.1.1 City agrees to increase its current cafeteria plan contributions by 1% effective July 1, 2018.

15.4 Parties agree to update this section to reflect that stated City contributions remain effective through June 30, 2019, but with a reopener to discuss any health provider rate changes effective calendar year 2019.

6. **ARTICLE 18 – SALARIES [Replace existing language]**

A. For Unit members employed as of July 1, 2018, the City will pay a one-time, lump sum signing bonus payment of $600 to be paid the next full pay period after City Council approval and adoption of this Tentative Agreement. The lump sum payment shall not be PERSable compensation and shall be treated as off-salary schedule as defined under Section 571 of the California Code of Regulations.

B. Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the City upon City Council adoption of this Tentative Agreement, Longevity Pay shall be rolled into salary for all Unit classifications and eliminated as a separate pay item per the attached revised salary schedule. Article 19-Special Pay Practices Subsection 19.11 is thereby null and void moving forward and shall be deleted from the successor MBPOA MOU.

C. Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the City upon City Council adoption of this Tentative Agreement, the City shall provide a Cost of Living Adjustment (COLA) increase to base salaries for all Unit classifications by 2% per the attached revised salary schedule.

D. Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher, the City shall provide an additional 1% COLA increase to base salaries for all Unit classifications.

E. Effective July 1, 2019, the City shall provide a 2% COLA increase to base salaries for all Unit classifications with a condition precedent being that the City meets the following economic thresholds on three key revenue sources (Property Tax, Sales Tax and TOT) based on 10-year budget forecasts shown below:

- Total major General Fund Revenues (Property Tax, Sales Tax and Transient Occupancy Tax) must meet or exceed the combined forecasted amount of $9,395,906 (matches 10-year forecast presented to Council in February 2017). These figures are based on current tax rates. Increased tax rates would not count towards increased revenue receipts for this purpose (currently 1% Property Tax, 1.0% City Sales Tax, 10% TOT).

- The CalPERS investment rate of return (i.e. "Discount Rate") to take effect in FY18-19 does not drop below rates announced on Dec 22, 2016, causing the City's contribution to CalPERS to increase more than $100,000 beyond the current budgeted amounts for the General Fund.

- The City does not become responsible, during FY18/19, for any state/federally imposed unfunded mandates from any external source(s) that require significant unplanned / un-forecasted General Fund expenditure(s) of more than $300,000 in a fiscal year, including significant natural disasters affecting the City. Any such expenditure will be counted as a reduction in the combined revenue amount discussed in this section on which the various conditions are based, resulting either in a lower employee bonus or reduction in the intended COLA increase to 1% or 0%.

- For timing purposes, the COLA adjustment shall take effect on July 1, 2019 if the City determines, based on revenues received as of June 1, 2019, that it is reasonable to assume the combined receipts will meet or exceed the stated thresholds. If meeting the stated thresholds is not a reasonable assumption as of June 1, 2019, then the parties agree to wait for actual receipts to be posted which are normally by the end of August. If the thresholds are met at the time actual receipts are received, then the City agrees to implement the 2% COLA retroactive to July 1, 2019.

- If total major General Fund Revenues are less than $71,000 below the forecasted amount (i.e. more than $9,322,906), then the COLA will still be 2%, effective July 1, 2019. If total major General Fund Revenues are between $71,000 and $141,999 below the forecasted amount (i.e. between $9,253,907 - $9,335,194), then the COLA will be 1%, effective July 1, 2019. If total major General Fund Revenues are $142,000 or more below the forecasted amount (i.e. less than $9,253,906), then there will be no COLA effective July 1, 2019.

- If the conditions precedent described above are satisfied, and total major General Fund Revenues for FY 2018/19 are above forecast, then in addition to the 2% COLA, 20% of the amount above the forecast amount will be divided equally by the number of full-time equivalent (FTE) employees then working at the City and paid to Unit members in the form of a one-time lump sum payment which shall not be PERSable compensation and shall be treated as off-salary schedule as defined under Section 571 of the California Code of Regulations.

F. Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the City meets the economic thresholds in Subsection E above, and only after City Council approval of an additional CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher, the City shall provide an additional 1% COLA increase to base salaries for all Unit classifications.

Morro Bay Peace Officers' Association, Inc.	City of Morro Bay
G. Gruich	
Greg Gruich, President	Scott Collins, City Manager

ATTACHMENT A

POLICE SALARY SCHEDULE

EFFECTIVE PAY PERIOD INCLUDING JULY 1, 2018

POSITION	ANNUAL COMPENSATION RANGE 1	2	3	4	5	6
Sergeant	$ 78,089	$ 81,993	$ 86,093	$ 90,398	$ 94,918	$ 99,664
Corporal	$ 66,357	$ 69,675	$ 73,159	$ 76,817	$ 80,658	$ 84,691
Special Assignments: Detective School Resource Officer Senior Officer	$ 65,747	$ 69,034	$ 72,486	$ 76,111	$ 79,916	$ 83,912
Police Officer	$ 62,616	$ 65,746	$ 69,034	$ 72,485	$ 76,110	$ 79,915

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE MORRO BAY PEACE

OFFICERS ASSOCIATION

AND

THE CITY OF MORRO BAY

JULY 1, ~~2016~~2018 – JUNE 30, ~~2017~~2020

01181.0026/498023.6 MCH~~01181.0026/498023.5~~ ~~01181.0026/498023.3~~

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MEMORANDUM OF UNDERSTANDING
BETWEEN THE MORRO BAY PEACE OFFICERS' ASSOCIATION
AND THE CITY OF MORRO BAY
~~2016 - 2017~~
2018 - 2020

ARTICLE 1 - PURPOSE

WHEREAS, the City of Morro Bay is a municipal corporation, existing under the laws of the State of California as a general law city; and

WHEREAS, the City of Morro Bay is limited, insofar as funds are concerned, because of a fixed tax rate, and in structure because it is a public entity, rather than a profit-making business; and

WHEREAS, the Morro Bay Peace Officers' Association, Inc, is a California corporation, existing under the laws of the state of California; and

WHEREAS, the Morro Bay Peace Officers' Association, Inc., and the City of Morro Bay recognize that the mission and the purpose of the City is to provide high-quality and economical municipal services and facilities to the residents of the City of Morro Bay;

THEREFORE, this Memorandum of Understanding, referred to as "MOU", is entered into as of July 1, ~~2016~~2018, between the City of Morro Bay, referred to as "CITY," and the Morro Bay Peace Officers' Association, referred to as "ASSOCIATION."

It is the intent and purpose of this MOU to assure sound and mutually beneficial working and economic relations and conditions between the parties hereto, to provide for an orderly and peaceable method and manner of resolving any differences, which may arise, to negotiate any misunderstanding, which could arise, and to set forth herein the basic and full agreement between the parties, concerning the pay, wages, hours of employment, and other terms and conditions of employment.

ARTICLE 2 - MANAGEMENT

2.1 In order to ensure that the CITY shall continue to carry out its public safety functions, programs, and responsibilities to the public imposed by law, and to maintain efficient public safety service for the citizens of Morro Bay, the CITY continues to reserve and retain, solely and exclusively, all management rights, regardless of the frequency of use, including those rights and responsibilities set forth by law and those CITY rights set forth in the CITY's Personnel Rules and Regulations, and including, but not limited to, the following:

2.1.1 To manage the Police Department, and determine policies and procedures and the right to manage the affairs of the Department.

2.1.2 To determine the existence, or nonexistence, of facts which are the basis of the management decision in compliance with State law.

2.1.3 To determine the necessity, organization, implementation, and termination of any service or activity conducted by the CITY or other government jurisdiction, and to expand or diminish police services.

2.1.4 To direct, supervise, recruit, select, hire, evaluate, promote, transfer, discipline, discharge, terminate, demote, reduce, suspend, reprimand, withhold salary increases and benefits for disciplinary reasons, or otherwise discipline employees, in accordance with Department or CITY Rules, Regulations, or Ordinances.

2.1.5 To determine the nature, manner, means, extent, type, time, quantity, quality, technology, standard, and level of police services to be provided to the public.

2.1.6 To require the performance of other public safety services, not specifically stated herein, in the event of an emergency or disaster, as deemed necessary by the CITY.

2.1.7. To lay off employees of the Police Department because of lack of work or funds or under conditions where continued work would be inefficient or nonproductive or not cost effective, as determined by the CITY.

2.1.8. To determine and/or change the police facilities, methods, technology, equipment, operations to be performed, organization structure, and allocate or assign work by which the CITY police operations and services are to be conducted.

2.1.9. To determine methods of financing.

2.1.10 To plan, determine, and manage the Department's budget, which includes, but is not limited to, changes in the number of locations and types of operations, processes and materials to be used in carrying out all Police Department functions, and the right to contract or subcontract any work or operations of the Police Department.

2.1.11 To determine the size and composition of the Police Department work force, assign work to employees of the Police Department, in accordance with requirements determined by the Police Department, and to establish and require compliance to work hours and changes to work hours, work schedules, including call back, standby, and overtime, and other work assignments, except as otherwise limited by this MOU, or subsequent MOUs.

2.1.12 To establish and modify goals and objectives, related to productivity and performance programs and standards, including, but not limited to, quality and quantity, and required compliance therewith.

2.1.13 To determine qualifications, skills, abilities, knowledge, selection procedures and standards, job classification, job specifications, and to reallocate and reclassify employees, in accordance with division and/or CITY Rules and Regulations.

2.1.14 To determine the issues of public policy and the overall goals and objectives of the Police Department, and to take necessary action to achieve the goals and objectives of the Police Department.

2.1.15 To hire, transfer intra- or inter-Department, promote, reduce in rank, demote, reallocate, terminate, and take other personnel action for non-disciplinary reasons, in accordance with Department and/or CITY Rules, Regulations and Ordinances.

2.1.16 To determine policies, procedures, and standards for recruiting, selecting, training, and promoting employees.

2.1.17 To establish, implement, and/or modify rules and regulations, policies, and procedures related to productivity, performance, efficiency, personal appearance standards, code of ethics and conduct, safety, health, and order, and to require compliance therewith.

2.1.18 To maintain order and efficiency in police facilities and operation.

2.1.19 To restrict the activity of an employee organization on CITY facilities, except as set forth in this MOU.

2.1.20 To take any and all necessary steps and actions to carry out the service requirements and mission of the CITY in emergencies or any other time deemed necessary by the CITY, and not specified above.

2.2 Nothing herein is meant to diminish CITY rights provided by the Government Code.

2.3 Nothing herein is meant to diminish the Public Safety Officers Procedural Bill of Rights Act, as set forth in the Government Code Sections 3300-3313.

2.4 AUTHORITY IF THIRD PARTY NEUTRAL - MANAGEMENT RIGHTS

All management rights, powers, authority, and functions, whether heretofore or hereinafter exercised, shall remain vested exclusively with the CITY. No third party neutral shall have the authority to diminish any of the management rights, which are included in this MOU.

ARTICLE 3 - RECOGNITION

3.1 Pursuant to Resolution No. 74-69, the Employer-Employee Relations Resolution of the City of Morro Bay and applicable State law, ASSOCIATION was designated by CITY as the representative of CITY employees in the Law Enforcement Unit (hereafter "UNIT"). The UNIT is comprised of the following classifications:

Sergeant
Corporal
Senior Officer
Police Officer

The term "employee" or "employees," as used herein, shall refer only to the foregoing classifications.

3.2 Employees working on a regular basis in a classified position, but less than full-time, shall receive vacation and sick leave accruals on a pro-rated basis, commensurate with hours worked. All benefits for new hires, including insurance benefits, will be allocated on a pro-rated basis commensurate with hours worked.

3.3 ELECTRONIC DEPOSIT:

All employees, hired after July 1, 1999, shall receive their pay by electronic methods. New hires must present account information for a checking or a savings account with an ACH member financial institution.

ARTICLE 4 - ASSOCIATION BUSINESS

4.1 Employee representatives, designated by the ASSOCIATION, shall be granted time off, without loss of pay, to attend "meet and confer" sessions with the City Manager, and/or his/her designee, on subjects within the scope of representation when such meetings are scheduled during regular working hours. Should such meetings extend beyond an employee representative's regular working hours, the employee representative shall be paid for only the regular working hours.

It is understood that this time-off provision shall only apply to a maximum of three (3) employees attending any one meeting between the CITY and the ASSOCIATION. Where exceptional circumstances warrant, the City Manager may approve the attendance at such meetings of additional employee representatives. The ASSOCIATION shall, whenever practicable, submit the names of all employee representatives to the City Manager, or designee, at least two working days in advance of such meetings. Provided further: (1) no employee representative shall leave his or her duty or work station or assignment, without specific approval of the department head or other authorized CITY management official; and (2) any such meeting is subject to scheduling by CITY management, in a manner consistent with operating needs and work schedules.

4.2 Nothing provided herein shall limit or restrict CITY management from scheduling such meetings before or after regular CITY or work hours.

4.3 Off-duty employees will not be paid for attending meet and confer sessions, nor will over-time be paid for same.

ARTICLE 5 - AUTHORIZED AGENTS

For the purpose of administering the terms and provisions of this MOU:

5.1 The CITY's principal authorized agent shall be the City Manager, or his/her duly authorized representative (address: 595 Harbor Street, Morro Bay, CA 93442; telephone (805) 772-6201), except where a particular management representative is specifically designated in the MOU.

5.2 The ASSOCIATION's principal authorized representative shall be the President of the Association, or his/her duly authorized representative (address P. O. Box 276, Morro Bay, CA 93443).

ARTICLE 6 - ~~WITHHOLDING OF~~ ASSOCIATION DUES AND ~~INSURANCE~~DEDUCTIONS

~~6.1 It is agreed that the CITY will withhold ASSOCIATION dues and ASSOCIATION group insurance premiums from the monthly pay of each regular CITY employee, who is a member of the ASSOCIATION. ASSOCIATION agrees to provide CITY with individual ASSOCIATION member authorizations signed by the individual ASSOCIATION member, authorizing the CITY to make agreed deductions, specifying the amount of each deduction, and authorizing the CITY to issue a single check, payable to the ASSOCIATION, for the collective amount of the individual deductions. The CITY does not accept responsibility for computing the amounts of deductions or for meeting payment dates which may not coincide with established pay periods. The CITY will issue a single check to the ASSOCIATION for the total amount of deductions withheld from the individual employees' pay. The ASSOCIATION will be responsible for the accounting and disbursing of all such funds received from the CITY. The ASSOCIATION will be responsible for properly notifying the CITY of any changes in deductions, and will be the sole agent through which the CITY will act in explaining, initiating, executing, or terminating the provisions of this Article. Such notification must be received by the CITY at least two weeks prior to the effective date of the change, and shall contain the following information: employee name, social security number, and job classification. Also, such~~

~~change notice must include a copy of the notice sent to the employees, officially informing them of the change.~~

~~6.2 All ASSOCIATION members, on payroll deduction for payment of ASSOCIATION dues on the day of signing of this MOU, must remain on payroll deduction for the life of the MOU, or so long as they remain members of the UNIT. ASSOCIATION members, who establish payroll dues deduction during the term of this MOU, must remain on payroll deduction for the life of this MOU, or so long as they remain members of the UNIT. ASSOCIATION members on dues payroll deduction may terminate such ASSOCIATION dues during the period of December 15 - 31 by notifying both the ASSOCIATION and the CITY Human Resources Department of their termination of ASSOCIATION dues deduction. Such notification shall be in the form of a letter, containing the following information: employee name, social security number, and job classification.~~

~~6.3 The ASSOCIATION shall~~6.1 The ASSOCIATION may request that the CITY deduct membership dues, initiation fees, and general assessments, as well as payment of any other membership benefit program sponsored by the ASSOCIATION, from the wages and salaries of ASSOCIATION members. The ASSOCIATION hereby certifies that ASSOCIATION has and shall maintain all such deduction authorizations signed by the individual from whose salary or wages the deduction is to be made and shall not be required to provide a copy of an individual authorization to the CITY unless a dispute arises about the existence or terms of the authorization. Accordingly, ASSOCIATION membership dues shall be deducted each pay period in accordance with CITY procedures and provisions of applicable law from the salary of each employee whose name is provided by the ASSOCIATION. Any changes in ASSOCIATION dues must be given to the CITY a minimum of thirty (30) days prior to change to accommodate changes to payroll. ASSOCIATION will pay the costs incurred by the CITY in order to set up the employee's deductions. After initial set up, ASSOCIATION may be charged $5 per employee to make changes to requested dues deductions.

6.2 The ASSOCIATION shall defend and indemnify, and hold harmless, the CITY, its officers, agents, and employees from any and all claims, demands, damages, costs, expenses, or liability arising out of this Article.

6.~~4~~3 DEPOSIT OF DEDUCTIONS
It is agreed that the CITY will deposit payroll deductions, made payable to credit unions in which the CITY participates, providing the ASSOCIATION makes arrangements for such services that are acceptable to both members and the CITY under the same conditions as prevails for deductions as set forth above.

ARTICLE 7 – TERM

Except as otherwise provided herein, the term of this MOU commences on July 1, ~~2016~~2018, and expires, and is otherwise fully terminated, on June 30, ~~2017~~2020.

ARTICLE 8 - RENEGOTIATIONS

The parties agree to commence renegotiations for a successor MOU for the period beginning July 1, ~~2017~~2020, by serving their initial written proposals by January ~~31, 2017~~1, 2020, with negotiations meetings to commence no later than March 1, ~~2017~~2020. Should the parties be unable to reach agreement on a new contract before the current contract expires, all applicable provisions of this MOU shall remain in full force and effect until such time as a new MOU is reached, or September 30, ~~2017~~2020, whichever first occurs.

ARTICLE 9 - ANTI-DISCRIMINATION

The CITY and ASSOCIATION mutually agree they will not discriminate against employees for the exercise of their rights under the State of California Government Code Section 3502.

ARTICLE 10 - WORK SCHEDULE

10.1 Alternative work schedules, in compliance with the federal Fair Labor Standards Act ("FLSA"), may be implemented upon approval of the Chief of Police. No guarantee of work, per day or per week, or of days of work per week, is implied.

The implementation of an alternate work schedule shall not incur any CITY obligation to allocate additional sworn personnel, vehicles or equipment. All deployment of sworn personnel shall ensure effective and efficient delivery of police protection to the community, sufficient to continue during times of vacation, sick leave, and Department-approved training.

10.2 OVERTIME

10.2.1 Sworn Personnel

Overtime shall be all work, authorized by management and actually worked by the employee, in excess of eighty (80) hours worked in a work period. For the purpose of defining hours worked, vacation leave and holiday leave taken shall count towards time worked, for the purpose of overtime. All overtime, as defined herein, shall be paid at one and one-half (1.5) times the employee's regular rate of pay.

NOTE: Hours spent in court under what used to be termed "Court Appearance Pay" shall be considered and paid as part of this article; except for the "minimum pay," which is now covered under Special Pay Practices.

10.2.2 Compensatory Time Off

Effective with the ratification of this MOU, Compensatory Time Off (hereinafter "CTO") shall be earned at the overtime rate of one and one-half (1.5) times the number of overtime hours, worked as defined in Articles 10.2.1 and 10.2.2. CTO may be accrued up to a maximum of 140 hours. Overtime earned, in excess of the CTO maximum accrual, shall be compensated in cash.

10.2.3 Compensatory Time Payoff

Employees may elect a payoff of up to a maximum total of 60 hours per fiscal year of accrued compensatory time. Upon 30 days' advance notice, partial or full payment will be made on the second paycheck received in March and/or on the second paycheck in September, as elected by the employee.

10.3 EMERGENCIES

10.3.1 Nothing herein shall be construed to limit or restrict the authority of management to make temporary assignments to different or additional locations, shifts, or duties for the purpose of meeting an emergency.

10.3.2 Such emergency assignments shall not extend beyond the period of said emergency.

10.3.3 Short staffing, caused solely by absences due to employees taking approved paid leave, shall not be considered an emergency.

10.4 SHIFT ROTATION

Shift rotation shall coincide with the first day of a pay period.

ARTICLE 11 - VACATION/HOLIDAY LEAVE

NOTE: ALL LEAVE TIME (VACATION, SICK LEAVE, HOLIDAY, ETC.), WILL BE TAKEN OFF ON AN HOUR FOR HOUR BASIS EQUALING EMPLOYEE ACTUAL TIME OFF, REGARDLESS OF ACCUMULATION RATES.

11.1 VACATION

11.1.1 The following is a list of vacation annual accrual schedule by years of employment, effective retroactive to July 1, 2016 for those employees still employed by the ~~City~~CITY upon City Council adoption of this successor MOU:

SERVICE YEARS	VACATION ACCRUAL
1-2	88 hrs
3-4	96 hrs
5	104 hrs
6-7	112 hrs
8-9	120 hrs
10	128 hrs
11-12	136 hrs
13-14	144 hrs
15 or more	160 hrs

UNIT members hired after July 1, 2016 may be credited with years of service based upon prior law enforcement service at other agencies as determined within the sole discretion of the Police Chief and as approved by the City Manager and to be documented in both the recruit's conditional offer and the City's initial hire Personnel Action Form. Retroactive application shall be applied to those employees hired on or before the City Council's adoption of this MOU, but there shall be no increased retroactive accrual of vacation. Rather the increased accrual only applies starting July 2, 2016.

11.1.2 Employees' vacation accrual will be credited to employee on a pro-rated basis over twenty-six (26) pay periods per year.

11.1.3 In determining priority of individual members for assignment of vacation periods, "seniority within rank" shall be the primary criteria. During the month of January of each year, each employee shall submit his/her preferences for vacation time off during that calendar year. It is agreed that every effort will be made to permit UNIT members to take vacation at a time and for periods as close to members' preference as possible, consistent with the necessity for maintaining adequate manning to assure performance of police department functions. It is further agreed that every effort will be made to schedule individual vacation periods so as to maximize consecutive vacation days off, consistent with annual vacation entitlement.

11.1.4 Effective retroactive to the pay period including July 1, 2016, the maximum amount of vacation accrual will be 280 hours. When an employee reaches the maximum accrual limit of 280 hours, the employee shall cease to accrue vacation leave until the usage of vacation causes the balance to be less than 280 hours. Employees, who have a requested vacation denied or canceled within 60 days prior to reaching the 280 hour accrual maximum, shall, upon request, be given an additional 60 days following reaching the maximum to utilize vacation, prior to ceasing to accrue.

11.1.5 A UNIT employee may exercise an option to convert into cash a maximum of forty (40) hours of accrued vacation leave each fiscal year, upon 30 days' notice to payroll. Such conversion shall be computed at the employee's current base hourly rate, on an hour-per-hour basis.

11.2 HOLIDAYS

11.2.1 For the purpose of this MOU, the following days are the holidays for the employees in this UNIT:

New Year's Day	January 1
Martin Luther King, Jr. Day	3rd Monday in January
Lincoln's Birthday	February 12
Washington's Birthday	3rd Monday in February

Memorial Day	Last Monday in May
Independence Day	July 4th
Labor Day	1st Monday in September
Veterans Day	November 11th
Thanksgiving Day	4th Thursday in November
Day after Thanksgiving Day	Friday after Thanksgiving
Christmas Day	December 25th
Day after Christmas	December 26th
Floating Holiday	Varies

11.2.2 Effective upon City Council adoption of this MOU, employees who work a holiday listed in 11.2.1, shall be paid one and one-half (1.5) times their base hourly rate. An employee is eligible for the one and one-half time pay only for the hours actually worked during the actual calendar holiday date as set forth in 11.2.1 above regardless of any change in City observation of same based upon the actual day of the week of the holiday. Each employee will be credited eight (8) hours Holiday leave for each holiday listed in 11.2.1 or recognized under 11.2.3, in addition to pay for time worked on that holiday. Holiday Leave hours shall be pro-rated annually and credited to employees at the rate of four hours per pay period. ~~[~~(For example, if a listed holiday is Sunday, and the City recognizes the holiday on Monday, the employee working the actual holiday on Sunday shall receive credit under the code Police Holiday Worked for working the actual holiday).

11.2.3 Holidays Proclaimed by Government Officials: It is agreed that when a holiday is proclaimed by the Mayor of the CITY, then each regular member of the UNIT shall be granted compensation in the same number of hours as equivalent to the time-off granted other employees of the CITY. Such time-off shall be selected by the Police Chief.

11.2.4 Accumulated Holiday Leave may be scheduled and taken upon approval of the Police Chief, or his/her designee.

11.2.5 Employees may accumulate up to a maximum of 116 hours Holiday Leave per year. All Holiday Leave, not taken by the pay period containing December 1, shall be paid off at the employee's current rate of pay. By request only, employees may be paid for a designated amount of accumulated Holiday Leave with the pay period including June 1, upon 30 days' advance notice to Payroll. When an employee terminates employment with the CITY, employee shall receive pay for employee's current holiday balance at employee's current base hourly rate.

NOTE: Subject to maximum accrual limits, employee specified amounts of Holiday Leave may be transferred to Compensatory Time Off, upon request in December only. Payroll must be notified by November 1st.

11.3 MILITARY LEAVE

11.3.1 Military Leave will be provided pursuant to City Resolution 65-01 and Military and Veterans Code 395.03

11.4 ASSOCIATION LEAVE

11.4.1 UNIT members will be allowed to contribute accumulated compensatory, holiday, or vacation time off to a special compensatory time account for the use of ASSOCIATION executive officers. ASSOCIATION officers, or their designee(s), may, subject to all normal approvals and restrictions for time off requirements, receive up to a total of forty (40) hours per fiscal year off for attendance at meetings, seminars, etc., on behalf of the ASSOCIATION.

At no time may the ASSOCIATION compensatory time account contain more than one hundred (100) accrued hours.

The parties agree herewith to retain the option to re-open collective bargaining, with respect to this section 11.4.1, regarding the specific issue of initiating a process in which the UNIT members can donate to a time bank for ASSOCIATION business.

ARTICLE 12 - SICK LEAVE

12.1 Sick leave shall be earned at the rate of eight hours each calendar month of service. There is no limit on the amount of sick leave that may be accumulated by members of this UNIT.

12.2 Based on individual utilization of paid sick leave in the preceding calendar year, rolling backwards 365 days from the date of requested conversion, employee may convert unused accumulated sick leave into paid vacation leave once per fiscal year, pursuant to the formula below:

8 Hour Schedule	10 Hour Schedule	12 Hour Schedule	Maximum Conversion To Vacation Leave
0	0	0	48 hours
.25 to 8	.25 to 10	.25 to 12	36 hours
8.25 to 16	10.25 to 20	12.25 to 24	24 hours
16.25 to 25	20.25 to 30	24.25 to 36	12 hours
over 25	over 30	over 36	0 hours

At least 160 accrued hours must remain in employee's sick leave bank for any employee to be eligible for conversion, or for any conversion to be authorized. In addition, the right to convert, along with any conversion hours, does not carry over or rollover from fiscal year to fiscal year; failure to request conversion, in any fiscal year, eliminates the right to do so for that fiscal year, and does not permit employees to aggregate conversion hours in any other fiscal year.

12.3 At termination, unused accumulated sick leave is not compensable; however, upon retirement, may be converted to additional time, as provided by the PERS sick leave option.

ARTICLE 13 - BEREAVEMENT

Employees ~~are~~shall be permitted to utilize three (3) days of paid bereavement leave, per occurrence, in the case of the death of members of the employee's immediate family (as defined in the Personnel Rules~~). The three~~), where the funeral service will be held in state and five (5) days paid bereavement leave for funeral services held out-of-state. The three or five days shall be regardless of shift length, subject to a maximum of 12 hours per day. Any necessary extra time shall be taken from the employee's accrued sick leave. In cases where sick leave is exhausted, vacation time shall be charged. Paid leave beyond the initial three or five days is subject to department approval.

ARTICLE 14 - RETIREMENT

14.1 It is the employee's obligation to contribute the employee's contribution to CalPERS. The employee shall pay his/her own contribution by payroll deduction, consistent with the provisions of 414 (h) 2 of the Internal Revenue Code.

14.1.1 For Sworn members, the current contribution rates are 9% CalPERS Safety for classic members (Tier 1 & Tier 2), 11.5% for new members (Tier 3).

14.1.2 Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher.

14.1.3 Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the CITY meets the economic thresholds in subsection E above, and only after City Council approval of an additional CalPERS Contract Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher

14.2 The ASSOCIATION understands and agrees that employees bear the risk of payment of any increases in the employee contribution, above the current percentage, made by action of CalPERS or the state legislature.

14.3 Parties agree that CITY payment of CalPERS contributions are made based upon tax treatment currently permitted by the State Franchise Tax Board and the IRS.

14.4 Should current tax treatment change, the ASSOCIATION and the employee shall hold harmless the CITY, its officers and agents, from any and all claims or costs of any type, including, but not limited to, liability for back taxes, arising out of this MOU, to pay part of the employee's CalPERS contribution. Should current tax treatment change, the ASSOCIATION shall have the opportunity to meet and confer, regarding any such changes.

14.5 For Sworn employees, hired prior to September 17, 2011, the CITY agrees to continue to provide CalPERS Safety employees in this UNIT with a retirement benefit program through the California Public Employees Retirement System (CalPERS) as follows:

14.5.1 3% @ 50 formula (21362.2)
14.5.2 Unused Sick Leave Credit (Section 20965)
14.5.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.5.4 Final Compensation 1 Year (Section 20042)
14.5.5 1959 Survivor Benefit, Level 4 (Section 21574)
14.5.6 Pre-Retirement Death Benefits (Section 21548 Option 2W & 21551)
14.5.7 Retired Death Benefit $500 (Section 21620)
14.5.8 Prior service (Section 20055)
14.5.9 Public Service Credit for Periods of Layoff (Section 21022)

14.6 For Sworn employees, hired on or after September 17, 2011, and those hired on or after January 1, 2013, who meet the definition of classic member, pursuant to the California Public Employees Pension Reform Act of 2013 (PEPRA), the CITY will provide the following CalPERS formula and optional benefits:

14.6.1 3% @ 55 formula (21363.1)
14.6.2 Unused Sick Leave Credit (Section 20965)
14.6.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.6.4 Final Compensation 3 Year (Section 20037)
14.6.5 1959 Survivor Benefit Level 4 (Section 21574)
14.6.6 Pre-Retirement Death Benefits (Section 21548 Option 2W and 21551)
14.6.7 Retired Death Benefit $500 (Section 21620)
14.6.8 Prior Service (Section 20055)
14.6.9 Public Service Credit for Periods of Layoff (Section 21022)

14.7 Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, Sworn employees hired, who meet the definition of new member under PEPRA and are not eligible for reciprocity, will be provided the following retirement formula and optional benefits:

14.7.1 2.7% @ 57 formula (Section 7522.25(d))
14.7.2 Unused Sick Leave Credit (Section 20965)
14.7.3 Military Service Credit (Sections 21023.5, 21024 & 21027)
14.7.4 Final compensation 3 Year (Section 20037)
14.7.5 1959 Survivor Benefit Level 4 (Section 21574)
14.7.6 Pre-Retirement Death Benefits (Section 21548 Option 2W and 21551)
14.7.7 Retired Death Benefit $500 (Section 21620)
14.7.8 Prior Service (Section 20055)
14.7.9 Public Service Credit for Periods of Layoff (Section 21022)

ARTICLE 15 - HEALTH BENEFITS

15.1 HEALTH INSURANCE

15.1.1 Effective July 1, 2018, UNIT employees shall receive a cafeteria plan contribution, including the amount required by CalPERS, as follows:

Employee only - up to $715/month or cost of insurance, whichever is less
Employee + 1 – up to $1,~~109~~~~122~~135/month or cost of insurance, whichever is less
Employee + family - up to $1,~~326~~~~441~~460/month or cost of insurance, whichever is less

15.2 DENTAL AND VISION INSURANCE:

15.2.1 During the term of this MOU, the CITY shall offer dental, life and vision insurance, and each employee shall be required to carry both dental, life and vision insurance for self. Life Insurance is provided at $50,000 per employee. The following rates are effective January 1, ~~2016~~201~~7~~8:

	Vision	Dental	Life	Totals	City pays	EE pays
Employee only	$ 8.~~86~~73	$ 55.~~47~~03	$~~7.50~~8.15	$ ~~71.83~~7~~2~~1.~~48~~91	$ ~~68.90~~6~~9~~8.~~55~~98	$ 2.93
Employee + 1	$ 16.~~59~~40	$1~~43.09~~52.27	$~~7.50~~8.15	$ ~~167~~176.~~1~~~~8~~8~~3~~2	$ ~~155.43~~15~~6~~5.07~~8~~	$11.75
Employee + 2+	$ 2~~2.59~~3.34	$1~~43.09~~52.27	$~~7.50~~8.15	$ 1~~7~~83.~~188~~~~3~~76	$ ~~160.97~~1~~6~~71.~~62~~55	$12.21

CITY will pay the remaining premium for dental, life and vision.

15.3 Any coverage made available to future retirees, beyond COBRA time requirements, shall be paid for by the retiree.

15.4 ~~The provisions of~~ CITY contributions pursuant to this ~~section~~Article 15.0 shall ~~be binding on the parties~~ remain effective through ~~the remainder of this MOU,~~June 30, 2019. The CITY and ~~for the term of the MOU that will be effective July 1, 2016. The parties~~ASSOCIATION agree herewith to retain the option to re-open collective bargaining, with respect to this ~~section~~Article 15, to discuss any health provider rate changes ~~to the 2017 health rates.~~effective in calendar year 2019.

ARTICLE 16 - EDUCATIONAL INCENTIVES

16.1 P.O.S.T. CERTIFICATES

16.1.1 For UNIT members, hired prior to January 1, 1998, and possessing the Intermediate P.O.S.T. Certificate, CITY agrees to pay three percent (3%) over the base salary range and step schedule established for the position classification held by the UNIT member and as specified herein under Article 18, Salaries.

16.1.2 For UNIT members, hired prior to January 1, 1998 and possessing the Advanced P.O.S.T. Certificate, CITY agrees to pay six percent (6%) over the base salary range and step schedule established for the position classification held by the ASSOCIATION member and as specified herein under Article 18, Salaries.

16.1.3 For Sworn UNIT members hired on or after January 1, 1998, CITY agrees to pay $140 per month for P.O.S.T. certificates as follows:

	Intermediate	Advanced
Sergeant	$140	$140
Corporal	$140	$140
Officer	$140	$140

ARTICLE 17 - UNIFORMS

17.1 Uniforms for employees shall be as set forth in Morro Bay Police Department Policy Manual Section 1046, Uniform and Equipment Regulations and Specifications.

17.2 Newly-hired employees shall receive a full uniform issue and will receive full uniform replacement as needed until the following July 1. Effective July 1 after hire, such employees shall commence receiving an annual uniform allowance.

17.3 The following uniform articles are covered by the uniform allowance and must meet the department uniform standards:

a. Uniform pants
b. Uniform shirts - long and short sleeves
c. Dress belt
d. Ties
e. Duty jacket
f. Uniform patches

17.4 All maintenance, tailoring and other alterations will be at the employee's expense.

17.5 All optional equipment will be the responsibility of the employee.

17.6 All safety equipment originally issued and replaced by the department remains the Department's property.

17.7 The annual uniform allowance will be as follows:

Sworn officers: $ 1,150

17.8 The CITY agrees to repair or replace any personal article damaged while on duty, including uniform items as listed above, providing that such article is a reasonable and necessary part of the employee's attire.

ARTICLE 18 - SALARIES

18.1 ~~Effective retroactive to~~ For UNIT members employed as of July 1, 2018, the CITY will pay a one-time, lump sum signing bonus payment of $600 to be paid the next full pay period ~~including July 1, 2016, for those employees still employed by the City upon~~after City Council approval and adoption of this MOU~~, the City~~. The lump sum payment shall ~~provide a Cost of Living Adjustment (COLA) increase to base salaries for all Unit classifications by 2.25%.~~not be PERSable compensation and shall not be treated as off-salary schedule pay as defined under Section 571 of the California Code of Regulations.

18.2 Effective retroactive to the pay period including July 1, ~~2016~~2018 for those employees still employed by the CITY upon City Council adoption of this MOU, Longevity Pay shall be rolled into salary for all UNIT classifications and eliminated as a separate pay item per the attached revised salary schedule.

18.3 Effective retroactive to the pay period including July 1, 2018 for those employees still employed by the ~~City~~CITY upon City Council adoption of this MOU, the ~~City~~ CITY shall provide a Cost of Living Adjustment (COLA) increase to base salaries for all UNIT classification by 2% per the attached revised salary schedule.

18.4 Effective the first full payroll period after City Council approval of a CalPERS Contract Amendment ~~pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of an additional 1% to CalPERS as cost sharing for a total classic employee contribution of 10% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 13% of the employer cost, whichever is higher,~~ the CITY shall provide an ~~Equity Salary Adjustment (ESA)~~additional 1% COLA increase to base salaries for all ~~Unit~~UNIT classifications ~~by 2.0%. The~~ .

18.5 Effective July 1, 2019, the CITY shall provide a 2% ~~shall apply at the same time as the 2.25% COLA, not compounded, so as to realize a 4.25% total base salary~~ COLA increase~~.~~ to base salaries for all UNIT classifications with a condition precedent being that the CITY meets the following economic thresholds on three key revenue sources (Property Tax, Sales Tax and TOT) based on 10-year budget forecasts shown below:

~~18.3 City agrees to conduct salary survey by December 31, 2016 for informational purposes for successor negotiations. The parties agree that any salary surveys the parties exchange will use the survey cities of Arroyo Grande, Atascadero, Grover Beach, Paso Robles, Pismo Beach and San Luis Obispo.~~

- Total major General Fund Revenues (Property Tax, Sales Tax and Transient Occupancy Tax) meet or exceed the combined forecasted amount of $9,395,906 (matches 10-year forecast presented to City Council in February 2017). These figures are based on current tax rates. Increased tax rates would not count towards increased revenue receipts for this purpose (currently 1% Property Tax, 1.0% CITY Sales Tax, 10% TOT). The revenue projections serving as economic thresholds for purposes of this Section 18.5 are depicted in the following table:

o

COLA Year Affected	FY19-20
Combined Receipts Forecast	FY18-19 Forecast
Property Tax	3,034,754
Property Tax In-Lieu (VLFAA)	1,037,401
Subtotal Property Tax	4,072,155
Sales Tax (local & triple-flip)	1,745,439
Sales Tax (Prop 172-Safety)	123,525
Subtotal Sales Tax	1,868,964
Transient Occupancy Tax	3,454,787
Combined Total Threshold	$9,395,906

o The CalPERS investment rate of return (i.e. "Discount Rate") to take effect in FY18-19 does not drop below the rates announced by CalPERS on December 22, 2016, causing the CITY's contribution to CalPERS to increase more than $100,000 beyond the current budgeted amounts for the General Fund.

o The CITY does not become responsible, during FY17-18, for any state/federally imposed unfunded mandates from any external source(s) that require significant unplanned/ un-forecasted General Fund expenditure(s) of more than $300,000 in a fiscal year, including significant natural disasters affecting the CITY. Any such expenditure will be counted as a reduction in the combined revenue amount discussed in this section on which the various conditions are based, resulting either in a lower employee bonus or reduction in the intended COLA increase to 1% or 0%.

o For timing purposes, the COLA adjustment shall take effect on July 1, 2019 if the CITY determines, based on revenues received as of June 1, 2019, that it is reasonable to assume the combined receipts will meet or exceed the stated thresholds. If meeting the stated threshold is not a reasonable assumption as of June 1, 2019, then the parties agree to wait for actual receipts to be posted which are normally by the end of August. If the thresholds are met at the time actual receipts are received, then the CITY agrees to implement the 2% COLA retroactive to July 1, 2019.

- If total major General Fund Revenues are less than $71,000 below the forecasted amount (i.e. more than $9,322,906), then the COLA will still be 2%, effective July 1, 2019. If total major General Fund Revenues are between $71,000 and $141,000 below the forecasted amount (i.e. between $9,253,907 - $9,335,194), then the COLA will be 1% effective July 1, 2019. If total major General Fund Revenues are $142,000 or more below the forecasted amount (i.e. less than $9,253,906), then there will be no COLA effective July 1, 2019.

- If the conditions precedent described above are satisfied, and total major General Fund Revenues for FY 2018/19 are above forecast, then in addition to the 2% COLA, 20% of the amount above the forecast amount will be divided equally by the number of full-time equivalent (FTE) employees then working at the CITY and paid to UNIT members in the form of a one-time lump sum payment which shall not be PERSable compensation and shall not be treated as off-salary schedule pay as defined under Section 571 of the California Code of Regulations.

18.6 Effective the first full payroll period FY 2019/20 and subject to the same conditions precedent being that the CITY meets the economic thresholds in subsection 18.5~~E~~ above, and only after City Council approval of an additional CalPERS Contract ~~Amendment pursuant to Government Code section 20516 providing for payment by classic members (Tier 1 & Tier 2) of another additional 1% to CalPERS as cost sharing for a total classic employee contribution of 11% and PEPRA members (Tier 3) paying the statutorily mandated employee contribution rate of one half of the total normal cost or 14% of the employer cost, whichever is higher~~, the CITY shall provide an additional 1% COLA increase to base salaries for all UNIT classifications.

ARTICLE 19 - SPECIAL PAY PRACTICES

19.1 STANDBY

19.1.1 Standby duty is defined as that circumstance which requires an employee so assigned to:

1. Be ready to respond immediately to a call for service;

2. Be readily available at all hours by telephone or other agreed-upon communication equipment; and

3. Refrain from activities which might impair his/her assigned duties upon call.

The parties agree that employees on standby as defined above, are "waiting to be engaged."

19.1.2 Regardless of any hours actually worked, employees on standby shall be compensated for two (2) hours computed at their straight hourly base rate per twenty-four (24) hours of authorized standby time (e.g., 2 hours standby + actual time worked).

The twenty-four (24) hours' time period is defined as 0700 hours to 0659 hours the following day.

Subject to the maximum accrual provisions of Section 10.2.3, employees may elect to receive two (2) straight time compensatory time off hours in lieu of paid standby compensation.

19.1.3 Court standby – Employees on court standby will receive two (2) hours computed at their straight hourly base rate to be available for court callback on off duty days. Subject to the maximum accrual provisions of Section 10.2.3 employees may elect to receive two (2) straight time compensatory time off hours in lieu of court standby compensation.

19.2 CALL BACK

19.2.1 Call back is defined as that circumstance which requires an employee to unexpectedly return to work after the employee has left work at the end of the employee's work shift or work week; except that, an early call in of up to two (2) hours prior to the scheduled start of a work shift shall not constitute a call back; or, employee is required for off-duty court appearance.

19.2.2 Required off-duty court appearance. Employees called back shall receive either a two (2) hour minimum computed at straight hourly base rate or pay for all time actually worked, whichever is greater. An employee shall not receive overlapping minimums.

19.2.3 An employee shall not receive standby pay for the same hours he/she received callback pay.

19.3 OUT OF CLASS ASSIGNMENT

19.3.1 The term "out-of-class assignment" shall be defined as the full-time performance of the significant duties of a vacant, funded position in one classification by an individual in a classification with a lower compensation range.

19.3.2 If an employee is required to work in an out-of-class assignment for more than fifteen (15) workdays, within a calendar month his/her department head shall, with prior approval of the Administrative Services Director, make an acting appointment. Such acting appointment shall be effective on the sixteenth (16th) workday within a calendar month of the out-of-class assignment.

19.3.3 An employee on an acting appointment shall receive a one (1) step increase within the employee's current classification salary as provided by CITY's Personnel Rules and Regulations. In the absence of available steps within his/her current range, the employee shall be granted a five percent (5%) increase above his/her current base salary.

19.~~5~~4 BILINGUAL PAY

Qualified employees who possess the necessary ability and who are assigned to perform services as an interpreter in Spanish, shall be eligible for additional stipend depending upon the employee's level of bilingual expertise. Qualifications shall be determined by the CITY.

19.5.1 For those employees who conduct conversational assistance in Spanish on a regular basis, seventy-five dollars ($75) per month stipend is available.

19.5.2 For those employees who interpret and explain legal documents, conduct conversational assistance, and write documents for those persons who speak only Spanish, One Hundred Fifty dollars ($150) per month stipend shall be available.

19.~~6~~5 FIELD TRAINING OFFICER (FTO) ASSIGNMENT PAY

Individuals, in the classification of Police Officer formally assigned a trainee by the Chief of Police, or his/her designee, shall be compensated at the rate of 5% of base hourly rate. Compensation will be paid only when acting as FTO.

19.~~7~~6 SENIOR OFFICER ASSIGNMENT PAY

Up to four (4) individuals may be assigned as Senior Police Officers. This assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards," as well as at the discretion of the Chief of Police. Senior Police Officers will be compensated at the rate of 5% above base pay for the term of the assignment. While receiving Senior Officer Assignment pay, employees are not eligible for FTO pay.

Incumbents in the Corporal classification will maintain status in the Corporal class, and maintain the terms and conditions of the classification as they existed at the time of their promotion; however, if the incumbents in the Corporal classification leave the positions (due to promotion, retirement, etc.), the Corporal classification revert to assignments of Senior Officers as provided above.

No individual may be concurrently assigned as both a Senior Officer and Detective.

19.~~8~~7 DETECTIVE ASSIGNMENT PAY

Up to two individuals may be assigned as Detectives. The Detective assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards" as well as at the discretion of the Chief of Police. Detectives will be compensated at the rate of 5% above base pay for the term of the assignment.

Incumbent Corporals may apply for, and be appointed to the Detective assignment. If appointed, Corporals will maintain status in the Corporal class and maintain the terms and conditions of the classification as they existed at the time of their promotion. When the Detective assignment ends, the Corporal may be placed into a Senior Officer assignment or a regular officer position; still in the Corporal classification with the terms and conditions of the Corporal classification being maintained.

Any individual concurrently assigned as both a Corporal and Detective shall for compensation pay purposes only receive the Corporal salary and no additional compensation for being assigned as a Detective.

19.~~8~~7.1 SCHOOL RESOURCE OFFICER (SRO) ASSIGNMENT PAY

The SRO assignment is not a permanent promotion to a higher classification. Continuation in the assignment is based on an annual performance evaluation of "Meets Satisfactory Performance Standards," as well as at the discretion of the Chief of Police.

SRO will be compensated at the rate of 5% above base pay for the term of the assignment, and will be responsible for juvenile investigations, as assigned.

19.~~9~~8 NIGHT SHIFT DIFFERENTIAL

Sworn employees in this UNIT will receive 2.5% of base hourly pay for each hour worked between the hours of 7:00 p.m. and 7:00 a.m.

19.~~10~~9 CANINE CARE PAY

An employee who is assigned a City canine, as part of a drug detection search program or a service dog program, and who boards the canine at his/her home, shall be paid $13.50 per hour (hereinafter, the "canine care pay rate") for all time the employee spends outside of regular work hours on the care of the assigned canine. Compensable canine care activities include feeding, grooming, exercising, cleaning up, obtaining veterinarian services or caring for any injuries, and shall not include other time spent with the canine (e.g., commute time, as a family pet, etc.). Employees, subject to this provision, shall not receive on-call pay or call back pay for any time spent in the care of the assigned canine. The residence of the employee, assigned a City canine, shall not constitute the employee's work place. Travel (commute) time, from the employee's home to the assigned work site, or from the assigned work site to the employee's home, with the canine, shall not be considered time worked or care of the canine.

It is estimated and agreed that the officers spend one-half hour per day outside of regular work hours on compensable canine care activities. Off duty time spent on compensable canine care tasks shall be considered actual hours worked. These hours will be paid at the rate of 1.5 times the canine care pay rate ($20.25).

~~19.11 LONGEVITY PAY~~

~~In order to help reduce the high turnover rate of sworn personnel and retain and attract highly trained, professional and experienced personnel, the parties agree as follows:~~

~~In recognition of a unit member's length of service to public safety, the following "Longevity Pay" will be made to qualifying members which shall include length of continuous service with any law enforcement agency (as determined for new and lateral hires within the sole discretion of the Chief of Police):~~

~~Upon completion of Ten (10) years of continuous, sworn, law enforcement service: 2.0% (of base hourly pay per pay period)~~

~~Said increase shall be effective retroactive to the pay period including July 1, 2016 for those employees still employed by the City upon City Council adoption of this MOU and made during the regular pay period in which the Unit member's anniversary date falls, and shall be included in the regular paycheck.~~

ARTICLE 20 - BULLETIN BOARD

20.1 CITY agrees to furnish space for ASSOCIATION-purchased bulletin boards of reasonable size for the posting of ASSOCIATION material. Location of such bulletin boards shall be at the Police Station in an area commonly used for briefings or meetings.

20.2 ASSOCIATION agrees it shall not use bulletin boards to ridicule, defame, or harass any CITY employees, officer or agent.

ARTICLE 21 - PROBATIONARY PERIOD

The probationary period for new officers and lateral hires shall be 12 months.

ARTICLE 22 - DRUG AND ALCOHOL TESTING

ASSOCIATION agrees to the terms of the Substance Abuse and Testing Policy adopted by the Morro Bay City Council pursuant to Resolution No. 14-99.

ARTICLE 23 - GRIEVANCE PROCEDURE

23.1 The ASSOCIATION agrees that whenever investigation or processing of a grievance is to be transacted during working hours, only the amount of time necessary to bring about a prompt disposition of the matter will be utilized. It is further agreed that the time spent on an investigation and processing of grievances will not interfere with the normal operation of the department. CITY agrees to provide every reasonable amount of time for the investigation and the processing of a grievance, but by so agreeing does not imply that the processing or investigation of a grievance shall take priority over normal functions of the department.

CITY further agrees that any payment of overtime arising because of UNIT personnel's involvement in grievance investigation or processing shall not be authorized. Time spent on the investigation and processing of grievances will be recorded on a form provided by CITY. Stewards will be permitted reasonable time-off with pay for the investigation and processing of grievances provided, however, stewards shall first obtain permission from the department head and/or his/her designee and inform him/her of the nature of his/her business. CITY shall grant such permission promptly unless such absence would cause an undue interruption of work or would require the CITY to pay overtime in order to maintain the normal operation of the department.

Upon entering the work location, the steward shall inform the department head and supervisor of the nature of his/her business. Permission to leave a job will be granted to the employee involved unless such absence would cause an interruption of work. If the employee cannot be made available, the steward will seek an alternate time for employee availability with the department head or supervisor.

It is agreed that in some instances the investigation and processing of a grievance may be accomplished on the employee's time. This MOU is in recognition of the mutual sharing of costs involved in the handling of employee-initiated actions.

23.2 PURPOSE

The primary purpose of this procedure shall be to provide a means whereby an employee, without jeopardizing his employment, can express a personal grievance relating to his wages, hours of work, and working conditions, and obtain a fair and equitable disposition of his grievance.

23.3 ASSOCIATION REPRESENTATIVE

The CITY agrees that the ASSOCIATION may designate a representative to represent employees in the processing of grievances. The ASSOCIATION shall furnish the City Manager with a written list identifying by name and work location all regular and alternate representatives and the list shall be kept current by the ASSOCIATION at all times. The representatives are to begin investigating grievances only after the employee has tried to resolve the problem with his/her immediate supervisor and the two parties have failed to reach resolution of the problem.

23.4 PROCEDURE

Procedures shall be in accordance with Resolution No. 46-74 and any amendments thereto.

ARTICLE 24 - NO STRIKE, SLOW-DOWN OR OTHER INTERRUPTION TO WORK

24.1 ASSOCIATION agrees not to cause, authorize, advise, encourage or participate in any interruption of work or any other concerted action. The term “interruption of work” shall mean any work stoppage or strike (including economic and unfair labor practice strikes) or any intentional slow-down of work. The term “other concerted action” includes picketing or boycott activities by the ASSOCIATION.

24.2 Participation by any employee in any activity resulting in interruption of work or other concerted action or use of paid or unpaid leave for these purposes shall subject employee to disciplinary action, up to and including, discharge. When the City Manager has reason to believe that such leave is being used as a method of interruption work, the burden of proof of illness is upon the employee. Doctor’s statements can be required in accordance with Resolution No. 34-83, Personnel Rules & Regulations, Section 13.B.4.

ARTICLE 25 - FULL UNDERSTANDING, MODIFICATION, WAIVER

25.1 This MOU sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any other prior or existing understanding or agreements by the parties, whether formal or informal, regarding any such matters are hereby superseded or terminated in their entirety.

25.2 It is agreed and understood that each party hereto voluntarily and unqualifiedly waives its right to negotiate, and agrees that the other party shall not be required to negotiate, with respect to any matter covered herein.

25.3 No agreement, alteration, understanding variation, waiver, or modification of any of the terms or provisions contained herein shall in any manner be binding upon the parties hereto unless made and executed in writing by all parties hereto, and if required, approved by the CITY and ratified by the membership of the ASSOCIATION.

25.4 The waiver of any breach of any term, or condition of this MOU by either party shall not constitute a precedent in the future enforcement of all its terms and provisions.

ARTICLE 26 - SEVERABILITY

If any provision(s) are held to be contrary to law by a court of competent jurisdiction, such provision will not be deemed valid and subsisting except to the extent permitted by law, but all other provisions will continue in full force and effect.

ARTICLE 27 – JOINT DRAFTING

Each party has cooperated in the drafting and preparation of this MOU. Hence, in any legal construction or interpretation to be made of this MOU, the same shall not be construed against any party.

ARTICLE 28 – CITY COUNCIL APPROVAL

The CITY's labor relations representatives and the ASSOCIATION's representatives have met and conferred in good faith on wages, hours and other terms and conditions of employment for the unit members represented by the ASSOCIATION and have reached agreements which are set forth in this MOU. This MOU, when executed by the CITY's labor relations representatives and the ASSOCIATION representatives, constitutes a joint recommendation therefrom, after ratification of the ASSOCIATION membership, to be submitted to the City Council for its determination and approval by resolution, as the City Council may deem fit and proper. This MOU is of no force or effect unless or until approved and adopted by a resolution of the City Council.

[SIGNATURES ON NEXT PAGE]

MORRO BAY PEACE OFFICERS' ASSN. **CITY OF MORRO BAY**

Greg Gruich, President

~~Dave Buckingham~~Scott Collins, City Manager

~~Tony Mosqueda,~~Stephen Leonesio, Chief Labor Negotiator ~~Employee Representative~~

Colin Tanner, Labor Negotiator

~~Jody Cox,~~Thomas Nolen, Employee Representative

~~Susan Slayton, Administrative Services Director~~Dana Swanson, City Clerk/ Risk Manager

William Marvos, Employee Representative

Laurie Goforth, City Clerk/ Risk Manager

~~Laurie Goforth, Human Resources Analyst~~

ATTACHMENT A

POLICE SALARY SCHEDULE

POSITION	ANNUAL COMPENSATION RANGE 1	2	3	4	5	6
Sergeant	$ ~~73~~78,089~~585~~	$ ~~77~~81,993~~264~~	$ 86~~1~~,093~~127~~	$ 90~~85~~,398~~184~~	$ 94~~89~~,918~~443~~	$ ~~93~~99,~~915~~664
Corporal	$ ~~62~~66,357~~530~~	$ 69~~5~~,675~~657~~	$ 73~~68~~,159~~939~~	$ ~~72~~76,~~387~~817	$ ~~76~~80,658~~006~~	$ ~~79~~84,691~~807~~
Special Assignments: Detective School Resource Officer Senior Officer	$ ~~61~~65,747~~955~~	$ 69~~5~~,034~~52~~	$ ~~68~~72,486~~305~~	$ ~~71~~76,~~720~~111	$ ~~75~~79,~~306~~916	$ ~~79~~83,912~~,072~~
Police Officer	$ ~~59~~62,616~~004~~	$ ~~61,955~~65,746	$ ~~65~~69,~~052~~034	$ ~~68~~72,485~~305~~	$ 76~~1~~,11~~72~~0	$ 79~~5~~,915~~306~~

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AGENDA NO:	**B-1**
MEETING DATE:	**September 11, 2018**

Staff Report

TO: **Honorable Mayor and City Council** **DATE: September 5, 2018**

FROM: **Scott Collins – City Manager**
Joseph W. Pannone – City Attorney

SUBJECT: **Public Hearing for the Adoption of Resolution No. 71-18 Establishing New Water and Sewer (Wastewater) Rates (User Fees)**

RECOMMENDATION
Hold a Public Hearing and, as a result, adopt both water and sewer (wastewater) surcharges through the adoption of Resolution No. 71-18 for the proposed Water Reclamation Facility (WRF).

ALTERNATIVE
Continue the item and provide direction to staff regarding any modifications to the sewer or water surcharges.

FISCAL IMPACT
The Sewer and Water Study prepared by Bartle Wells Associates (BWA) recommends establishing new water and sewer surcharges (rates) for residents and businesses to fund the Water Reclamation Facility (WRF) project.

BACKGROUND/DISCUSSION
At its July 10, 2018, regular meeting, the City Council reviewed the proposed water and sewer surcharges to fund a new WRF, as the existing wastewater plant has reached the end of its useful life and must be rebuilt inland due to age and condition, as well as capacity and regulatory/permitting deficiencies. At that meeting, the City Council approved the Proposition 218 notice, and set the date for the Proposition 218 public hearing to establish the new proposed water and sewer rates for August 28, 2018 (see Attachment 2 for more detail on the purpose and need for the WRF facility and corresponding proposed WRF surcharges). Due to an error in the original notification and to ensure all persons eligible to file protest were provided 45 days to do so, the public hearing date was revised to September 11, 2018, as ratified by the City Council at its August 14, 2018, regular meeting (staff report provided as Attachment 3).

The below charts show a summary of the information regarding the recommended WRF surcharges for water and sewer:

Prepared By: ___SC___	**Dept Review: _____**
City Manager Review: ___SC_____	**City Attorney Review: ___JWP____**

Proposed WRF Sewer Surcharges	
Residential WRF Sewer Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$25.00
Multi-Family/Condominium Unit	20.00
Non-Residential WRF Sewer Surcharges	
Volumetric surcharge per hcf of metered water use	
Class A - Low Strength	$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
Minimum Monthly Charge	20.00

Proposed WRF Water Surcharges	
Residential WRF Water Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$16.00
Multi-Family/Condominium Unit	12.80
Non-Residential WRF Water Surcharges	
Volumetric surcharge per hcf of metered water use	
Surcharge per hcf of water use	$3.64
Minimum Monthly Charge	12.80

Protest Procedure/Public Notice

Pursuant to the requirements of Proposition 218, notice of the proposed water and sewer surcharges were mailed to the owners of record for a parcel or parcels within Morro Bay, along with water and sewer rate payers who were not parcel owners in Morro Bay. Written protests against the proposed WRF surcharges are to be received by the City Clerk prior to the end of the public hearing rescheduled to September 11, 2018. Those eligible to protest the proposed rates are real property owners and paying water or sewer customers within the City limits. If valid written protests are received for a majority of the affected parcels by parcel owners or rate payers, then the proposed rate changes cannot not be imposed (see Attachment 7 - Resolution No. 44-18, Section 4 for requirements to be valid).

On July 12, 2018, 6,234 notices in English and Spanish containing a description of the WRF surcharges and their rationale, date of the public hearing, as well as a sample protest form and instructions on submitting the protest were mailed to the owners of record for a parcel or parcels or a tenant directly liable for payment of the fees subject to the proposed rate change (Attachment 4). City staff became aware the next week that mistakenly, not all customers were included in the original mailing list for the July 12, 2018 notice. In order to ensure those impacted by the mistake were provided the full 45-day period to protest, as required by Proposition 218, City staff took administrative action to extend the public hearing date to September 11, 2018, subject to City Council ratification of that administrative action. Notices were then sent via mail by Friday, July 27, 2018 to the 1,282 impacted individuals. Those notices contained the same information as in the original notice with the new public hearing date of September 11, 2018 (Attachment 5). In addition, staff sent a mailer that same week to all individuals who were mailed the original noticing, alerting recipients to the change in date of the public hearing to September 11, 2018 (Attachment 6). At its August 14, 2018 meeting, City Council ratified the administrative action to change the public hearing date to September 11, 2018.

Throughout the duration of the Proposition 218 process, staff has hosted a total of ten office-hour periods (each lasting 3 – 4 hours), at City Hall and in the community, for residents and business owners to have their WRF rates and project questions answered. Staff has also received numerous telephone calls and walk-ins at City Hall from residents and business owners requesting information on the proposed rate schedule. Those community contacts are in addition to the numerous City mailers sent out to community members over the course of 2018 informing them about the WRF project and potential rate impacts. That outreach was done with the intention of completely and transparently informing the public about the WRF project and the Proposition 218 process.

At the date of the preparation of this report, staff has not counted the number of written protests received. Written protests collected in the mail and through the front office have been placed directly into a sealed box in the City Clerk's Office to ensure the safe-keeping of filed protests and integrity of the protest process. Staff will count all protests received, to date, beginning the afternoon of September 11, and provide the raw count of protests received to City Council at the beginning of the subject public hearing. A small number of residents representing established committees, which support and oppose the project, have been invited to observe the raw count process. Time permitting, staff will provide a final tabulation of all timely filed protests following the conclusion of the public hearing. To successfully protest the proposed WRF surcharges, 2,794 (50% plus one of Morro Bay parcels) valid written protests must have been timely submitted to the City on behalf the eligible parcels located within the City prior to the conclusion of the subject public hearing. That number is 12 parcels less than originally anticipated being required to meet that 50% plus one threshold due to the review described in the next paragraph.

As part of the validation process, Public Works Department staff, in conjunction with Community Development staff, have reviewed several parcels to determine the eligibility of their owners to participate in the Proposition 218 rate setting protest process. That review has resulted in the removal of 24 parcels because existing development on those parcels, if any, does not currently receive water or sewer services and, due to development regulations, none of those parcels are considered to be able to have any uses that would require those services in the future. Those parcels are either on the sandspit or Westerly of existing development in beach or dune habitat. A listing of those parcels and related exhibit are attached for reference (Attachments 9 and 10).

If staff needs additional time beyond the September 11, 2018 Council meeting to count and validate the protests timely submitted, then it is recommended that City Council continue the item to a date certain in September. Staff has developed validation protocols to publicly verify the submitted written protests, and has scheduled the remainder of the week of September 11th in the Morro Bay Community Center to initiate and complete the protest count and validation process should that be necessary.

CONCLUSION

Staff recommends the City Council conduct a public hearing on this matter and, if less than 50% plus one valid protests are timely filed, adopt water and sewer WRF surcharges rate via the adoption of Resolution No. 71-18.

ATTACHMENTS

1. Resolution No. 71-18
2. City Council staff report, July 10, 2018
3. City Council staff report, August 14, 2018
4. July 12, 2018 Proposition 218 Notice
5. July 27, 2018 Proposition 218 Notice (revised Public Hearing date)
6. July 27, 2018 Mailer
7. Resolution No. 44-18
8. List of ineligible parcels
9. Exhibit showing ineligible parcels

LINKS TO REFERENCE MATERIALS (On City Website)

Water and Sewer Rate Study

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RESOLUTION NO. 71-18

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA ESTABLISHING USER SURCHARGE RATES FOR A NEW WASTEWATER RECLAMATION FACILITY TO PROVIDE SAFE WATER AND SEWER (WASTEWATER) SERVICE

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, the City of Morro Bay's existing wastewater treatment plant was originally built in 1953, has reached the end of its useful life and needs to be rebuilt due to age and condition, as well as to meet current regulatory requirements; and

WHEREAS, the Regional Water Quality Control Board recently issued a Time Schedule Order (TSO) that gives the City a maximum of five years to build a new facility to meet the new, more stringent, permit requirements and failure to meet the deadline would put the City at risk for substantial fines; and

WHEREAS, in 2013, the California Coastal Commission unanimously denied the City's permit to build a new treatment plant near the existing site and locations near the existing facility site are also inconsistent with Coastal Commission policy and provisions of the Coastal Act and Local Coastal Program; and

WHEREAS, the community of Morro Bay seeks to replace its 65-year-old wastewater treatment plant with a new water reclamation facility (WRF) at the preferred site near the intersection of South Bay Boulevard and Highway 1, roughly one mile east of downtown Morro Bay; and

WHEREAS, the WRF Project represents the culmination of a 5-year public process that included identification of community goals, evaluation of project and site alternatives, and input from a number of professional and community-advisory groups; and

WHEREAS, in 2015, the City adopted 5 years of water and sewer rate increases designed to meet its contractual obligations, fund the cost of providing utility service and help fund capital improvements to the City's aging water and sewer systems; and

WHEREAS, the previously-adopted rates substantially strengthened the financial health of the City's water and sewer utilities, but do not provide adequate funding to support each utility's share of costs for the WRF Project; and

WHEREAS, The WRF Project surcharges were developed by an independent rate consultant with input from City staff, the City's engineering consultants, City Council, various citizen-advisory groups, and the City's Blue Ribbon Commission – a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and input regarding WRF Project costs and the proposed rate surcharges; and

WHEREAS, the proposed surcharge rates reflect the funding needed to pay the capital and financing costs for the WRF Project to provide service to all customers through the apportionment of costs based on customer, capacity, and demand characteristics; and

WHEREAS, it has been determined the recommended surcharge rates do not exceed the reasonable cost of providing water or sewer services and, as such, the proposed surcharge rates are not levied for general revenue purposes; and

WHEREAS, in accordance with Government Code section 50076, "As used in this article, "special tax" shall not include any fee which does not exceed the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is not levied for general revenue purposes;" and

WHEREAS, notices of the public hearing regarding the proposed changes to the water and sewer surcharge rates were mailed to each rate payer and property owner not less than forty-five days prior to the public hearing, in compliance with Section 6 of Article XIII-D of the Constitution of the State of California; and

WHEREAS, that public hearing was held before the City Council on September 11, 2018; and

WHEREAS, at the public hearing on September 11, 2018, ______ persons were present and spoke in opposition to the surcharge rates and ______ persons were present and spoke in support of the surcharge rates; and

WHEREAS, on September 11, 2018, the City Clerk advised the Council _______ written protests of the surcharge rates were received prior to the commencement of the public hearing; and

WHEREAS, on September 11, 2018, the City Council received _________ written protests against the surcharge rates that were submitted prior to the closing of the public hearing; and

WHEREAS, at the conclusion of the public hearing, the City Clerk tabulated the number of written protests received and reported there was not a majority protest of the proposed water or sewer surcharge rates by owners, customers of record or authorized representatives of identified parcels receiving such services; and

WHEREAS, based on the information presented, including the staff reports and comments from the members of the public, the City Council of the City finds the following:

A. The purposes of the updated water rates established pursuant to this Resolution are to:

- support funding for the sewer utility's share of costs for the new wastewater treatment plant and conveyance facilities, and
- Help fund recycled water components of the WRF Project.

B. The updated water and sewer service rates established pursuant to this Resolution are not levied for general revenue purposes.

C. The primary purpose for the surcharges set forth in this Resolution are to help fund the WRF Project, whose significant environmental impacts were analyzed in that certain Final Environmental Impact Report (FEIR) for Morro Bay Water Reclamation Facility, which was certified by the City Council through Resolution No. 61-18, adopted on August 14, 2018 I (FEIR) and the Council has considered the impacts analyzed in the FEIR prior to adoption of this Resolution;

WHEREAS, in adopting the rates set forth in this Resolution, the City Council of the City of Morro Bay is exercising its powers under California Constitution Article XI, Section 7, which states: "A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws"; and

WHEREAS, the procedures followed and the rates adopted are in compliance with California Constitution Article XIII D, "Property-Related Fees and Charges"; and

WHEREAS, there is not a protest of the proposed water or sewer service rate increases by a majority of the owners, customers of record or authorized representatives, of identified parcels receiving such services; and

WHEREAS, rates shall apply to and be paid by the City customers at the times, and in the amounts and otherwise apply and be administered with the rates as prescribed in this Resolution to be effective July 1, 2019 and the July 1 of each fiscal year during which the debt incurred to finance the WRF Project remains due and payable; and

WHEREAS, the rates and all portions of this Resolution are severable and should any of the rates or any portion of this Resolution be proven to be invalid and unenforceable by a body of competent jurisdiction, then the remaining rates and/or Resolution portions shall be and continue in full force and effect except for those rates and/or Resolution that have been judged to be invalid; and

WHEREAS, this Resolution will become effective immediately upon adoption.

NOW, THEREFORE, the City Council of the City of Morro Bay hereby resolves the following:

<u>SECTION 1:</u> FINDINGS. The City Council hereby adopts all the above recitations as findings and conclusions, which are based on substantial evidence presented to the City Council through staff reports, professional studies and oral and written testimony received and considered by the City Council during the process of considering the rates and issues regarding the subject matter of this Resolution (the "Record of Proceedings").

<u>SECTION 2:</u> DETERMINATION**.** Based upon the findings and conclusions set forth above, the City Council determines: the Record of Proceedings establishes the costs listed Exhibit A, as those incurred by the City for installation of the WRF Project to provide water and sewer services to City customers are reasonable estimates of the costs of providing such infrastructure and services, to allocate such costs among City property owners/customers so they bear a fair and reasonable relationship to customers and to secure the financial stability of the City water or sewer systems in accordance with the analysis conducted in current and prior staff reports. There was no majority protest of the proposed water or sewer surcharge rates. Therefore, the surcharge rates as set forth in Exhibit A are approved and adopted and, effective July 1, 2019 and the July 1 of each fiscal year during which the debt incurred to finance the WRF Project remains due and payable.

SECTION 3: COLLECTION. The City Council hereby directs the surcharge rates established by this Resolution shall be billed and collected together with charges for other utility services rendered by the City of Morro Bay.

SECTION 4: ENFORCEMENT. In the enforcement of the collection of the surcharge rates established herein, the City of Morro Bay may use any available remedy at law or in equity; provided, however, that said rates and charges shall not be collected by means of the San Luis Obispo County Assessor's roll of real property taxes, nor shall any delinquent rates or charges be enforced by means of a lien on real property.

PASSED AND ADOPTED by the Morro Bay City Council at a regular meeting thereof held on the 11th day of September 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

AGENDA NO: C-1

MEETING DATE: July 10, 2018

Staff Report

TO: **Honorable Mayor and City Council** **DATE: July 5, 2018**

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

SUBJECT: **Review Preliminary Recommendations for Water and Sewer Rates, Approve the Proposition 218 Notice and Set August 28, 2018, as the Date for a Public Hearing and to Establish New Water and Sewer Rates**

RECOMMENDATION

Council:

1. Approve the proposed Water Reclamation Facility (WRF) sewer and water surcharges; and
2. Set August 28, 2018, for the public hearing to consider and establish new water and sewer rates.

ALTERNATIVES

Continue the item and provide direction to staff regarding any modifications to the sewer or water rates or rate structures.

FISCAL IMPACT

The Sewer and Water Study prepared by Bartle Wells Associates (BWA) recommends establishing water and sewer WRF surcharges for residents and businesses to fund the proposed wastewater/water reclamation project.

The direct costs for printing and mailing out the Proposition 218 notices is approximately $8,500 and will be split between the water and sewer funds.

BACKGROUND

The City Council reviewed the proposed WRF surcharges (rates) at a Special Council meeting on June 28, 2018, as the rate study anticipates surcharges on top of the existing approved rate structures to fund a new WRF. The existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to age and condition, as well as capacity and regulatory deficiencies. The existing plant was not designed to meet current ocean discharge regulatory requirements. In addition, the Regional Water Quality Control Board recently issued a Time Schedule Order (TSO), which stipulates the City must meet the regulatory requirements within five years. The City can meet that requirement by building a new treatment plant. If it fails to meet the TSO, then the City could face significant fines.

The new treatment plant must also be constructed inland, as the existing treatment plant is located in a FEMA-mapped floodplain, as well as a State of California Emergency Management Agency

Prepared By: ___SC/RL/JC/EC___	
City Manager Review: __SC______	**City Attorney Review: ___JWP__**

identified tsunami inundation zone. In 2013, the California Coastal Commission denied the City's permit to construct a new treatment facility on the existing site, due to a variety of reasons in addition to coastal hazards.

The City is pursuing a water reclamation facility at the, Council-directed, preferred location of South Bay Boulevard. The WRF will replace the existing wastewater treatment plant and provide another source of potable water to augment the City's water security.

Following receipt of a report from City staff and rate consultant Alex Handlers of Bartle Wells, the Council directed staff to prepare the required Proposition 218 notices for the Council to consider at the July 10, 2018 meeting. The below charts show a summary of the information regarding the potential WRF surcharges, that are in addition to already approved rates.

Proposed WRF Sewer Surcharges	
Residential WRF Sewer Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$25.00
Multi-Family/Condominium Unit	20.00
Non-Residential WRF Sewer Surcharges	
Volumetric surcharge per hcf of metered water use	
Class A - Low Strength	$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
Minimum Monthly Charge	20.00

Proposed WRF Water Surcharges	
Residential WRF Water Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$16.00
Multi-Family/Condominium Unit	12.80
Non-Residential WRF Water Surcharges	
Volumetric surcharge per hcf of metered water use	
Surcharge per hcf of water use	$3.64
Minimum Monthly Charge	12.80

The City Council supported the option to place the WRF surcharges on the monthly water and sewer bill, as opposed to placing them on the County property tax rolls. In addition, the Council supported front loading the WRF surcharges, as opposed to phasing in the corresponding increase (*i.e.*, the maximum surcharge will appear on the water and sewer bill beginning July 01, 2019). The rationale for front loading the surcharge is that it will reduce the project's debt burden on the City and lead to lower water and sewer rates overall in the long-term.

<u>DISCUSSION</u>

Water and Sewer WRF Surcharges

The City is proposing to adopt WRF water and sewer surcharges to fund the WRF project. The water and sewer surcharges for residential customers are fixed monthly surcharges billed per residential dwelling unit, and will total $41/month for single-family homes. Multi-family/condominium units will incur a $32.80/month total surcharge. WRF surcharges for non-residential customers vary by customer class and wastewater strength and are billed based on metered water use.

As proposed, the WRF surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF project is paid off, or otherwise directed by City Council.

Impacts on Monthly Utility Bills

01181.0025/246663.1

With full implementation of the previously adopted water and sewer rate increases and the WRF surcharges beginning July 1, 2019, the total combined monthly utility bill for a single-family home with low water use (2 units, or 50 gallons of water per day) would be $168, a single-family home with average water use (5 units, or 125 gallons of water per day) would be $191, and a single-family home with high water use (10 units, or 225 gallons of water per day) would be $233.50.

Annual Water and Sewer Rate Review

City Council has directed staff to bring back an annual water and sewer rate review policy for consideration and adoption. That policy would allow the City not to impose the maximum water and sewer rates or WRF surcharges if it can either reduce the WRF project costs or obtain additional grants or low-interest-rate financing. The City Council would review the utility rates every year as part of the annual budget process to determine if any amount less than the maximum approved rates or surcharges are feasible.

Utility Discount Program Review

City Council recently revised the Utility Discount Program on June 13, 2018. The program extends a 10% discount to customers that participate in Pacific Gas & Electric's (PG&E) CARE program. City Council has expressed interest in further revising the program to extend the enrollment period beyond its existing July 1 – July 31 period. In addition, staff has reached out to the Community Connection program to help get the word out to low-income residents. The program is currently funded through rate fines and forfeitures, but to make the program viable for the approximately 1,000 households in Morro Bay that may qualify, City funding other than water/sewer rate revenue may be required. After further discussion, staff will bring back revisions to the Utility Discount Program to pilot an ongoing enrollment period in August 2018.

Proposition 218 Process

Staff recommends City Council authorize the release of the Proposition 218 notice for the WRF surcharges. If that recommendation is approved, then staff would mail the attached notice, with any Council modifications, shortly after the July 10, 2018 Council meeting to all Morro Bay parcel owners who receive water and sewer services, as well as all water and sewer customers in Morro Bay. Parcel owners and rate payers would have 45 days to submit a written protest to the City, all the way through the proposed public hearing (scheduled for August 28, 2018, at 6:00p.m. in the Veterans Hall). The attached resolution provides detailed information regarding how the Proposition 218 process will be conducted and methods of protest. It is important to remember, no matter how many property owners or customers are associated with a single parcel, which includes the individual units of common interest developments (condominiums), that receives water or sewer services, only one protest vote per parcel will be counted toward the 50% plus 1 required, by law, to stop the surcharge from being imposed.

CONCLUSION

The proposed WRF surcharges will fund the new WRF project, which complies with water quality regulations and Coastal Act permitting requirements and will provide a local water supply to the Morro Bay community. The rate surcharges are subject to the Proposition 218 protest process for disapproval. The Proposition 218 process will commence on or about Friday, July 13, 2018 and conclude with the public hearing currently scheduled for August 28, 2018, at 6:00 p.m.

ATTACHMENTS

1. Water and Sewer Rate Study
2. Draft Proposition 218 Notice
3. Resolution 44-18 Proposition 218 Process

01181.0025/246663.1

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AGENDA NO: **C-1**

MEETING DATE: August 14, 2018

Staff Report

TO: **Honorable Mayor and City Council** **DATE: July 31, 2018**

FROM: **Scott Collins, City Manager**
Joseph W. Pannone, City Attorney

SUBJECT: **Ratification of the Administrative Action Taken to Extend the Proposition 218 Public Hearing Date for the Proposed Water Reclamation Facility (WRF) Surcharge to September 11, 2018, or Later Date as Deemed Appropriate by the Council**

RECOMMENDATION

Staff recommends the City Council ratify the extension of the public hearing for the WRF surcharge, pursuant to Proposition 218, to September 11, 2018.

FISCAL IMPACT

Minimal expenses were incurred as a result of the re-noticing of the Proposition 218 hearing and the preparation of this staff report.

BACKGROUND/DISCUSSION

At the July 10, 2018, Council meeting, the City Council approved the Proposition 218 notice and authorized staff to release that notice for the Water Reclamation Facility (WRF) surcharges. On July 12, staff provided Mail Stream Inc. with the approved Proposition 218 notice and a list of 6,234 addresses to receive a notice. As directed by Council through its Proposition 218 process policy (Resolution No. 44-18), the mailing list included both real property owners and utility customers.

City staff became aware late Friday afternoon (July 20, 2018), mistakenly, not all customers were provided with the Proposition 218 notices that were mailed out on July 13, 2018. Immediately upon realizing that, staff worked with the City Attorney to determine the most immediate course of corrective action. It was important for the City, as soon as possible, to advise all those affected property owners and customers of that error and a City Council meeting could not be convened until August 14, 2018. Based on that, City management, including the City Attorney, decided the best, legal approach would be for staff to send out postcard notifications of the hearing date change to those who had already received a 218 notice, provide a 218 notice to those persons who had mistakenly not been provided with the first 218 notice, reschedule the public hearing date for a date after August 28th and provide a press release and information on the City's website of the changes and reasons for the changes. That action ensured all those entitled to participate in the 218 process would be given the required 45-day period to protest and still allowed the City Council to decide either to ratify that decision or reschedule the Prop 218 public hearing for another date later than September 11, 2018.

A total of 1,282 notices were sent via mail by Friday July 27, 2018, to those individuals who mistakenly were not provided notices through the original mailing, and that notice let recipients

Prepared By: ___ _____	**Dept Review:** ______
City Manager Review: ___SC_____	**City Attorney Review:** __JWP_

know the Proposition 218 public hearing date is September 11, 2018. In addition, staff sent a mailer to all individuals who received the original noticing, alerting recipients about the extension of the public hearing to September 11, 2018. The public hearing extension information was posted on the City's website and sent to local media via press release.

CONCLUSION

Staff recommends Council ratify staff's administrative action to extend the Proposition 218 Public Hearing date for the WRF surcharge to September 11, 2018.

City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
Address Service Requested

Notice of a Public Hearing on Proposed Water & Sewer Rate Surcharges to Support a New Water Reclamation Facility

New Water Reclamation Facility Project Overview

The City of Morro Bay's existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to age and condition as well as capacity and regulatory deficiencies. The existing treatment plant was originally built in 1953 and was not designed to meet current regulatory requirements. The Regional Water Quality Control Board recently issued a Time Schedule Order (TSO) that gives the City a maximum of five years to build a new facility to meet the City's new, more stringent, permit requirements. Failure to meet the deadline would put the City at risk for substantial fines.

Adding to the City's challenges, the new wastewater treatment plant cannot be rebuilt at its current location near the beach. The existing plant is located in a coastal flood plain and tsunami inundation zone. In 2013, the California Coastal Commission unanimously denied the City's permit to build a new treatment plant near the existing site. Locations near the existing facility site are also inconsistent with Coastal Commission policy and provisions of the Coastal Act and Local Coastal Program.

CITY OF MORRO BAY WATER RECLAMATION FACILITY PROJECT

The City is planning to move forward with a new Water Reclamation Facility (WRF) at the preferred site near the intersection of South Bay Boulevard and Highway 1, roughly one mile east of downtown Morro Bay. The new WRF would replace the City's aging wastewater treatment plant and provide recycled water to improve local supply reliability. *The proposed WRF Project represents the culmination of a 5-year public process that included identification of community goals, evaluation of project and site alternatives, and input from a number of professional and community-advisory groups.*

*For more information and updates on the WRF Project, please visit the City's WRF Project website at **morrobaywrf.com** or contact the Public Works Department at (805) 772-6261.*

WRF Project Update & Cost-Cutting Efforts

Over the past year, the City has been working to minimize the cost of the WRF Project. Together, the combined efforts of the City, various citizen-advisory groups and engineering consultants have helped substantially reduce costs from prior estimates developed in 2017. The City has also aggressively been pursuing grants and low-interest-rate loans. Morro Bay was one of 12 communities nationwide invited to apply for low-rate WIFIA financing and previously was awarded a $10.3 million, 1.70% subsidized loan from the State Revolving Fund. In June 2018, as a result of a competitive proposal process, the City selected a preferred design-build team to construct the new water reclamation facility and hopes to further reduce costs during the design-build process.

Proposed WRF Water & Sewer Rate Surcharges

In 2015, the City adopted 5 years of water and sewer rate increases designed to fund the cost of providing utility service and help fund capital improvements to the City's aging water and sewer systems. The previously-adopted rates substantially strengthened the financial health of the City's water and sewer utilities but do not provide adequate funding to support each utility's share of costs for the WRF Project.

The City is proposing to adopt new water and sewer rate surcharges to help fund each utility's share of costs for the WRF Project. These surcharges would be levied in addition to the City's previously-adopted water and sewer rates and would be listed as separate line items on the City's monthly utility bills. The surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is retired. The City of Morro Bay will hold a Public Hearing to consider adoption of WRF Sewer Rates Surcharges and WRF Water Rates Surcharges to support funding for the WRF Project as follows:

Notice of a Public Hearing on Proposed WRF Water & Sewer Rate Surcharges	
Date:	**August 28, 2018**
Time:	**6:00 p.m.**
Place:	**Veteran's Memorial Building 209 Surf Street, Morro Bay, CA 93442**

The proposed WRF Project surcharges were developed by an independent rate consultant with input from City staff, the City's engineering consultants, City Council, various citizen-advisory groups, and the City's Blue Ribbon Commission -- a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and input regarding WRF Project costs and the proposed rate surcharges. The City plans to review all utility rates every year, including the proposed WRF Surcharges.

Low Income Utility Discount Program

The City offers financial assistance to water and sewer customers based on income eligibility. Customers enrolled in PG&E's CARE Program are automatically eligible for the City's Low Income Utility Discount Program. More information on the program is available on the City's website at www.morrobayca.gov by searching for *Low Income Utility Discount Program*, or by calling the City's utility billing division at (805) 772-6222.

Water Conservation & Rebate Programs

Although California's multi-year drought was declared over in 2017, Morro Bay continues to encourage customers to conserve water. In order to promote conservation, the City has established a rebate program that provides customers with cash rebates for various water saving devices such as water-efficient washing machines, toilet retrofits, rain barrels, turf replacement, irrigation retrofits and SMART irrigation controllers. More information about water conservation tips and the City's rebate programs are available on the City's website at www.morrobayca.gov by searching for *Water Conservation*, or by calling the City's Public Works Department staff at (805) 772-6261.

Proposed WRF Sewer Surcharges

The City is proposing to adopt WRF Sewer Surcharges as shown on the adjacent table to support funding for the sewer utility's share of costs for the new wastewater treatment plant and conveyance facilities. WRF Sewer Surcharges for residential customers are fixed monthly surcharges billed per residential dwelling unit. WRF Sewer Surcharges for non-residential customers vary by customer class and wastewater strength and are billed based on metered water use, subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. **The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.**

Proposed WRF Sewer Surcharges	
Residential WRF Sewer Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$25.00
Multi-Family/Condominium Unit	20.00
Non-Residential WRF Sewer Surcharges	
Volumetric surcharge per hcf of metered water use	
Class A - Low Strength	$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
Minimum Monthly Charge	20.00

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.

Proposed WRF Water Surcharges

The City is proposing to adopt WRF Water Surcharges as shown on the adjacent table to help fund recycled water components of the WRF Project. WRF Water Surcharges for residential customers are fixed monthly surcharges billed per dwelling unit. WRF Water Surcharges for non-residential customers are volumetric surcharges billed based on metered water use subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. **The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.**

Proposed WRF Water Surcharges	
Residential WRF Water Surcharges	
Fixed monthly surcharge per residential dwelling unit	
Single Family Home	$16.00
Multi-Family/Condominium Unit	12.80
Non-Residential WRF Water Surcharges	
Volumetric surcharge per hcf of metered water use	
Surcharge per hcf of water use	$3.64
Minimum Monthly Charge	12.80

1 hcf = 100 hundred cubic feet = 748 gallons

Impacts on Monthly Utility Bills

Total proposed WRF Water & Sewer Rate Surcharges for a single family home will not exceed $41 per month including a $25 WRF Sewer Surcharge of and a $16 WRF Water Surcharge. Combined surcharges per multi-family or condominium dwelling unit will not exceed $32.80 per month. Surcharges for commercial and other non-residential customers vary based on customer class and water use and will not exceed the levels shown on the tables above.

With full implementation of the previously-adopted water and sewer rates and the proposed WRF Surcharges, the total combined monthly utility bill for a typical single family home with 5 units (i.e 500 cubic feet per month which is the equivalent of 125 gallons per day) of monthly water use would not exceed $191 accounting for all monthly utility rates and WRF Surcharges. Approximately two-thirds of single family residential bills are at or below this level of use. Customer bills will vary based on level of water us

Community Input & Written Protest Procedures

Utility customers, property owners and community members are invited to attend the Public Hearing and provide input. Property owners and customers may submit written protests against the proposed WRF Water Surcharges and/or WRF Sewer Surcharges. Pursuant to California and the City Resolution No. 44-18 (218 Protest Policy) 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, c) be signed and dated after the date the City transmits this notice, and d) indicate opposition to the proposed WRF Water and/or Sewer Surcharges. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed surcharges 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. Written protests can also be submitted at the Public Hearing on August 28, 2018. All protests must be submitted prior to the close of the Public Hearing.

Property owners or customers wishing to submit a written protest against the proposed water and/or sewer rate surcharges for the Water Reclamation Facility can use the form below or write their own protest. If another form is used, then that form must include all the information required by the City's 218 Protest Policy as shown on the below form.

2018 WRF Water & Sewer Surcharge Written Protest Form

Name of the Property Owner or Customer of Record filing this protest (please print):

____

Assessor's Parcel Number (APN), Water/Sewer Account Number or Street Address
of the parcel for which the protest applies (please print):

____

Check each box for the WRF Surcharges you are protesting:

☐ I am protesting the proposed WRF Sewer Surcharges.

☐ I am protesting the proposed WRF Water Surcharges.

I certify the information I provided on this ballot is true and correct.

____ ***Date: ____________________, 2018***

Signature of Property Owner or Customer of Record

Please Submit to: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442

Although no explanation for a protest is required, the City would appreciate any comments or input you would like to share regarding the reasons for submitting a protest.

City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Servicio de dirección solicitado

Aviso de Audiencia Pública sobre la Tarifa Propuesta de Recargos para Apoyar una Nueva Planta de Recuperación de Agua

Visión General del Proyecto de La Nueva Planta de Recuperación de Agua

La planta de tratamiento de aguas residuales actual de la ciudad de Morro Bay ha llegado al final de su vida útil y necesita ser reconstruida debido a la edad y condición, así como la capacidad y deficiencias regulatorias. La planta de tratamiento existente fue construida originalmente en 1953 y no fue diseñada para cumplir con los requerimientos reglamentarios actuales. La Junta Regional para el Control de Calidad del Agua emitió recientemente una Orden de Programación de Tiempo (TSO) que le da a la ciudad un máximo de cinco años para construir una nueva instalación para cumplir con los nuevos requisitos de permiso de la ciudad. La falta de cumplimiento de la fecha límite pondría a la ciudad en riesgo de multas sustanciales.

Añadiendo a los desafíos de la ciudad, la nueva planta de tratamiento de aguas residuales no puede ser reconstruida en su ubicación actual cerca de la playa. La planta existente se encuentra en una planicie de inundación costera y una zona inundada de tsunamis. En 2013, la Comisión Costera de California negó por unanimidad el permiso de la ciudad para construir una nueva planta de tratamiento cerca del sitio existente. Las ubicaciones cercanas al sitio de instalación existente también son incompatibles con la política de la Comisión Costera y con las disposiciones de la Ley Costera y del Programa Costero Local.

CITY OF MORRO BAY WATER RECLAMATION FACILITY PROJECT

La ciudad está planeando avanzar con una nueva planta de recuperación de agua (WRF) en el sitio preferido cerca de la intersección de South Bay Boulevard y la autopista 1, aproximadamente a una milla al este del centro de Morro Bay. La nueva WRF reemplazaría la vieja planta de tratamiento de aguas residuales de la ciudad y proveería agua reciclada para mejorar la confiabilidad del suministro local. *El proyecto WRF propuesto representa la culminación de un proceso público de 5 años que incluyó la identificación de los objetivos comunitarios, la evaluación de las alternativas del proyecto y del sitio, y la contribución de varios grupos profesionales y de asesores comunitarios.*

*Para más información y actualizaciones sobre el proyecto WRF, por favor visite el sitio web del proyecto WRF de la ciudad en **morrobaywrf.com** o comuníquese con el Departamento de obras públicas al (805) 772-6261.*

Actualización del Proyecto del WRF y Esfuerzos de Reducción de Costos

Durante el año pasado, la ciudad ha estado trabajando para minimizar el costo del proyecto WRF. Juntos, los esfuerzos combinados de la ciudad, varios grupos de asesores de ciudadanos y consultores de ingeniería han ayudado a reducir sustancialmente los costos de las estimaciones anteriores desarrolladas en 2017. La ciudad también ha estado agresivamente buscando subvenciones y préstamos de baja tasa de interés. Morro Bay fue una de las 12 comunidades a nivel nacional invitadas a solicitar financiamiento de bajo precio WIFIA y anteriormente se le otorgó un préstamo subsidiado de $10,3 millones, 1,70% del fondo rotatorio estatal. En junio de 2018, como resultado de un proceso de propuesta competitiva, la ciudad seleccionó un equipo de diseño de construcción preferido para construir el nuevo centro de recuperación de agua y espera reducir aún más los costos durante el proceso de diseño de construcción.

Tarifas Propuestas de Agua y Alcantarillado

En 2015, la ciudad adoptó 5 años de aumentos de la tasa de agua y alcantarillado diseñados para financiar el costo de proveer servicio de servicios públicos y ayudar a financiar mejoras de capital a los sistemas de agua y alcantarillado envejecidos de la ciudad. Las tasas adoptadas anteriormente reforzaban sustancialmente la salud financiera de los servicios de agua y alcantarillado de la ciudad, pero no proporcionan financiamiento adecuado para apoyar la parte de los costos de cada una de las utilidades para el proyecto WRF.

La ciudad está proponiendo adoptar nuevos recargos de agua y de alcantarillado para ayudar a financiar la parte de costos de cada utilidad para el proyecto WRF. Estos recargos se cobrarían además de las tasas de agua y alcantarillado previamente adoptadas por la ciudad y se enumerarían como artículos de línea separados en las facturas de servicios públicos mensuales de la ciudad. Los recargos se gravarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se retire la deuda emitida para financiar el proyecto WRF. La ciudad de Morro Bay celebrará una audiencia pública para considerar la adopción de recargos de tarifas de alcantarillado del WRF, y recargos de tarifas de agua del WRF para apoyar fondos para el proyecto WRF de la siguiente manera:

**Aviso de Audiencia Pública sobre
los Recargos Propuestos de Agua y Alcantarillado**

Fecha: **28 de agosto 2018**

Hora: **6:00 p.m.**

Lugar: **Veteran's Memorial Building
209 Surf Street, Morro Bay, CA 93442**

Los recargos propuestos del proyecto WRF fueron desarrollados por un consultor independiente con aportes del personal de la ciudad, los consultores de ingeniería de la ciudad, el Concejo Municipal, varios grupos de asesores de ciudadanos, y la Comité Cinta Azul de la ciudad -- un grupo de Morro Bay residentes con experiencia financiera y de negocios substancial que fue establecido para proporcionar la revisión y la entrada independientes con respecto a costes del proyecto de WRF y a los recargos propuestos de la tarifa. La ciudad planea revisar todas las tarifas de servicios públicos cada año, incluyendo los recargos WRF propuestos.

Programa de Asistencia Energética para los Hogares de Bajos Ingresos

La ciudad ofrece asistencia financiera a clientes de agua y alcantarillado basados en la elegibilidad de ingresos. Los clientes inscritos en el programa CARE por PG&E son automáticamente elegibles para el programa de descuento de utilidad de bajos ingresos de la ciudad. Más información sobre el programa está disponible en el sitio web de la ciudad en www.morrobayca.gov mediante la búsqueda de *Programa de Asistencia Energética para los Hogares de Bajos Ingresos*, o llamando a la división de facturación de servicios públicos de la ciudad al (805) 772-6222.

Programas de Conservación y Reembolso de Agua

Aunque la sequía de varios años de California fue declarada terminada en 2017, Morro Bay continúa alentando a los clientes a conservar el agua. Con el fin de promover la conservación, la ciudad ha establecido un programa de reembolso que ofrece a los clientes con reembolsos en efectivo para diversos dispositivos de ahorro de agua, tales como lavadoras eficientes en el agua, reajustes de inodoro, barriles de lluvia, reemplazo de césped, reajustes de riego y controladores de irrigación SMART. Más información acerca de consejos para la conservación del agua y los programas de descuento de la ciudad están disponibles en el sitio web de la ciudad en www.morrobayca.gov, buscando la conservación del agua, o llamando al personal del Departamento de obras públicas de la ciudad al (805) 772-6261.

Recargos Propuestos WRF de Alcantarilla

La ciudad está proponiendo adoptar recargos de alcantarillado WRF como se muestra en la tabla adyacente para apoyar la financiación de la parte de la utilidad de alcantarillado de los costos de la nueva planta de tratamiento de aguas residuales y las instalaciones de transporte. Los recargos de alcantarillado WRF para los clientes residenciales son recargos mensuales fijos facturados por unidad de vivienda residencial. Los recargos de alcantarillado WRF para clientes no residenciales varían según la clase de cliente y la fuerza de las aguas residuales y son facturados basándose en el uso de agua medido, sujeto a un cargo mínimo mensual. Como se proponía, los recargos se gravarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se pague la deuda emitida para financiar el proyecto WRF. **La ciudad puede ser capaz de reducir los recargos si puede reducir aún más los costos del proyecto WRF o obtener subvenciones adicionales o financiamiento de baja tasa de interés.**

Recargos Propuestos WRF de Alcantarilla		
Recargos Residenciales WRF de Alcantarillado *Recargo fijo mensual por unidad de vivienda residencial*		
Casa unifamiliar		$25,00
Unidad de condominio multi-familia		20,00
Recargos de Alcantarillas WRF No Residenciales *Suplemento volumétrico por ciento de pies cúbicos de uso medido del agua*		
Clase A -	Fuerza Baja	$3,43
Clase B -	Fuerza Doméstica	4,10
Clase C -	Fuerza Moderada	4,77
Clase D -	Fuerza Mod-Alta	5,43
Clase E -	Fuerza Alta	6,77
Cargo Mínimo Mensual		*20,00*

Clase A - Fuerza Baja incluye escuelas, lavanderías, lavado de autos, instalaciones municipales y públicas, y cuentas de suavizante de agua.

Clase B - Fuerza Doméstica incluye las oficinas profesionales, las tiendas al por menor, los parques caseros móviles, y el resto de las cuentas comerciales de fuerza estándar.

Clase C - Fuerza Moderada incluye moteles, casas de retiro con instalaciones para comer, y morgues.

Clase D - Fuerza Mod-Alta incluye hoteles con comedores o restaurantes, y cuentas de uso mixto donde las aguas residuales de alta resistencia representan entre un 25% y 75% del caudal total de aguas residuales.

Clase E - Fuerza Alta incluye restaurantes, panaderías y procesadores de mariscos.

Nota: La ciudad se reserva el derecho de estimar la fuerza de las aguas residuales y asignar clase.

Recargos Propuestos WRF de Agua

La ciudad está proponiendo adoptar recargos de agua WRF como se muestra en la tabla adyacente para ayudar a financiar los componentes de agua reciclada del proyecto WRF. Los recargos de agua WRF para los clientes residenciales son recargos mensuales fijos facturados por unidad de vivienda. Recargos de agua WRF para clientes no residenciales son recargos volumétricos facturados basados en el uso de agua medido sujeto a un cargo mínimo mensual. Como se proponía, los recargos se cobrarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se pague la deuda emitida para financiar el proyecto WRF. **La ciudad**

Recargos Propuestos WRF de Agua	
Recargos Residenciales WRF de Agua *Recargo fijo mensual por unidad de vivienda residencial*	
Casa unifamiliar	$16,00
Unidad de condominio multi-familia	12,80
Recargos de Agua WRF No Residenciales *Suplemento volumétrico por ciento de pies cúbicos de uso medido del agua*	
Recargo por cada 100 pies cúbicos de uso de agua	$3,64
Cargo Mínimo Mensual	*12.80*

100 pies cúbicos = 748 galones

puede ser capaz de reducir los recargos si puede reducir aún más los costos del proyecto WRF o obtener subvenciones adicionales o financiamiento de baja tasa de interés.

Impactos en las Facturas de Servicios Públicos Mensuales

Los recargos totales propuestos WRF de agua y alcantarillado para una casa unifamiliar no excederán $41 por mes incluyendo un recargo de alcantarilla WRF de $25 y recargo de agua WRF de $16 WRF. Los recargos combinados por unidad multi-familia o vivienda en condominio no excederán $32,80 por mes. Los recargos para clientes comerciales y otros no residenciales varían según la clase de cliente y el uso de agua y no excederán los niveles mostrados en las tablas arriba.

Con la implementación completa de las tarifas de agua y alcantarillas previamente adoptadas y los recargos WRF propuestos, el total de la factura de utilidad mensual combinada para una casa unifamiliar típica con 5 unidades (es decir, 500 pies cúbicos mensuales que equivalen a 125 galones por día) del uso mensual del agua no excedería $191 que contabilizan para todas las tarifas de utilidad mensuales y recargos WRF. Aproximadamente dos tercios de las facturas residenciales de una sola familia están en o por debajo de este nivel de uso. Las facturas de los clientes varían según el nivel de uso del agua.

Aporte de la Comunidad y Procedimientos Escritos de Protesta

Los clientes de servicios públicos, dueños de propiedades y miembros de la comunidad están invitados a asistir a la audiencia pública y proporcionar información. Los propietarios y clientes pueden presentar protestas por escrito contra la propuesta de recargos de agua WRF y/o recargos de alcantarillado WRF. De acuerdo con California y el número de resolución de la ciudad 44-18 (218 Política de Protesta) las protestas deben ser presentadas por escrito y deben a identificar la propiedad o propiedades afectadas, tales como por la dirección, el número de paquete del asesor, o el número de cuenta de cliente, b) incluir el nombre y la firma del cliente o dueño de la propiedad sometiendo la protesta, c) firmado y fechado después de la fecha en que la ciudad transmita este aviso, y d) indique oposición a los recargos de agua y/o alcantarillado propuestos WRF. No se aceptarán protestas enviadas por correo electrónico, facsímile u otros medios electrónicos. Las recargas propuestas no pueden ser adoptadas si se reciben protestas por escrito de la mayoría de las parcelas afectadas con una protesta escrita contada por parcela. Las protestas por escrito pueden ser enviadas a: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442. Las protestas por escrito también pueden presentarse en la audiencia pública el 28 de agosto de 2018. Todas las protestas deben presentarse antes de la clausura de la Audiencia Pública.

Los propietarios o clientes que deseen presentar una protesta por escrito contra los recargos propuestos de agua y/o alcantarillado para el centro de recuperación de agua pueden usar el formulario abajo o escribir su propia protesta. Si se utiliza otro formulario, entonces ese formulario debe incluir toda la información requerida por la política de protesta de 218 de la ciudad como se muestra en el formulario siguiente.

2018 WRF Formulario de Protesta por Escrito del Recargo de Agua y Alcantarilla

Nombre del propietario de la propiedad o del cliente del registro que presenta esta protesta (por favor imprimir):

____

Número de parcela del tasador (APN), número de cuenta de agua/alcantarilla o dirección de la parcela para la que se aplica la protesta (por favor imprimir):

____

Marque cada casilla de los recargos de WRF que está protestando:

☐ Estoy protestando por los recargos WRF de alcantarillado propuestos.

☐ Estoy protestando por los recargos WRF de agua propuestos.

Certifico que la información proporcionada en esta boleta es verdadera y correcta.

____ ***Fecha: ____________________, 2018***

Firma del dueño de la propiedad o cliente de registro

Por favor, envíe a: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442

Aunque no se requiere ninguna explicación para una protesta, la ciudad apreciaría cualquier comentario o entrada que usted quisiera compartir con respecto a las razones de enviar una protesta.

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City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
Address Service Requested

Notice of a Public Hearing on Proposed Water & Sewer Rate Surcharges to Support a New Water Reclamation Facility

New Water Reclamation Facility Project Overview

The City of Morro Bay's existing wastewater treatment plant has reached the end of its useful life and needs to be rebuilt due to age and condition as well as capacity and regulatory deficiencies. The existing treatment plant was originally built in 1953 and was not designed to meet current regulatory requirements. The Regional Water Quality Control Board recently issued a Time Schedule Order (TSO) that gives the City a maximum of five years to build a new facility to meet the City's new, more stringent, permit requirements. Failure to meet the deadline would put the City at risk for substantial fines.

Adding to the City's challenges, the new wastewater treatment plant cannot be rebuilt at its current location near the beach. The existing plant is located in a coastal flood plain and tsunami inundation zone. In 2013, the California Coastal Commission unanimously denied the City's permit to build a new treatment plant near the existing site. Locations near the existing facility site are also inconsistent with Coastal Commission policy and provisions of the Coastal Act and Local Coastal Program.

The City is planning to move forward with a new Water Reclamation Facility (WRF) at the preferred site near the intersection of South Bay Boulevard and Highway 1, roughly one mile east of downtown Morro Bay. The new WRF would replace the City's aging wastewater treatment plant and provide recycled water to improve local supply reliability. *The proposed WRF Project represents the culmination of a 5-year public process that included identification of community goals, evaluation of project and site alternatives, and input from a number of professional and community-advisory groups.*

For more information and updates on the WRF Project, please visit the City's WRF Project website at ***morrobaywrf.com*** *or contact the Public Works Department at (805) 772-6261.*

WRF Project Update & Cost-Cutting Efforts

Over the past year, the City has been working to minimize the cost of the WRF Project. Together, the combined efforts of the City, various citizen-advisory groups and engineering consultants have helped substantially reduce costs from prior estimates developed in 2017. The City has also aggressively been pursuing grants and low-interest-rate loans. Morro Bay was one of 12 communities nationwide invited to apply for low-rate WIFIA financing and previously was awarded a $10.3 million, 1.70% subsidized loan from the State Revolving Fund. In June 2018, as a result of a competitive proposal process, the City selected a preferred design-build team to construct the new water reclamation facility and hopes to further reduce costs during the design-build process.

Proposed WRF Water & Sewer Rate Surcharges

In 2015, the City adopted 5 years of water and sewer rate increases designed to fund the cost of providing utility service and help fund capital improvements to the City's aging water and sewer systems. The previously-adopted rates substantially strengthened the financial health of the City's water and sewer utilities but do not provide adequate funding to support each utility's share of costs for the WRF Project.

The City is proposing to adopt new water and sewer rate surcharges to help fund each utility's share of costs for the WRF Project. These surcharges would be levied in addition to the City's previously-adopted water and sewer rates and would be listed as separate line items on the City's monthly utility bills. The surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is retired. The City of Morro Bay will hold a Public Hearing to consider adoption of WRF Sewer Rates Surcharges and WRF Water Rates Surcharges to support funding for the WRF Project as follows:

Notice of a Public Hearing on
Proposed WRF Water & Sewer Rate Surcharges

Date: **September 11, 2018**

Time: **6:00 p.m.**

Place: **Veteran's Memorial Building**
209 Surf Street, Morro Bay, CA 93442

The proposed WRF Project surcharges were developed by an independent rate consultant with input from City staff, the City's engineering consultants, City Council, various citizen-advisory groups, and the City's Blue Ribbon Commission -- a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and input regarding WRF Project costs and the proposed rate surcharges. The City plans to review all utility rates every year, including the proposed WRF Surcharges.

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Proposed WRF Sewer Surcharges	
Residential WRF Sewer Surcharges *Fixed monthly surcharge per residential dwelling unit*	
Single Family Home	$25.00
Multi-Family/Condominium Unit	20.00
Non-Residential WRF Sewer Surcharges *Volumetric surcharge per hcf of metered water use*	
Class A - Low Strength	$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
Minimum Monthly Charge	20.00

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.

Proposed WRF Water Surcharges

The City is proposing to adopt WRF Water Surcharges as shown on the adjacent table to help fund recycled water components of the WRF Project. WRF Water Surcharges for residential customers are fixed monthly surcharges billed per dwelling unit. WRF Water Surcharges for non-residential customers are volumetric surcharges billed based on metered water use subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. **The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.**

Proposed WRF Water Surcharges	
Residential WRF Water Surcharges *Fixed monthly surcharge per residential dwelling unit*	
Single Family Home	$16.00
Multi-Family/Condominium Unit	12.80
Non-Residential WRF Water Surcharges *Volumetric surcharge per hcf of metered water use*	
Surcharge per hcf of water use	$3.64
Minimum Monthly Charge	12.80

1 hcf = 100 hundred cubic feet = 748 gallons

Impacts on Monthly Utility Bills

Total proposed WRF Water & Sewer Rate Surcharges for a single family home will not exceed $41 per month including a $25 WRF Sewer Surcharge of and a $16 WRF Water Surcharge. Combined surcharges per multi-family or condominium dwelling unit will not exceed $32.80 per month. Surcharges for commercial and other non-residential customers vary based on customer class and water use and will not exceed the levels shown on the tables above.

With full implementation of the previously-adopted water and sewer rates and the proposed WRF Surcharges, the total combined monthly utility bill for a typical single family home with 5 units (i.e. 500 cubic feet per month which is the equivalent of 125 gallons per day) of monthly water use would not exceed $191 accounting for all monthly utility rates and WRF Surcharges. Approximately two-thirds of single family residential bills are at or below this level of use. Customer bills will vary based on level of water us

Community Input & Written Protest Procedures

Utility customers, property owners and community members are invited to attend the Public Hearing and provide input. Property owners and customers may submit written protests against the proposed WRF Water Surcharges and/or WRF Sewer Surcharges. Pursuant to California and the City Resolution No. 44-18 (218 Protest Policy) 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, c) be signed and dated after the date the City transmits this notice, and d) indicate opposition to the proposed WRF Water and/or Sewer Surcharges. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed surcharges 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. Written protests can also be submitted at the Public Hearing on September 11, 2018. All protests must be submitted prior to the close of the Public Hearing.

Property owners or customers wishing to submit a written protest against the proposed water and/or sewer rate surcharges for the Water Reclamation Facility can use the form below or write their own protest. If another form is used, then that form must include all the information required by the City's 218 Protest Policy as shown on the below form.

2018 WRF Water & Sewer Surcharge Written Protest Form

Name of the Property Owner or Customer of Record filing this protest (please print):

____

Assessor's Parcel Number (APN), Water/Sewer Account Number or Street Address
of the parcel for which the protest applies (please print):

____

Check each box for the WRF Surcharges you are protesting:

☐ I am protesting the proposed WRF Sewer Surcharges.

☐ I am protesting the proposed WRF Water Surcharges.

I certify the information I provided on this ballot is true and correct.

____ ***Date: ____________________, 2018***

Signature of Property Owner or Customer of Record

Please Submit to: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442

Although no explanation for a protest is required, the City would appreciate any comments or input you would like to share regarding the reasons for submitting a protest.

City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Servicio de dirección solicitado

Aviso de Audiencia Pública sobre la Tarifa Propuesta de Recargos para Apoyar una Nueva Planta de Recuperación de Agua

Visión General del Proyecto de La Nueva Planta de Recuperación de Agua

La planta de tratamiento de aguas residuales actual de la ciudad de Morro Bay ha llegado al final de su vida útil y necesita ser reconstruida debido a la edad y condición, así como la capacidad y deficiencias regulatorias. La planta de tratamiento existente fue construida originalmente en 1953 y no fue diseñada para cumplir con los requerimientos reglamentarios actuales. La Junta Regional para el Control de Calidad del Agua emitió recientemente una Orden de Programación de Tiempo (TSO) que le da a la ciudad un máximo de cinco años para construir una nueva instalación para cumplir con los nuevos requisitos de permiso de la ciudad. La falta de cumplimiento de la fecha límite pondría a la ciudad en riesgo de multas sustanciales.

Añadiendo a los desafíos de la ciudad, la nueva planta de tratamiento de aguas residuales no puede ser reconstruida en su ubicación actual cerca de la playa. La planta existente se encuentra en una planicie de inundación costera y una zona inundada de tsunamis. En 2013, la Comisión Costera de California negó por unanimidad el permiso de la ciudad para construir una nueva planta de tratamiento cerca del sitio existente. Las ubicaciones cercanas al sitio de instalación existente también son incompatibles con la política de la Comisión Costera y con las disposiciones de la Ley Costera y del Programa Costero Local.

La ciudad está planeando avanzar con una nueva planta de recuperación de agua (WRF) en el sitio preferido cerca de la intersección de South Bay Boulevard y la autopista 1, aproximadamente a una milla al este del centro de Morro Bay. La nueva WRF reemplazaría la vieja planta de tratamiento de aguas residuales de la ciudad y proveería agua reciclada para mejorar la confiabilidad del suministro local. *El proyecto WRF propuesto representa la culminación de un proceso público de 5 años que incluyó la identificación de los objetivos comunitarios, la evaluación de las alternativas del proyecto y del sitio, y la contribución de varios grupos profesionales y de asesores comunitarios.*

Para más información y actualizaciones sobre el proyecto WRF, por favor visite el sitio web del proyecto WRF de la ciudad en ***morrobaywrf.com*** *o comuníquese con el Departamento de obras públicas al (805) 772-6261.*

Actualización del Proyecto del WRF y Esfuerzos de Reducción de Costos

Durante el año pasado, la ciudad ha estado trabajando para minimizar el costo del proyecto WRF. Juntos, los esfuerzos combinados de la ciudad, varios grupos de asesores de ciudadanos y consultores de ingeniería han ayudado a reducir sustancialmente los costos de las estimaciones anteriores desarrolladas en 2017. La ciudad también ha estado agresivamente buscando subvenciones y préstamos de baja tasa de interés. Morro Bay fue una de las 12 comunidades a nivel nacional invitadas a solicitar financiamiento de bajo precio WIFIA y anteriormente se le otorgó un préstamo subsidiado de $10,3 millones, 1,70% del fondo rotatorio estatal. En junio de 2018, como resultado de un proceso de propuesta competitiva, la ciudad seleccionó un equipo de diseño de construcción preferido para construir el nuevo centro de recuperación de agua y espera reducir aún más los costos durante el proceso de diseño de construcción.

Tarifas Propuestas de Agua y Alcantarillado

En 2015, la ciudad adoptó 5 años de aumentos de la tasa de agua y alcantarillado diseñados para financiar el costo de proveer servicio de servicios públicos y ayudar a financiar mejoras de capital a los sistemas de agua y alcantarillado envejecidos de la ciudad. Las tasas adoptadas anteriormente reforzaban sustancialmente la salud financiera de los servicios de agua y alcantarillado de la ciudad, pero no proporcionan financiamiento adecuado para apoyar la parte de los costos de cada una de las utilidades para el proyecto WRF.

La ciudad está proponiendo adoptar nuevos recargos de agua y de alcantarillado para ayudar a financiar la parte de costos de cada utilidad para el proyecto WRF. Estos recargos se cobrarían además de las tasas de agua y alcantarillado previamente adoptadas por la ciudad y se enumerarían como artículos de línea separados en las facturas de servicios públicos mensuales de la ciudad. Los recargos se gravarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se retire la deuda emitida para financiar el proyecto WRF. La ciudad de Morro Bay celebrará una audiencia pública para considerar la adopción de recargos de tarifas de alcantarillado del WRF, y recargos de tarifas de agua del WRF para apoyar fondos para el proyecto WRF de la siguiente manera:

Aviso de Audiencia Pública sobre los Recargos Propuestos de Agua y Alcantarillado	
Fecha:	**11 de septiembre de 2018**
Hora:	**6:00 p.m.**
Lugar:	**Veteran's Memorial Building 209 Surf Street, Morro Bay, CA 93442**

Los recargos propuestos del proyecto WRF fueron desarrollados por un consultor independiente con aportes del personal de la ciudad, los consultores de ingeniería de la ciudad, el Concejo Municipal, varios grupos de asesores de ciudadanos, y la Comité Cinta Azul de la ciudad -- un grupo de Morro Bay residentes con experiencia financiera y de negocios substancial que fue establecido para proporcionar la revisión y la entrada independientes con respecto a costes del proyecto de WRF y a los recargos propuestos de la tarifa. La ciudad planea revisar todas las tarifas de servicios públicos cada año, incluyendo los recargos WRF propuestos.

Programa de Asistencia Energética para los Hogares de Bajos Ingresos

La ciudad ofrece asistencia financiera a clientes de agua y alcantarillado basados en la elegibilidad de ingresos. Los clientes inscritos en el programa CARE por PG&E son automáticamente elegibles para el programa de descuento de utilidad de bajos ingresos de la ciudad. Más información sobre el programa está disponible en el sitio web de la ciudad en www.morrobayca.gov mediante la búsqueda de *Programa de Asistencia Energética para los Hogares de Bajos Ingresos*, o llamando a la división de facturación de servicios públicos de la ciudad al (805) 772-6222.

Programas de Conservación y Reembolso de Agua

Aunque la sequía de varios años de California fue declarada terminada en 2017, Morro Bay continúa alentando a los clientes a conservar el agua. Con el fin de promover la conservación, la ciudad ha establecido un programa de reembolso que ofrece a los clientes con reembolsos en efectivo para diversos dispositivos de ahorro de agua, tales como lavadoras eficientes en el agua, reajustes de inodoro, barriles de lluvia, reemplazo de césped, reajustes de riego y controladores de irrigación SMART. Más información acerca de consejos para la conservación del agua y los programas de descuento de la ciudad están disponibles en el sitio web de la ciudad en www.morrobayca.gov, buscando la conservación del agua, o llamando al personal del Departamento de obras públicas de la ciudad al (805) 772-6261.

Recargos Propuestos WRF de Alcantarilla

La ciudad está proponiendo adoptar recargos de alcantarillado WRF como se muestra en la tabla adyacente para apoyar la financiación de la parte de la utilidad de alcantarillado de los costos de la nueva planta de tratamiento de aguas residuales y las instalaciones de transporte. Los recargos de alcantarillado WRF para los clientes residenciales son recargos mensuales fijos facturados por unidad de vivienda residencial. Los recargos de alcantarillado WRF para clientes no residenciales varían según la clase de cliente y la fuerza de las aguas residuales y son facturados basándose en el uso de agua medido, sujeto a un cargo mínimo mensual. Como se proponía, los recargos se gravarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se pague la deuda emitida para financiar el proyecto WRF. **La ciudad puede ser capaz de reducir los recargos si puede reducir aún más los costos del proyecto WRF o obtener subvenciones adicionales o financiamiento de baja tasa de interés.**

Recargos Propuestos WRF de Alcantarilla		
Recargos Residenciales WRF de Alcantarillado *Recargo fijo mensual por unidad de vivienda residencial*		
Casa unifamiliar		$25,00
Unidad de condominio multi-familia		20,00
Recargos de Alcantarillas WRF No Residenciales *Suplemento volumétrico por ciento de pies cúbicos de uso medido del agua*		
Clase A -	Fuerza Baja	$3,43
Clase B -	Fuerza Doméstica	4,10
Clase C -	Fuerza Moderada	4,77
Clase D -	Fuerza Mod-Alta	5,43
Clase E -	Fuerza Alta	6,77
Cargo Mínimo Mensual		*20,00*

Clase A - Fuerza Baja incluye escuelas, lavanderías, lavado de autos, instalaciones municipales y públicas, y cuentas de suavizante de agua.

Clase B - Fuerza Doméstica incluye las oficinas profesionales, las tiendas al por menor, los parques caseros móviles, y el resto de las cuentas comerciales de fuerza estándar.

Clase C - Fuerza Moderada incluye moteles, casas de retiro con instalaciones para comer, y morgues.

Clase D - Fuerza Mod-Alta incluye hoteles con comedores o restaurantes, y cuentas de uso mixto donde las aguas residuales de alta resistencia representan entre un 25% y 75% del caudal total de aguas residuales.

Clase E - Fuerza Alta incluye restaurantes, panaderías y procesadores de mariscos.

Nota: La ciudad se reserva el derecho de estimar la fuerza de las aguas residuales y asignar clase.

Recargos Propuestos WRF de Agua

La ciudad está proponiendo adoptar recargos de agua WRF como se muestra en la tabla adyacente para ayudar a financiar los componentes de agua reciclada del proyecto WRF. Los recargos de agua WRF para los clientes residenciales son recargos mensuales fijos facturados por unidad de vivienda. Recargos de agua WRF para clientes no residenciales son recargos volumétricos facturados basados en el uso de agua medido sujeto a un cargo mínimo mensual. Como se proponía, los recargos se cobrarían a partir del 1 de julio de 2019 y permanecerían vigentes hasta que se pague la deuda emitida para financiar el proyecto WRF. **La ciudad**

Recargos Propuestos WRF de Agua	
Recargos Residenciales WRF de Agua *Recargo fijo mensual por unidad de vivienda residencial*	
Casa unifamiliar	$16,00
Unidad de condominio multi-familia	12,80
Recargos de Agua WRF No Residenciales *Suplemento volumétrico por ciento de pies cúbicos de uso medido del agua*	
Recargo por cada 100 pies cúbicos de uso de agua	$3,64
Cargo Mínimo Mensual	*12.80*

100 pies cúbicos = 748 galones

puede ser capaz de reducir los recargos si puede reducir aún más los costos del proyecto WRF o obtener subvenciones adicionales o financiamiento de baja tasa de interés.

Impactos en las Facturas de Servicios Públicos Mensuales

Los recargos totales propuestos WRF de agua y alcantarillado para una casa unifamiliar no excederán $41 por mes incluyendo un recargo de alcantarilla WRF de $25 y recargo de agua WRF de $16 WRF. Los recargos combinados por unidad multi-familia o vivienda en condominio no excederán $32,80 por mes. Los recargos para clientes comerciales y otros no residenciales varían según la clase de cliente y el uso de agua y no excederán los niveles mostrados en las tablas arriba.

Con la implementación completa de las tarifas de agua y alcantarillas previamente adoptadas y los recargos WRF propuestos, el total de la factura de utilidad mensual combinada para una casa unifamiliar típica con 5 unidades (es decir, 500 pies cúbicos mensuales que equivalen a 125 galones por día) del uso mensual del agua no excedería $191 que contabilizan para todas las tarifas de utilidad mensuales y recargos WRF. Aproximadamente dos tercios de las facturas residenciales de una sola familia están en o por debajo de este nivel de uso. Las facturas de los clientes varían según el nivel de uso del agua.

Aporte de la Comunidad y Procedimientos Escritos de Protesta

Los clientes de servicios públicos, dueños de propiedades y miembros de la comunidad están invitados a asistir a la audiencia pública y proporcionar información. Los propietarios y clientes pueden presentar protestas por escrito contra la propuesta de recargos de agua WRF y/o recargos de alcantarillado WRF. De acuerdo con California y el número de resolución de la ciudad 44-18 (218 Política de Protesta) las protestas deben ser presentadas por escrito y deben a identificar la propiedad o propiedades afectadas, tales como por la dirección, el número de paquete del asesor, o el número de cuenta de cliente, b) incluir el nombre y la firma del cliente o dueño de la propiedad sometiendo la protesta, c) firmado y fechado después de la fecha en que la ciudad transmita este aviso, y d) indique oposición a los recargos de agua y/o alcantarillado propuestos WRF. No se aceptarán protestas enviadas por correo electrónico, facsímile u otros medios electrónicos. Las recargas propuestas no pueden ser adoptadas si se reciben protestas por escrito de la mayoría de las parcelas afectadas con una protesta escrita contada por parcela. Las protestas por escrito pueden ser enviadas a: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442. Las protestas por escrito también pueden presentarse en la audiencia pública el 11 de septiembre de 2018. Todas las protestas deben presentarse antes de la clausura de la Audiencia Pública.

Los propietarios o clientes que deseen presentar una protesta por escrito contra los recargos propuestos de agua y/o alcantarillado para el centro de recuperación de agua pueden usar el formulario abajo o escribir su propia protesta. Si se utiliza otro formulario, entonces ese formulario debe incluir toda la información requerida por la política de protesta de 218 de la ciudad como se muestra en el formulario siguiente.

2018 WRF Formulario de Protesta por Escrito del Recargo de Agua y Alcantarilla

Nombre del propietario de la propiedad o del cliente del registro que presenta esta protesta (por favor imprimir):

____

Número de parcela del tasador (APN), número de cuenta de agua/alcantarilla o dirección de la parcela para la que se aplica la protesta (por favor imprimir):

____

Marque cada casilla de los recargos de WRF que está protestando:

☐ Estoy protestando por los recargos WRF de alcantarillado propuestos.

☐ Estoy protestando por los recargos WRF de agua propuestos.

Certifico que la información proporcionada en esta boleta es verdadera y correcta.

____ ***Fecha: ____________________, 2018***
Firma del dueño de la propiedad o cliente de registro

Por favor, envíe a: City Clerk, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442

Aunque no se requiere ninguna explicación para una protesta, la ciudad apreciaría cualquier comentario o entrada que usted quisiera compartir con respecto a las razones de enviar una protesta.

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City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Important Water and Sewer Update

City of Morro Bay Office Hours (City Hall, 595 Harbor Street)

The City has added additional open office hours for questions on the impact to individual bills and the Proposition 218 process on the following dates and times:

Thursday, July 26th: 12:00-5:00 p.m.
Tuesday, July 31st: 8:00-12:00 p.m.
Thursday, August 9th: 8:00-12:00 p.m.
Tuesday, August 14th: 12:00-5:00 p.m.

Local
Postal Customer
(flipside)

City of Morro Bay

City of Morro Bay Proposition 218 Public Hearing Date Changed to September 11, 2018

Mistakenly not all customers were provided with the Proposition 218 notices that were mailed out on July 13, 2018 and therefore the City has rescheduled the Proposition 218 Public Hearing to September 11, 2018.

- The Public Hearing for the Proposition 218 protest process has been rescheduled to September 11, 2018, from the original noticed date of August 28, 2018.
- If you have already submitted a written protest to the City Clerk based on the previous notice regarding the surcharge rate increase you do not need to do anything further as the protests will be counted.
- If you have not yet submitted a written protest to the City Clerk and would like to, you will now have until the end of the public hearing to be held at the regular City Council meeting beginning at 6:00 p.m. on September 11, 2018, at the Veterans' Hall.

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RESOLUTION NO. 44-18

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, APPROVING GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED PURSUANT TO ARTICLE XIIID, SECTION 6 OF THE CALIFORNIA CONSTITUTION

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, Article XIIID, Section 6 of the California Constitution requires the City Council to consider written protests to certain proposed increases to rates (fees or charges) for sewer (wastewater), water or refuse collection services; and

WHEREAS, that constitutional provision does not offer specific guidance as to who may submit protests, how written protests are to be submitted, or how the City is to tabulate protests.

WHEREAS, upon adoption of this resolution, any and all resolutions, rules or regulations of the City in conflict with it, shall be rescinded and of no further force or effect. This resolution supersedes all prior resolutions, rules or regulations of the City to the extent any or all of them established guidelines for the submission and tabulation of protests in connection with rate hearings conducted by the City pursuant to Article XIIID, Section 6 of the California Constitution.

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

<u>SECTION 1:</u> Definitions.

Unless the context plainly indicates another meaning was intended, the following definitions shall apply in construction of these guidelines.

A. "Parcel" means a San Luis Obispo County (County) Assessor's parcel the record owner or occupant of which is subject to the proposed rate that is the subject of the hearing.

B. "Record customer" and "customer of record" mean the person or persons whose name or names appear on the City records as the customer who has contracted for, or is obligated to pay for, wastewater. water or refuse collection services to a particular utility account.

C. "Record owner" or "parcel owner" means the person or persons whose name or names appear on the County Assessor's latest equalized assessment roll as the owner of a parcel.

D. “Rate” means a fee or charge as understood by Article XIIID, Section 6 of the California Constitution.

E. A "rate protest proceeding" is not an election, but the City Clerk will maintain the confidentiality of protests as provided below and will maintain the security and integrity of protests at all times.

<u>SECTION 2:</u> Notice.

Notice of proposed rates and public hearing shall be as follows:

A. Notice Content.

1. Amount of rate proposed to be imposed on each parcel.

2. Basis upon which the amount of the proposed rate was calculated.

3. Reason for the rate.

4. The date, time, and location of a public hearing on the proposed rate.

5. If a combined public hearing is held for more than one proposed rate, then a combined notice for the combined public hearing must indicate an explanation any statement and protest shall clearly indicate which proposed change(s) is/are being protested.

B. Notice Delivery and Posting.

1. The City shall give notice of proposed rates via U.S. mail to all record owners and customers of record served by the City no less than 45 days before the public hearing upon the proposed rate.

2. The City will post the notice of proposed rates and public hearing at its official posting sites no less than 45 days before the public hearing upon the proposed rate.

<u>SECTION 3:</u> Protest Submittal.

A. Any record owner or customer of record who is subject to the proposed utility rate that is the subject of the hearing who wants to protest the rate must submit a written protest to the City Clerk, by:

1. Delivery, to the City Clerk's Office at 595 Harbor Street, Morro Bay, CA 93442, during published business hours,
2. Mail to the City Clerk at 595 Harbor Street, Morro Bay, CA 93442, or
3. Submittal to the City Clerk at the public hearing for the rate increase.

B. If more than one protest is delivered, mailed or submitted in one envelope or at one time, then at least one of the protests contained in that envelope or concurrently delivered, mailed or submitted shall be signed by the person delivering, mailing or submitting those protests.

C. Each protest must be received by the end of the public hearing, including those mailed to the City. No postmarks will be accepted for proof of meeting the submission deadline; therefore, any protest not physically received by the close of the hearing, whether or not mailed prior to the hearing, shall not be counted.

D. Because an original signature is required, emailed, faxed and photocopied protests shall not be counted.

E. Although oral comments at the public hearing will not qualify as a formal protest, unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed rate.

SECTION 4: Protest Requirements.

A. A written protest must include all the information described in subparagraphs 1. through 6., below.

1. A statement it is a protest against the proposed rate that is the subject of the hearing. If a combined public hearing is held for more than one proposed change, then the statement and protest must clearly indicate which proposed change is being protested. The combined notice for the combined public hearing must indicate that as well. The protests for more than one proposed change from the same record owner or customer of record may be combined on one protest document,
2. Name of the record owner or customer of record who is submitting the protest,
3. Identification of assessor's parcel number, street address, or utility account number for the parcel with respect to which the protest is made,
4. Original signature of the named record owner or customer of record and date the protest was signed,
5. To be sure all pertinent information is provided and considered prior to a protest being filed, no protest shall be signed before the City has issued the formal notice that commences the 45-day protest period and
6. A certification, by the named record owner or customer of record, as applicable, affirming the contents of the protest are true and correct.

B. A protest shall not be counted if any of the required elements of this Section 4 are omitted.

C. A protest must either be submitted on the ballot included with the notice of the protest period, or a ballot that includes all the information required by this Resolution.

SECTION 5: Protest Withdrawal or Change.

A. Withdrawal of Protest. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or customer of record who submitted both the protest and the request it be withdrawn.

B. Change to Protest. Any person who submits a protest may change it by submitting to the City Clerk a written request the protest be changed, and then either request another protest ballot and return the new protest ballot pursuant to the procedures provided herein, or submit a protest ballot that includes all the information required by this Resolution with the changes desired. The changed protest shall contain sufficient information to identify the affected parcel and the name of the record owner or customer of record who submitted both the protest and the request it be changed.

SECTION 6: Multiple Record Owners or Customers of Record.

A. Each record owner or customer of record of a parcel served by the City may submit a protest. That includes when:

1. The fee interest in a parcel is owned by more than one record owner,
2. More than one name appears on the City's records as the customer of record for a parcel,
3. A customer of record is not the record owner,
4. A parcel includes more than one customer of record, or
5. Multiple parcels are served via a single utility account, as master-metered common interest developments.

B. Only one protest will be counted per parcel as provided by Government Code subdivision 53755(b).

SECTION 7: Transparency, Confidentiality, and Disclosure.

A. To ensure transparency and accountability in the fee protest tabulation, while protecting the privacy rights of record owners and customers of record, protests will be maintained in confidence until tabulation begins following the close of the public hearing.

B. Once a protest is opened during the tabulation, it becomes a disclosable public record, as required by state law; and each original protest (or electronic copy) will be maintained in City files for two years.

SECTION 8: City Clerk.

The City Clerk shall not accept as valid any protest if she/he determines any of the following is true:

A. The protest does not conform to any of the requirements of this Resolution or:

1. The protest does not bear original signatures of the named record owner of, or customer of record with respect to, the parcel identified on the protest. Whether a signature is valid shall be entrusted to the reasonable judgment of the City Clerk, who may consult signatures on file with County Officials or other appropriate public agencies,

2. The protest was altered in a way that raises a fair question as to whether the protest actually expresses the intent of a record owner or a customer of record to protest the rates or

3. The protest was not received by the City Clerk before the close of the public hearing on the proposed rates.

B. A request to withdraw or change the protest, pursuant to Section 5, above, was received prior to the close of the public hearing on the proposed rates.

<u>SECTION 9:</u> City Clerk's Decisions Final.

The City Clerk's decision a protest is not valid shall constitute a final action of the City and shall not be subject to any internal appeal.

<u>SECTION 10:</u> Majority Protest.

A. A majority protest exists if written protests that comply with the requirements herein are timely submitted, and not withdrawn or changed, by the record owners of, or by the customers of record with respect to, a majority (50% plus one) of the parcels subject to the proposed charge.

B. While the City may inform the public of the number of parcels and customers of record served by the City when a notice of proposed rates is mailed, the number of parcels with active customer accounts served by the City on the date of the hearing shall control in determining whether a majority protest exists.

<u>SECTION 11:</u> Tabulation of Protests.

At the conclusion of the public hearing, the City Clerk shall tabulate all valid protests received, including those received prior to the conclusion of the public hearing, and shall report the result to the City Council. If the number of protests received is insufficient to constitute a majority protest, then the City Clerk may determine the absence of a majority protest without validating the protests received, but may instead deem them all valid without further examination. Further, if the number of protests received is obviously substantially fewer than the number required to constitute a majority protest, then the City Clerk may determine the absence of a majority protest without opening the envelopes which contain the protests.

<u>SECTION 12:</u> Report of Tabulation.

If, at the conclusion of the public hearing, the City Clerk determines she/he will require additional time to validate and tabulate the protests because she/he has not made the determination described in Section 11, above, then she/he shall so advise the City Council, which may continue the related portion of the meeting to allow the validation and tabulation to be completed on another day or days. If so, then the City Council shall declare the time and place of tabulation, which shall be conducted in a place where interested members of the public may observe the tabulation, and the City Council shall declare the time at which the meeting shall be continued to receive and act on the tabulation report of the City Clerk.

SECTION 13: This resolution will become effective immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 13th day of June, 2018 on the following vote:

AYES:	Irons, Davis, Headding, Makowetski, McPherson
NOES:	None
ABSENT:	None

Jamie L. Irons

Jamie L. Irons, Mayor

ATTEST:

Lori M. Kudzma

Lori M. Kudzma, Deputy City Clerk

01181.0001/468531.4

APN	PROP_ADDRE	PROP_CITY	PROP_STATE	PROP_ZIP	OWNER_NAME	OWNER_ADDR	OWNER_CITY	OWNER_STAT	OWNER_ZIP	ACRES	LAND_SF	LEGAL_DESC	LANDUSEDES	LANDUSECAT	ZONING	SUBDIVISIO
066401001		MORRO BAY	CA	93442	CITY OF MORRO BAY	595 HARBOR ST	MORRO BAY	CA	93442	161.271	7024948.654	001.37AC VACANT	PUBLIC (NEC)	PUBLIC		
066461003	EMBARCADERO RD	MORRO BAY	CA	93442	CITY OF MORRO BAY	595 HARBOR ST	MORRO BAY	CA	93442	0.040	1733.865	CY MB ATAS BCH BL 31 PTN LT 1	RECREATIONAL (NEC)	RECREATIONAL	OA2	MORO Y CAYUCOS RHO
066461004	EMBARCADERO RD	MORRO BAY	CA	93442	CITY OF MORRO BAY	595 HARBOR ST	MORRO BAY	CA	93442	1.203	52406.445	CY MB ATAS BCH BL 31 PTN LT 1	RECREATIONAL (NEC)	RECREATIONAL	OA2	MORO Y CAYUCOS RHO
066401009	4TH	MORRO BAY	CA	93442	COTTLE CI	802 INVERNESS DR	RANCHO MIRAGE	CA	92270	0.102	4439.852	CY MB MORRO PEN TR BL 26 LT 22	RESIDENTIAL LOT	VACANT LAND		
066401010	4TH	MORRO BAY	CA	93442	DIEHL & RODEWALD A PROF CORP	1043 PACIFIC ST	SAN LUIS OBISPO	CA	93401	0.094	4110.430	CY MB MORRO PEN TR BL 26 LT 23	RESIDENTIAL LOT	VACANT LAND	ESH	
066461002	EMBARCADERO RD	MORRO BAY	CA	93442	DYNEGY MORRO BAY LLC	601 TRAVIS ST 1400	HOUSTON	TX	77002	1.488	64837.869	CY MB ATAS BCH BL 31 PTN LT 1	RECREATIONAL (NEC)	RECREATIONAL	OA2	MORO Y CAYUCOS RHO
066401002		MORRO BAY	CA	93442	GREEN WEST ACRES	PO BOX 2411	BAKERSFIELD	CA	93300	0.220	9583.001	CY MB MORRO PEN TR BL 24 LTS 1 & 6	RESIDENTIAL LOT	VACANT LAND		
066401007	6TH	MORRO BAY	CA	93442	GREEN WEST ACRES	PO BOX 2411	BAKERSFIELD	CA	93300	0.105	4554.742	CY MB MORRO PEN TR BL 21 LT 21	RESIDENTIAL LOT	VACANT LAND		
065386014	43RD	MORRO BAY	CA	93442	KIRK REGINA E TRE	229 HIGH ST	SAN LUIS OBISPO	CA	93401	0.083	3623.262	CY MB ATAS BCH BL 19H LT 35			ESH	
066401004	1ST	MORRO BAY	CA	93442	ROBINSON MARGARET & JAMES D	159 STANWELL CT	CLEMMONS	NC	27012	0.139	6034.224	CY MB MORRO PEN TR BL 31 LT 30	RESIDENTIAL LOT	VACANT LAND	ESH	MORRO PENINSULA TR
065386012	C	MORRO BAY	CA	93442	STATE OF CALIF - PARKS/RECREATION	ONE CAPITOL MALL STE 500	SACRAMENTO	CA	95814	0.126	5506.662	CY MB ATAS BCH BLK 19G LT 1			REC	
065386013		MORRO BAY	CA	93442	STATE OF CALIF - PARKS/RECREATION	ONE CAPITOL MALL STE 500	SACRAMENTO	CA	95814	0.076	3292.305	CY MB ATAS BCH BLK 19 F LT 32			CCR	
065386020	HIGHWAY 1	MORRO BAY	CA	93442	STATE OF CALIF - PARKS/RECREATION	ONE CAPITOL MALL STE 500	SACRAMENTO	CA	95814	21.693	944960.071	022.83 AC				
065152002	DRIFTWOOD ST	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	8.990	391588.028	007.16AC VACANT				
065152004	DRIFTWOOD ST	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	5.474	238438.957	001.64AC VACANT				
065152017	DRIFTWOOD ST	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	6.505	283377.289	006.07AC				
065182002	B	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	7.005	305149.166	006.88AC VACANT				
065231001	OCEANSIDE	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	1.080	47035.449	001.75AC VACANT				
065231006	OCEANSIDE	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	1.020	44445.940	.78AC VACANT				
065234004	OCEANSIDE	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	1.438	62632.027	001.57AC VACANT				
065234006	OCEANSIDE	MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	1.641	71462.740	.86AC VACANT				
065351002		MORRO BAY	CA	93442	STATE OF CALIFORNIA	707 3RD ST 5TH FL	WEST SACRAMENTO	CA	95605	135.073	5883776.918	057.39AC VACANT				
066401008	5TH	MORRO BAY	CA	93442	WEST GF	PO BOX 2411	BAKERSFIELD	CA	93300	0.104	4523.751	CY MB MORRO PEN TR BL 21 LT 9	RESIDENTIAL LOT	VACANT LAND		
066401014	1ST	MORRO BAY	CA	93442	WEST GF	PO BOX 2411	BAKERSFIELD	CA	93300	0.273	11870.178	CY MB MORRO PEN TR BL 31 LTS 31	RESIDENTIAL LOT	VACANT LAND		

City of Morro Bay
Parcels Ineligible for 218 Count

W:\GIS\CityofMorroBay\PublicWorks\Water\Projects\WRF\b-218exclusions.mxd

AGENDA NO:	**C-1**
MEETING DATE:	**September 11, 2018**

Staff Report

TO: **Honorable Mayor and City Council** **DATE: September 5, 2018**

FROM: **Scott Collins, City Manager**

SUBJECT: **Community Choice Energy Status Report and Provide Direction on Key Community Choice Energy Issues**

RECOMMENDATION

City Council:

1. Receive the attached community choice energy reports and presentation; and
2. Provide policy direction for key community choice energy issues; 1) joint powers agreement components, 2) joint powers authority, 3) director assignments, 4) community choice energy implementing ordinance, and 5) direction on technical energy study components.

ALTERNATIVES

1. The City Council could direct staff to join an existing CCE program. Monterey Bay Community Power (MBCP), which operates in Monterey, Santa Cruz, and San Benito counties. Joining an existing program would limit initial exposure to financial risk. However, the local economic development, program implementation, and local control components of the program would be constrained.

2. The City Council could request additional information. Staff has been working on an accelerated timeline to ensure program operation can begin in 2020. If the City Council feels significant additional information is required to proceed, then it can direct staff to gather that information and return at a later date. That would delay program initiation until 2021.

3. The City Council could elect not to proceed with Community Choice Energy at this time. Not developing a CCE program would eliminate financial risk exposure and would free staff time to pursue other initiatives. However, not having a CCE program would substantially constrain the City's ability to achieve greenhouse gas emissions and economic development objectives.

FISCAL IMPACT

Staff's approach has been to establish a program with nearly no net cost to the City and a limited exposure to risk by creating deferred compensation contracts that are transferable to the JPA. Staff has so far been successful in that approach; however, fiscal risks exist as described in this report, including one-time risk (upfront debt requirements of approximately $250,000 for working capital and requirements to pay up to $50,000 in deferred costs to selected vendor (The Energy Authority (TEA)) in the event the program does not launch) and ongoing risk (*e.g.*, energy market and regulatory uncertainty). One-time risk will be managed by updating the Technical Study findings at key points through program development to limit exposure and to reserve carryover funds as described above.

Prepared By: ___<u>SC</u>_____	**Dept Review:** ______
City Manager Review: ________	**City Attorney Review:** __JWP__

To manage recurring risk, per TEA's risk management section of the Technical Study, the CCE program will build financial reserves, develop and implement a risk management program, hire qualified management and staff, build a strong relationship with the community, closely manage key accounts, and engage in regulatory and legislative monitoring.

BACKGROUND/DISCUSSION

Background on Community Choice Energy

This report provides an overview and high-level explanation of Community Choice Energy (CCE, also known as Community Choice Aggregation), as well as a summary of City Council direction and work completed to date. The September 25, 2018, City Council meeting will give the City Council an opportunity to approve an implementing ordinance and resolution to establish a CCE program, or to cease work on the effort. If Council decides to proceed, then it will need to approve two documents: 1) the implementing CCE Ordinance; and 2) a Resolution approving a Joint Exercise of Powers Agreement, which contractually creates the Joint Powers Authority (JPA) that would host and operate the CCE program and appoint City representatives to serve on the Board of Directors.

This report describes and provides four attachments to assist with City Council's decision: 1) the draft Technical Study assessing program feasibility (Attachment A), 2) the draft CCE implementing Ordinance (Attachment B), 3) the draft JPA Agreement (Attachment C), and 4) the draft JPA resolution (Attachment D). Staff will compile Council comments at the meeting on all the attachments and return with the completed technical study and the final implementing Ordinance, JPA Resolution, and JPA Agreement at Council's September 25, 2018 meeting dependent on Council direction. The City Attorney will review the Ordinance and Resolution and re-review the Agreement prior to that meeting.

About Community Choice Energy

CCE, authorized by Assembly Bill 117, is a state law that allows cities, counties and other authorized entities to aggregate electricity demand within their jurisdictions to purchase and/or generate electricity supplies for residents and businesses within their jurisdiction while maintaining the existing electricity provider for physical transmission and distribution services. CCEs are typically created to provide a higher percentage of renewable energy electricity, such as wind and solar, at competitive and potentially cheaper rates than existing Investor Owned Utilities (IOUs), while giving consumers local choices and promoting the development of renewable power sources and local economic development. The City Council has been supportive of the research and development of a viable regional CCE program for the City of San Luis Obispo (SLO) and surrounding communities for the last several years.

Previous Council Direction

City Council received a presentation in 2013 from SLO Clean Energy, which is a coalition of San Luis Obispo (SLO) County leaders and volunteers, committed to local clean energy for communities within SLO County. SLO Clean Energy requested City Council consider joining with other local jurisdictions to explore the economic benefits, risks, and feasibility of creating a CCE in SLO County. City Council adopted Resolution No. 47-13 which states the City's general interest in exploring a CCE and appointed a Council sub-committee. In December 8, 2015, City Council incorporated the decision whether to pursue a CCE into the 2016-2018 City Goals. Staff was further directed to reach out to SLO County to advise of the City's interest in pursuing a CCE.

Most recently, City Council reaffirmed its desire to pursue a CCE as a City-objective for 2018 during its annual goals and objectives process

Further, SLO's Mayor sent a letter to City jurisdictions within SLO County to determine if there is interest among Morro Bay and other regional partners to participate in a joint CCE. They have requested City Council formally consider joining that effort to explore formation of a CCE program to start as soon as 2019. SLO has offered to provide primary initial staffing resources for pursuit of a CCE. Initial steps include conducting and contracting for formation and operational support using existing models and a multi-vendor services RFP, wherein vendors are sought that will defer compensation, until the program generates revenue and then forming a Joint Powers Authority (JPA) amongst the participating cities. The key milestone, is to develop an agreed upon CCE Implementation Plan and submit to the California Public Utilities Commission (CPUC) for review by December 31, 2018.

Following receipt of that letter from SLO, and discussions between SLO and Morro Bay staff, City Council on its April 24, 2018 meeting, directed staff to work with the City of SLO to develop an RFP to conduct the formal study and develop an implementation plan for a regional CCE program. Council further directed staff to provide regular updates to City Council with a deadline of September 2018 to provide recommendations on creating a JPA agreement with SLO for the formation of a regional CCE program.

Shortly thereafter, SLO released an RFP for a technical and energy services vendor to refresh feasibility assessment assumptions, draft the CPUC required Implementation Plan, provide credit solutions to financing initial power purchases, and provide power procurement-related operational services (*e.g.*, purchasing power on the cites' behalf, interacting with the California Independent System Operator (CAISO), assisting with regulatory findings, *etc.*). The SLO City Council authorized its City Manager to enter into an agreement with the selected vendor.

<u>Vendor Selection Process</u>

SLO received three proposals. The proposals were reviewed, and the proposing entities were interviewed by a six-member review team consisting of:

- Chris Read, City of San Luis Obispo, Sustainability Manager
- Bob Hill, City of San Luis Obispo, Interim Deputy Director, Office of Sustainability
- Scott Collins, City of Morro Bay, City Manager
- Eric Veium, SLO Climate Coalition Task Force, Chair
- Deb Emerson, Sonoma Clean Power, Director of Power Services
- Shawn Marshall, LEAN Energy, Executive Director

TEA was identified as the most experienced, flexible, high quality, and lowest cost option. After proposal review and interviews, the review team unanimously selected TEA.

As a requirement of the RFP, TEA agreed to defer incurred costs for all technical work until the program becomes operational in 2020. If the City Council chooses not to proceed with the CCE program at the September 25, 2018, meeting, then the City may withdraw from the contract at no cost. Additionally, the negotiated agreement with TEA allows for the full transfer of all contractual liabilities and obligations from SLO and Morro Bay to the JPA created to host the CCE. If the City Council commits to moving forward at the September 25, 2018, meeting and the JPA does not form, then the City continues working with TEA to form a single jurisdiction CCE program. In the unlikely worst-case scenario the CCE program does not launch at all, the City of Morro Bay would be responsible for up to $50,000 in deferred costs to TEA (the total amount is $250,000, with SLO assuming $200,000 of that amount). As a matter of responsible financial planning, staff recommends setting aside a reserve fund with a balance of $50,000 that the City would utilize if needed. The existing FY 2018/19 budget can absorb these costs with savings from the Comprehensive Fee Study and Animal Services contract savings. At first quarter staff will provide a budget adjustment to establish the reserve fund.

Technical Study

The draft Technical Study provided by TEA evaluates the feasibility of implementing a CCE program in three groupings of the cities of SLO, Morro Bay, Paso Robles, and Grover Beach. The findings presented in this Council Agenda Report focus exclusively on the participation scenario that includes only SLO and Morro Bay.

The Technical Study evaluates three power supply scenarios. Each scenario contains a different amount of California Renewable Portfolio Standard (RPS) compliant power. RPS compliant power includes power sources such as solar, wind, small-hydroelectric, and bio-mass. Additional power sources exist that do not generate GHG emissions, but are not legally defined as “renewable” in California (*e.g.*, large hydroelectric and nuclear). The Technical Study’s financial *pro forma* assumes each scenario is 100 percent greenhouse-gas (GHG) free.

TEA concludes, under base-case market and regulatory conditions, all three presented supply scenarios would be feasible while offering customers a rate-discount relative to PG&E. Table 1 shows cumulative net revenues in the third year of operations as a total and as a percent of annual operating expenses assuming the CCA offers a 3% rate discount relative to PG&E. The draft Technical Study is provided as Attachment A.

Table 1. Draft Technical Study Summary Findings

Metric	Supply Scenario 1	Supply Scenario 2	Supply Scenario 3
Renewable Portfolio Standard Percentage	RPS-Compliant (33% in 2020, increasing to 50% by 2030)	50%	75%
GHG Free Percentage	100%	100%	100%
Average Rate Savings	3%	3%	3%
Cumulative Net Revenues at End of Year 3	$12.3 million	$11.3 million	$9.7 million
Cumulative Net Revenues at End of Year 3 as a Percentage of Annual Operating Expenses	68%	61%	51%

Generating cumulative net revenues at the levels shown in Table 1 is an indication that adequate funds should be available for the CCE program to meet critical financial needs such as:

- Self-funding working capital requirements;
- Establishing a rate stabilization fund;
- Demonstrating the creditworthiness needed to enter into long-term contracts; and
- Investing in local programs critical to meeting the goals of the CCA.

TEA also conducted a stress-test analysis on the results assuming 75th percentile energy market prices (an approximately $5 per MWh increase above current forward prices), a 40-percent increase in the Power Charge Indifference Adjustment (PCIA) rate, and lower than expected generation rates for PG&E. Under those stress-test conditions, all three supply scenarios resulted in negative net revenues year-over-year. Rate premiums would be required to generate a similar level of cumulative net revenues to what is shown in the base case scenario. It is important to note a four-city CCE scenario, that also incudes Grover Beach and Paso Robles, is the most resilient to the stress-test scenario, which is consistent with the greater economies of scale provided by that alternative.

The PCIA is one of the most critical variables in projecting future CCE program financial viability. The PCIA is an exit fee charged by investor-owned utilities (IOUs) to customers that switch to another provider of electricity generation service through direct access or community choice aggregation. The fee is designed to cover above-market costs from contracts that the utilities entered into but no longer need and cannot sell in the market for the price they paid. The California Public Utilities Commission has an open proceeding, the PCIA Rulemaking Proceeding R.17-06-026, intended to make changes to how the fee is calculated. The final outcome of that proceeding is expected to be known on September 13, 2018, but may not be known until October. TEA has attempted to analyze the possible range of outcomes that may result from that proceeding. While the Technical Study ultimately concludes the CCE program in question would be feasible under most market and regulatory conditions, those findings are highly subject to changes in market and regulatory conditions. As such, it will be critical to continually re-evaluate feasibility following the PCIA ruling, and throughout the implementation process.

TEA advises the SLO and Morro Bay view the results of the Technical Study as supportive of continuing to move forward with CCE program development, including preparation of an Implementation Plan. However, CCE viability should continue to be assessed on an ongoing basis at each critical step of program development.

CCE Implementing Ordinance and Joint Powers Agreement

Section 366.2(c)(12)(B) of the Public Utilities Code expressly contemplates the creation of a JPA so counties and cities can "participate as a group in a community choice aggregation program." California cities and counties can exercise that option by doing two things: 1) entering into a Joint Powers Agreement forming a JPA under Section 6500, *et seq*. of the Government Code; and 2) adopting an Ordinance electing to implement a community choice program within its jurisdiction as required by Section 366.2(c)(12)(A).

Implementing Ordinance

An Ordinance that complies with the requirements of Section 366.2(c)(12)(A) is included as Attachment B. Staff is requesting Council's comments on Attachment B. Staff will present the Ordinance for adoption at the September 25, 2018 meeting and will present the Ordinance for a second reading at the October 9, 2018 meeting.

JPA Agreement

The draft JPA Agreement and supporting resolution establishing the JPA are provided as Attachment C and Attachment D. The draft language is recommended by the joint Morro Bay and SLO planning team that has been meeting on this topic for several months. The planning team, with support from the SLO and Morro Bay city attorneys, and outside legal support from Greg Stepanicich of Richards, Watsons, & Gershon (RWG), drafted the JPA document working from discussions with key stakeholders, the SLO Climate Coalition Task Force, and existing documents provided by other jurisdictions that formed similar CCE programs (e.g. Valley Clean Energy Alliance, Peninsula Clean Energy, East Bay Community Energy). The SLO City Attorney and RWG also reviewed the ordinance.

The JPA document establishes the framework for operation of the CCE program. Key provisions of the JPA document address:

- Governance and Internal Organization (Article 3)
- Roles and responsibilities of the Board of Directors and Operations Board (Section 3.1)
- Recovery of initial funding by founding cities (Section 5.3)
- Addition of new member jurisdictions and withdrawal of existing members (Section 2.5)

Adoption of the Resolution approving the JPA Agreement also requires the City to appoint two members to the Board of Directors (Section 3.1). Staff is recommending the Council appoint two members to the Board of Directors at the September 25, 2018, meeting to facilitate scheduling of the first JPA Board meeting in November.

Proposed Agency Name

The JPA document requires an agency name to be identified. After discussions with the SLO Climate Coalition Task Force, the Morro Bay, and internal discussions, staff proposes the name “Central Coast Community Energy.” The name is selected to resonate with all potential regional growth partners and intentionally focuses on the “community” aspect of community choice energy.

Operating Capital and Shared Resource Needs

If the City Council votes to proceed with the CCE program at the September 25, 2018, meeting, then the operation of the JPA will require operating capital support in the amount of approximately $1,000,000 prior to the program launch in 2020. The operating capital requirements for the JPA will vary depending on the level of staffing needed and the capacity for member cities to lend staff, office, and service resources.

Many existing CCE JPAs limited pre-launch costs through shared resources with its member agencies. For example, some CCE programs have shared office space, IT support, HR support, meeting space, accounting and back office systems, and JPA management staffing with member agency facilities and staff. If the cities seek to share resources in that manner with the JPA, then the costs associated with those resources will be closely tracked and reimbursed in the manner agreed to upon by all parties through a shared services agreement or cost allocation plan. Any arrangement of that nature would require additional approval by the City Council. Regardless of shared resources, the JPA will need working capital to hire a General Manager and conduct pre-launch activities. The amount, which is approximately $1,000,000, could be loaned by the participating cities at their preferred interest rate, or could be obtained through a bank loan backed by SLO’s credit via cash collateral or a credit guarantee agreement between the City or cities and the selected bank partner. The pre-launch working capital in the total of $1.1 Million ($1,000,000, plus an additional $100,000 contingency) has been incorporated into TEA’s Technical Study financial *pro forma* and is projected to be reimbursed in the first 24 months of operations. If Morro Bay proceeds with the partnership with SLO, its share of a credit guarantee would be in the amount of $250,000. Morro Bay could meet that obligation by holding funds in that amount in reserve in the General Fund balance until the pre-launch working capital is reimbursed.

Project Schedule

The following is an outline of the project schedule through 2020:

Activity	Date
City of SLO City Council study session to preview Technical Study components, proposed JPA structure, and CCE ordinance	9/4 /18
City of Morro Bay City Council study session to preview Technical Study components, proposed JPA structure, and CCE ordinance	9/11/18
Public hearing to present Technical Study to City of SLO City Council. If Council chooses to proceed, pass resolution to create and join the JPA and conduct first reading of the CCE ordinance	9/18/18
Public hearing to present Technical Study to City of Morro Bay City Council. If Council chooses to proceed, pass resolution to create and join the JPA and conduct first reading of the CCE ordinance	9/25/18
Public hearing to conduct second reading of the CCE ordinance (City of SLO)	10/2/18
Public hearing to conduct second reading of the CCE ordinance (City of Morro Bay)	10/9/18
First JPA Board Meeting to seat the Board of Directors and establish initial policies	Week of 11/6/18
Second JPA Board Meeting to adopt Implementation Plan for submittal to the California Public Utilities Commission	Week of 11/20/18
Program Implementation and Operations Preparation	2019
Begin CCE Program Operation	Early 2020

Potential Community Impact

The CCE program seeks to be rate competitive with PG&E and to build reserves to ensure a stable program that can deliver local benefits to ratepayers. The updated Technical Study indicates that GHG free electricity, competitive rates, and a financially healthy organization are possible under base case and forecast market conditions, with the exception of the “stress test” case. If the City pursues the CCE program, then the intended outcomes would be energy-related local economic development opportunities and a competitively priced cleaner electricity source.

As mentioned above, under the technical study’s “stress test” case (a scenario including unexpected market volatility, slow PG&E rate growth, and a rapid increase in the PCIA, the program would not be financially viable. In an ongoing environment with those conditions, or in a worst-case scenario of energy market collapse, severe agency mismanagement, or other unlikely scenarios, the JPA could fail and go bankrupt. In that scenario, customers would be returned to PG&E service without service interruption and the financial obligations of the JPA would be limited exclusively to the JPA and would not affect the community nor the member agencies.

Potential Agency Impact

In the unlikely scenario where Morro Bay and SLO proceed forward, but the program fails to launch, Morro Bay would be exposed to up to $50,000 in deferred costs owed to TEA.

Consistent with the approach taken by operating CCE programs and noted above, the JPA will require short-term resource sharing and working capital to complete the start-up phase and begin serving customers. If the program moves forward, then the participating cities will be asked to consider options to provide credit support for this bridge funding later this Fall/early Winter.

Although the required working capital prior to program launch will vary widely as mentioned above, staff expects a need for approximately $1,000,000 (up to $250,000 for Morro Bay's share of that working capital), based on member-city capacity to provide shared resources. This debt is usually short term (***e.g.***, a one to two-year line of credit) and is often provided by a third-party lender, although it can be municipally financed as well. The amount of pre-revenue credit needed to support the program will require a credit guaranty, which is usually provided by one or more members of the CCE Agency. The JPA's guaranty requirement, would be released soon after receiving operational revenues (usually within 12 months or program launch). That basic structure of third-party financing (generally a line of credit) with a credit guarantee to support the pre-revenue portion of the credit has been used in successful CCE launches, including Valley Clean Energy Alliance, Marin Clean Energy, Sonoma Clean Power, and Silicon Valley Clean Energy. If the JPA forms and receives operating capital, and/or lines of credit from the cities, and if JPA operations fail to launch, then the cities would not be reimbursed, and/or would be responsible for any remaining debt.

FOCUS QUESTIONS FOR CITY COUNCIL

Focus Questions for City Council	
1.	Technical Study (Attachment A) - Do the Technical Study and Council Agenda Report provide sufficient information to inform Council's decision making?
2.	Technical Study (Attachment A) – If so, do you want to continue developing a CCE program?
3.	Technical Study (Attachment A) - If not, what clarifications or additions would Council like to see at the September 18, 2018 Council meeting?
4.	JPA (Attachment C) – Does the overall agreement reflect Council's values and priorities?
5.	JPA (Attachment C) – Do the proposed governance structure and voting provisions support Council's vision of the program? (Article 3, page 5)
6.	JPA Resolution (Attachment D)– Does Council want to identify which Council Members would be initial Directors? (Section 2, page 2)

ATTACHMENTS

A. Draft CCE Technical Study
B. Draft CCE Implementing Ordinance
C. Draft Joint Exercise of Power Agreement
D. Draft JPA Resolution

City of San Luis Obispo
Draft CCE Technical Study

Prepared by:

The Energy Authority (TEA)

September 6, 2018

CONTENTS

1 Executive Summary

This study evaluates the feasibility of implementing a Community Choice Energy (CCE, also referred to as Community Choice Aggregation, or CCA) program in three groupings of the Cities of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach. For each city participation scenario, the study evaluates three power supply options for a total of nine scenarios. The power supply scenarios are illustrative of potential supply options and should not be considered prescriptive. They vary the amount of California Renewable Portfolio Standard (RPS) compliant power in the CCE's portfolio while maintaining a 100% greenhouse-gas (GHG) free and non-nuclear power supply in all scenarios.

TEA concludes that under base-case market and regulatory conditions, all nine scenarios would be feasible while offering customers a rate-discount relative to PG&E. Table ES1 shows cumulative net revenues in the third year[1] of operations as a total and as a percent of annual operating expenses. These scenarios assume the CCE offers a 3% rate discount relative to PG&E, which is the average discount currently being offered by operating CCE programs.

Table ES1: Cumulative net revenues in the third year of operations as a total and a percent of annual operating expenses.

City Participation Scenario	Power Supply Scenario		
	RPS-Compliant, 100% GHG-Free	**50% RPS, 100% GHG-Free**	**75% RPS, 100% GHG-Free**
San Luis Obispo	$.9.9 million 63% of op. exp	$9.1 million 57% of op. exp	$7.6 million 47% of op. exp
San Luis Obispo and Morro Bay	$12.3 million 68% of op. exp	$11.3 million 61% of op. exp	$9.7 million 51% of op. exp
San Luis Obispo, Morro Bay, Paso Roble, and Grover Beach*	$23.9 million 80% of op. exp	$22.4 million 74% of op. exp	$20.1 million 64% of op. exp

* Paso Robles and Grover Beach are not joining the potential CCE in 2020, but may join in 2021. TEA modeled these cities' loads ramping up in 2021 in the 4-city scenario, which impacts 3rd year cumulative net revenues as a share of annual revenue requirement.

Generating cumulative net revenues at the levels shown is an indication that adequate funds should be available for the CCE to meet critical financial needs such as:

[1] In these scenarios, net revenues are positive in all operating years modeled. Third year cumulative net revenues are presented because it reflects a time point after which the CCE has paid off its startup loan and phased in all loads.

- Self-funding working capital requirements;
- Establishing a rate stabilization fund;
- Demonstrating the creditworthiness needed to enter into long-term contracts;
- Investing in local programs to meet the long-term goals of the CCE.

TEA also conducted a sensitivity analysis in which these scenarios were tested under less favorable market and regulatory conditions referred to as the alternative prices scenario. In that scenario, TEA assumed 75th percentile energy market prices (an approximately $5.5 per MWh increase above current forward prices), a 40% increase in the Power Charge Indifference Adjustment (PCIA) rate, and lower than expected generation rates for PG&E.[2] Under these conditions, all three city grouping scenarios resulted in negative net revenues year-over-year without a 0%-2% rate premium over PG&E. Even higher rate premiums would be required to generate a similar level of cumulative net revenues to what is shown in the base case scenario. Of the three city-grouping scenarios, the 4-city CCE scenario was the most resilient to the adverse market conditions, which is consistent with the greater economies of scale provided by a program with more customers.

It is important to note that the PCIA Rulemaking Proceeding R.17-06-026 is currently underway. The final outcome of this proceeding is expected on September 13th, but could be delayed. TEA has attempted to analyze the possible range of outcomes that may result from this proceeding. While this study ultimately concludes the CCE would be feasible under most market and regulatory conditions, these findings are sensitive to changes in market and regulatory conditions. As such, it will be critical to continually re-evaluate program feasibility throughout the implementation process.

TEA advises SLO to view the results of this study as supportive of continuing to move forward with CCE development, including preparation of an Implementation Plan. However, CCE viability should continue to be assessed on an ongoing basis at each critical step.

2 Introduction

On December 12, 2017, the City of San Luis Obispo City Council directed staff to "pursue forming a new CCE in conjunction with other interested jurisdictions in San Luis Obispo County and/or in PG&E territory of Santa Barbara County." On April 24, 2018, the City of Morro Bay City Council expressed formal interest in participating in the creation of a new CCE program. Other jurisdictions, most notably the Cities of Paso Robles and Grover Beach, provided access to their data to understand the potential of joining a CCE program in the future.

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[2] The PCIA is an exit fee charged by investor-owned utilities (IOUs) to customers that switch to another provider of electricity generation service through direct access or community choice energy programs. The fee is designed to cover above-market costs from contracts that the utilities entered into but no longer need and cannot sell in the market for the price they paid.

To support the potential for a regional CCE program over time, the preferred governance structure is the development of a new Joint Powers Authority similar to the operational and governance approach of many currently operational CCE programs in California.

The purpose of this analysis is to assess the potential benefits and risks associated with forming a CCE program under a few illustrative scenarios considering different configurations of community participation and power supply portfolios. It is important to note that the prospective scenarios evaluated in this study do not obligate an eventual CCE program to implement a particular scenario outlined in this study. Rather, the scenarios evaluated are intended to demonstrate program viability under a range of options and reasonable outcomes.

3 Prospective CCE Member Communities

Three alternative levels of community participation were evaluated in this study:

- Scenario 1: City of San Luis Obispo only
- Scenario 2: Cities of San Luis Obispo and Morro Bay
- Scenario 3: Cities of San Luis Obispo, Morro Bay, Paso Robles and Grover Beach

In Scenario 3, we model the customers in the Cities of Paso Robles and Grover Beach being migrated in 2021, while customers from the Cities of San Luis Obispo and Morro Bay ramp up in 2020.

3.1 Number of Customers and Retail Load Forecast

To create a load forecast for each scenario described above, Item 16 load data provided by PG&E for each city was aggregated by customer type by first shifting the monthly billing data from billing cycles to calendar months. Next, TEA applied PG&E load profiles for each customer class. The resulting hourly historical data set was summed to monthly values and then smoothed to account for weather effects. Growth rates were applied to each customer class using customer class growth forecasts assumed in the California Energy Commission's California Demand Forecast for 2018 – 2030[3]. Total number of customers and annual load for each scenario are shown in Table 1. Figure 1 summarizes monthly energy and peak demands for each load scenario.

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[3] **https://efiling.energy.ca.gov/getdocument.aspx?tn=223244**

Table 1a: CCE Scenario 1 Load Forecast: City of San Luis Obispo Only

Rate Class	Annual Load Forecast (MWh)										*2016/17*
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	*Avg # of Accts*
Residential	63,255	62,877	62,806	62,591	62,854	62,739	62,704	62,681	62,659	62,636	*16,730*
Low Income Res	12,729	12,652	12,637	12,595	12,649	12,624	12,618	12,614	12,610	12,605	*2,463*
Agriculture	111	110	110	110	110	109	109	109	108	108	*10*
Small Commercial	59,053	59,350	59,907	60,343	61,209	61,694	62,297	62,896	63,495	64,094	*3,628*
Med Commercial	50,754	51,015	51,495	51,870	52,614	53,028	53,548	54,062	54,577	55,091	*293*
Lg Commercial	58,552	58,846	59,397	59,836	60,689	61,178	61,776	62,372	62,968	63,564	*127*
Industrial	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	653	651	652	653	657	658	659	661	663	664	*161*
Total Retail Sales	**245,107**	**245,501**	**247,005**	**247,998**	**250,781**	**252,030**	**253,713**	**255,396**	**257,079**	**258,763**	*23,411*
Total Wholesale Requirements	**257,362**	**257,776**	**259,355**	**260,398**	**263,320**	**264,631**	**266,398**	**268,166**	**269,933**	**271,701**	

Table 1b: CCE Scenario 2 Load Forecast: Cities of San Luis Obispo and Morro Bay

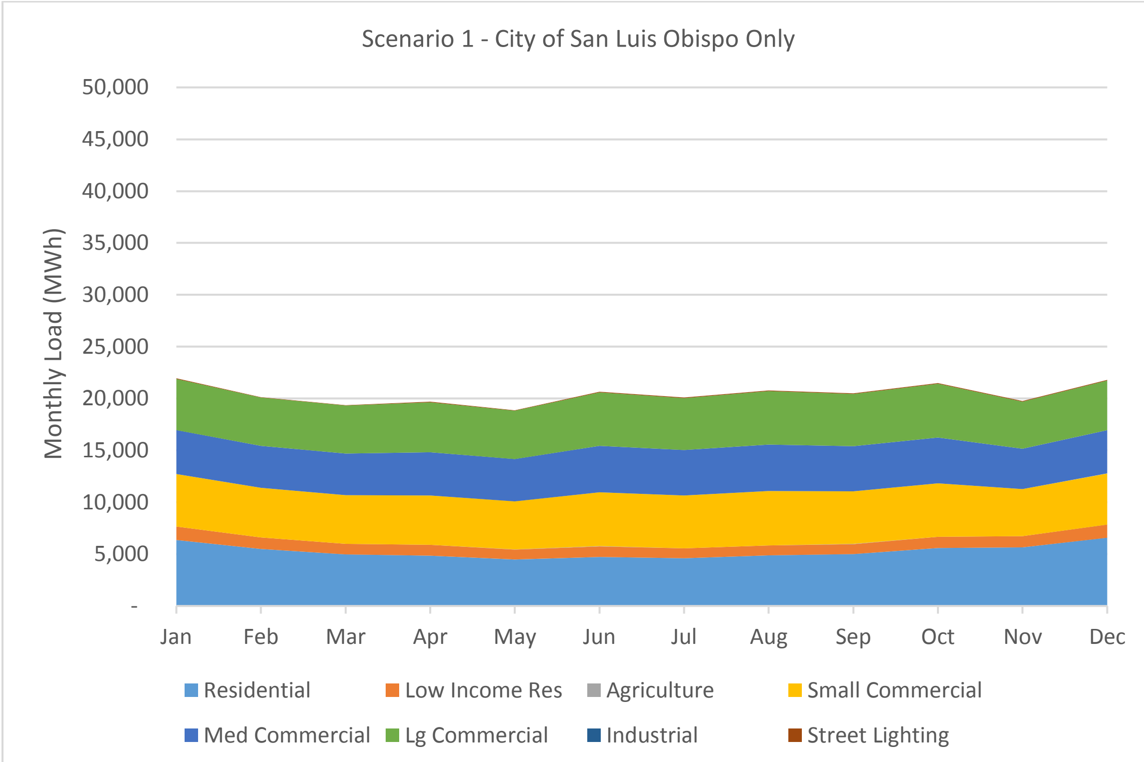
Rate Class	Annual Load Forecast (MWh)										*2016/17*
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	*Avg # of Accts*
Residential	81,336	80,857	80,766	80,488	80,819	80,671	80,625	80,593	80,561	80,529	*21,712*
Low Income Res	17,293	17,190	17,170	17,113	17,185	17,150	17,142	17,136	17,129	17,123	*3,306*
Agriculture	132	131	131	130	130	130	130	129	129	129	*13*
Small Commercial	71,139	71,497	72,168	72,691	73,735	74,320	75,046	75,768	76,489	77,211	*4,401*
Med Commercial	54,295	54,574	55,088	55,488	56,285	56,727	57,283	57,834	58,384	58,935	*329*
Lg Commercial	64,850	65,176	65,787	66,273	67,217	67,758	68,420	69,080	69,739	70,399	*150*
Industrial	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	821	818	820	820	824	826	827	829	831	833	*194*
Total Retail Sales	**289,866**	**290,243**	**291,929**	**293,004**	**296,196**	**297,582**	**299,474**	**301,369**	**303,263**	**305,158**	*30,105*
Total Wholesale Requirements	**304,359**	**304,755**	**306,526**	**307,654**	**311,005**	**312,461**	**314,448**	**316,437**	**318,427**	**320,416**	

Table 1c: CCE Scenario 3 Load Forecast: Cities of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach[4]

	Annual Load Forecast (MWh)										*2016/17*
Rate Class	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	***Avg # of Accts***
Residential	81,336	148,354	148,175	147,697	148,244	147,973	147,880	147,811	147,742	147,672	*35,088*
Low Income Res	17,293	38,488	38,441	38,321	38,463	38,388	38,366	38,349	38,331	38,313	*7,617*
Agriculture	132	1,424	1,421	1,417	1,416	1,411	1,408	1,405	1,402	1,399	*41*
Small Commercial	71,139	117,192	118,289	119,165	120,842	121,807	122,994	124,172	125,351	126,529	*7,224*
Med Commercial	54,295	108,169	109,184	109,989	111,560	112,430	113,536	114,626	115,715	116,805	*379*
Lg Commercial	64,850	98,080	98,999	99,730	101,148	101,961	102,957	103,948	104,939	105,930	*231*
Industrial	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	821	1,959	1,962	1,961	1,972	1,974	1,978	1,982	1,986	1,991	*278*
Total Retail Sales	**289,866**	**513,667**	**516,469**	**518,280**	**523,646**	**525,943**	**529,120**	**532,292**	**535,465**	**538,638**	*50,858*
Total Wholesale Requirements	**304,359**	**539,351**	**542,293**	**544,194**	**549,828**	**552,240**	**555,576**	**558,907**	**562,238**	**565,570**	

[4] Note that the loads in 2020 are only for the Cities and San Luis Obispo and Morro Bay because the Cities of Paso Robles and Grover Beach are modeled as joining the CCE in 2021 in this scenario.

Figure 1a: City of San Luis Obispo Monthly Energy and Peak Demand



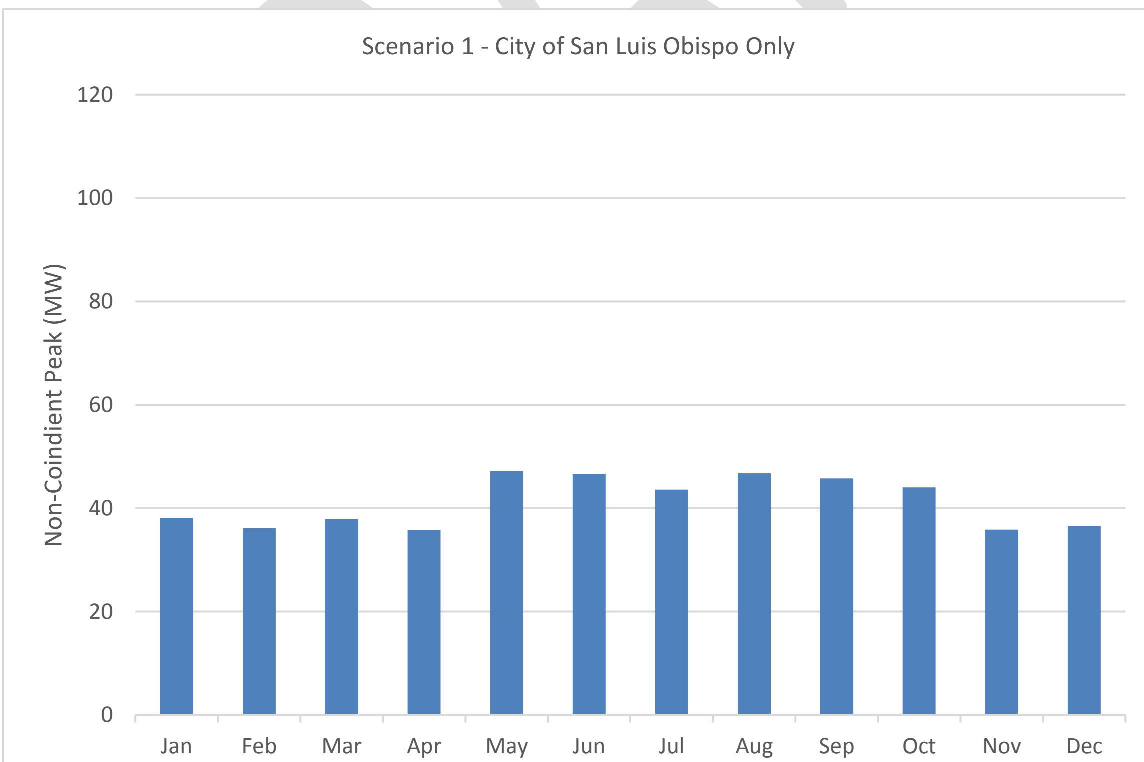
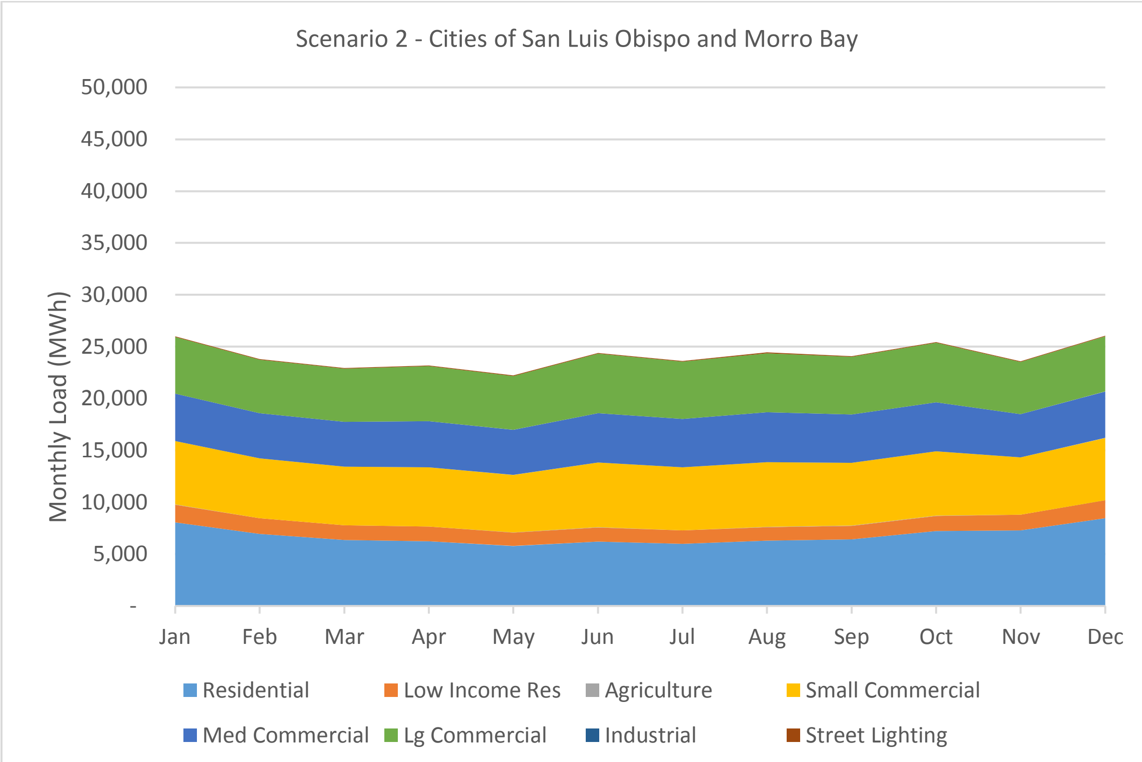


Figure 1b: City of San Luis Obispo and Morro Bay Monthly Energy and Peak Demand



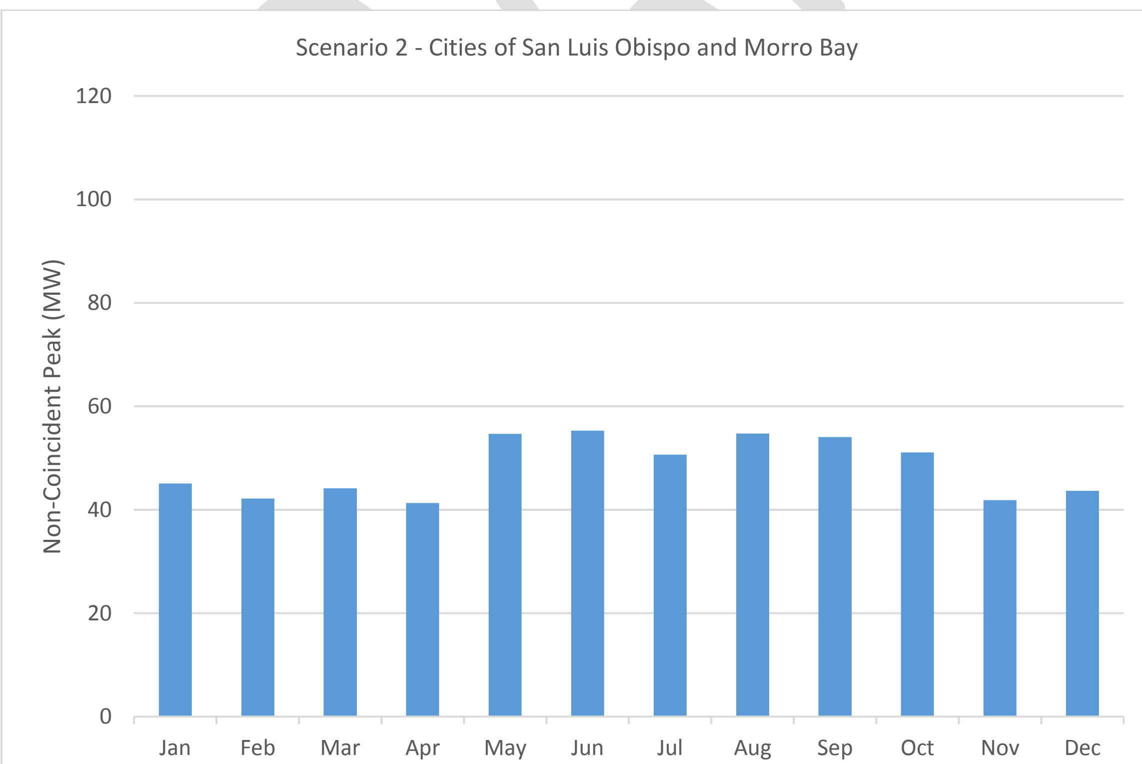
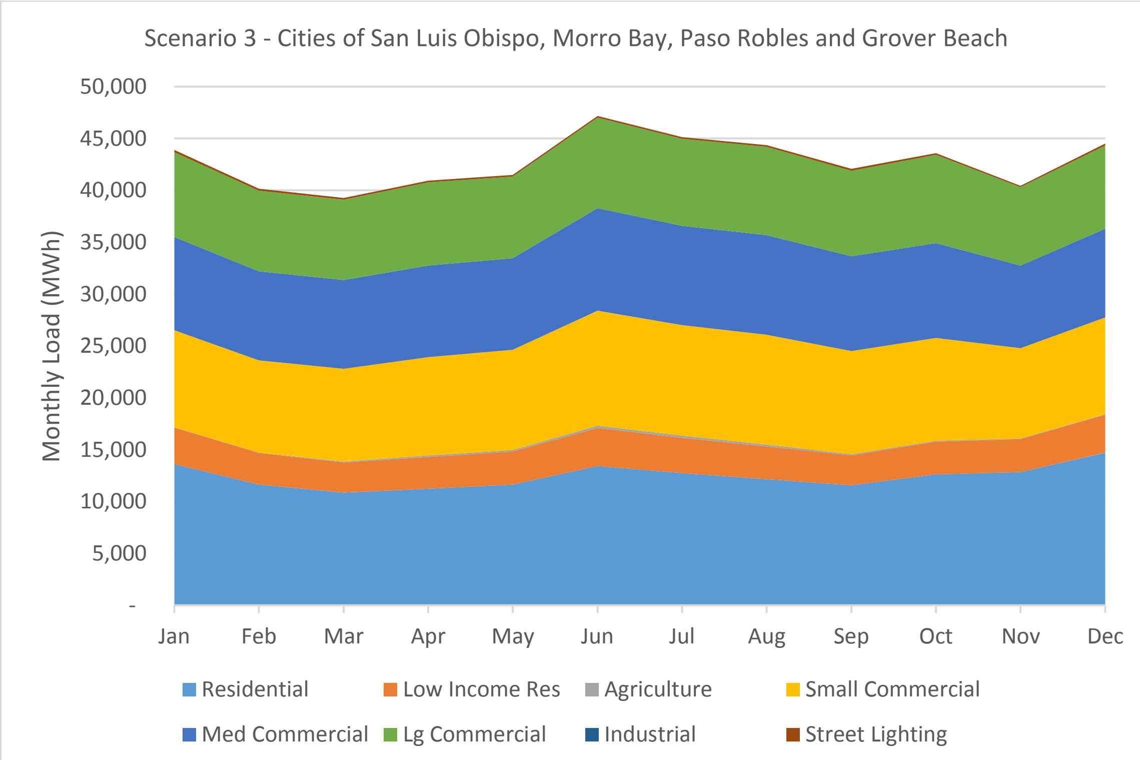
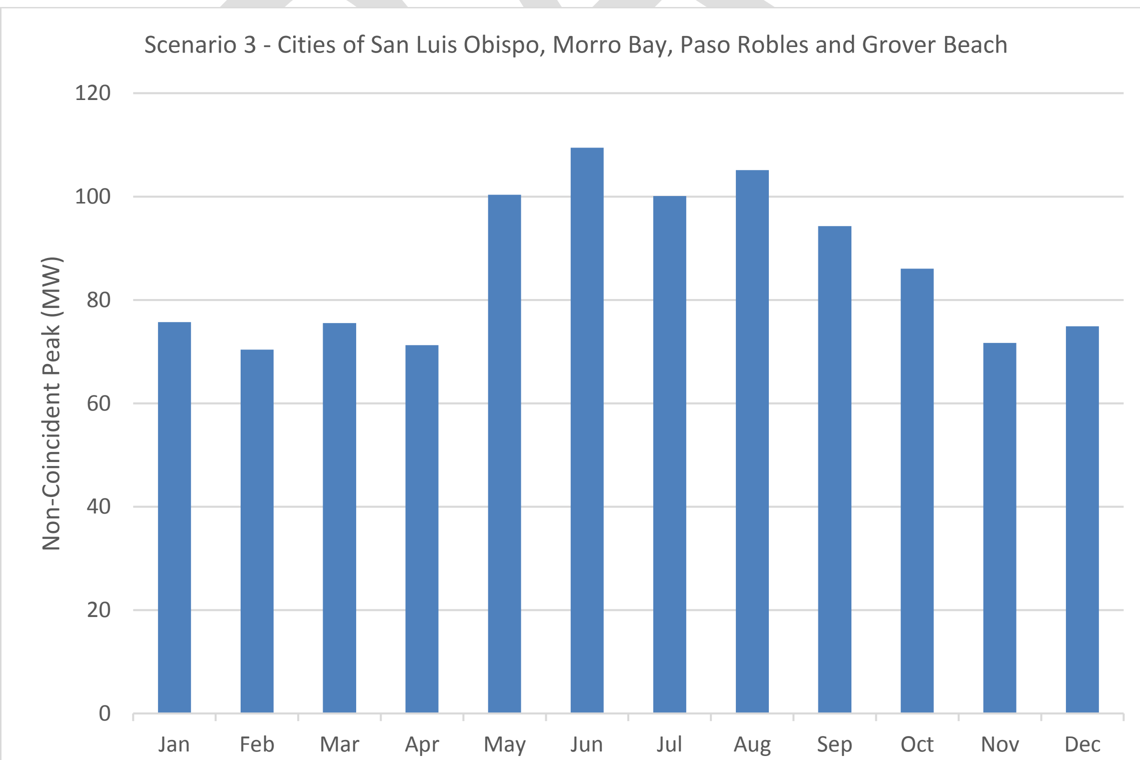


Figure 1c: City of San Luis Obispo, Morro Bay, Grover Beach, & Paso Robles Monthly Energy and Peak Demand





4 Indicative Power Supply Portfolio Scenarios

Three indicative supply scenarios were created to assess the viability of a CCE program.

- **Supply Scenario 1:** Compliance with California Renewable Portfolio Standard (33% RPS in 2020 increasing to 50% RPS requirement in 2030).
- **Supply Scenario 2**: Constant 50% renewable energy portfolio content throughout the study period.
- **Supply Scenario 3**: Constant 75% renewable energy portfolio content throughout the study period.

This study presumes that the new CCE would want to meet, and ideally exceed, the renewable and GHG-free generation component of the PG&E portfolio. However, it is difficult to estimate PG&E's future renewable energy and GHG-free content given uncertainty in how CCE load migration and retirement of Diablo Canyon generation will impact PG&E's future renewable procurement and overall GHG-free content.

To address this uncertainty, a range of scenarios were evaluated to test financial viability under a likely range of future outcomes that may be implemented to meet CCE program goals, as well as to ensure that a new CCE has a renewable and GHG-free portfolio content equal to, or greater than, that of PG&E. To meet this objective, TEA also included procurement of incremental carbon-free supply in excess of renewable energy to achieve a projected overall 100% GHG-free emissions level in each program year. The scenarios also assume that the CCE will not procure nuclear power as part of its clean power portfolio.

Discussion of PG&E's future portfolio is discussed in greater detail in Section 4.1.

It is important to note that the prospective supply scenarios evaluated in this study do not obligate an eventual CCE to implement a particular scenario outlined in this study. Rather, the scenarios evaluated are intended to demonstrate program viability under a range of reasonable outcomes.

4.1 Portfolio Composition

4.1.1 CCE Resource Alternatives

The following supply sources were considered in the analysis:

- **Portfolio Content Category 1 ("Bucket 1") Renewable Energy**: renewable energy produced by generating resources located inside a California Balancing Authority Area or that is directly delivered to a California Balancing Authority Area
- **Portfolio Content Category 2 ("Bucket 2") Renewable Energy**: renewable energy produced by generating resources located outside the state of California that is "stored and shaped" prior to redelivery to a California Balancing Authority Area.

- **Carbon Free Energy**: GHG energy supply, typically large hydroelectric generation, that does not meet the renewable eligibility requirements of California's RPS program, which caps RPS-eligible hydroelectric generation at 30 MW.

4.1.2 PG&E Power Content Label

Table 2 shows PG&E's proportionate use of various power sources during the two most recent historical years – 2015 and 2016 - for which data Power Content Label data is available.

Table 2: PG&E 2015 and 2016 Power Content Labels[5]

Energy Resources	2015 PG&E Power Mix	2016 PG&E Power Mix	2016 California Power Mix
Eligible Renewable	30%	33%	25%
Biomass & biowaste	4%	4%	2%
Geothermal	5%	5%	4%
Eligible hydroelectric	1%	3%	2%
Solar	11%	13%	8%
Wind	8%	8%	9%
Coal	0%	0%	4%
Large Hydroelectric	6%	12%	10%
Natural Gas	25%	17%	37%
Nuclear	23%	24%	9%
Other	0%	0%	0%
Unspecified sources of power	17%	14%	15%
Total	100%	100%	100%

Key takeaways from this data:

- Eligible renewable generation supplied 30% and 33%, respectively, of PG&E's energy requirements in 2015 and 2016;
- GHG-free generation supplied 59% and 69%, respectively, of PG&E's total energy requirements in 2015 and 2016.

PG&E's 2017 Power Content Label will be published in the fall of 2018, but PG&E has publically stated that its 2017 energy requirements were sourced 33% from eligible renewable generation and approximately 79% from GHG free generation[6], with 25% of this total coming from nuclear power.

The challenge for this study is forecasting future PG&E energy requirements met by eligible renewables and GHG-free generation. Forecasting PG&E's future portfolio content requires adjustments for load migration to CCEs, the shutdown of Diablo Canyon in 2024-2025 and

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[5] https://www.energy.ca.gov/pcl/labels/2016_labels/Pacific_Gas__and__Electric.pdf; https://www.energy.ca.gov/pcl/labels/2015_labels/Pacific_Gas_and_Electric_(PGandE).pdf;.
[6] http://www.pgecurrents.com/2018/02/20/pge-clean-energy-deliveries-already-meet-future-goals/

potential variability in hydroelectric generation. Each of these adjustments is described in further detail below.

4.1.2.1 CCE Load Migration (2019-2020)

Relative to 2017 data, PG&E's load is expected to decrease by roughly 36% in future years because of load migration to CCEs. Five new CCEs have, or are expected to, launch in 2018. The most notable of these new CCEs are East Bay Community Energy, San Jose Clean Energy, Monterey Bay Community Power, and the addition of Contra Costa County to Marin Clean Energy. The projected amount of CCE load migration is taken from the CEC's California Demand Forecast for 2018 – 2030.

4.1.2.2 Forecasting PG&E Power Content (2020-2030)

There are three components to PG&E's portfolio that need to be considered to forecast future portfolio content: nuclear, hydro and renewables.

- Nuclear: Historically, Diablo Canyon has met between 23% - 24% of PG&E's demand in the last two years (see Power Content Labels for 2015 and 2016 respectively). Accounting for departing load, and assuming Diablo Canyon will continue to generate around its capacity over the remainder of its life, it could deliver over 40% of PG&E's needs between 2020 and 2024. Even if PG&E did not replace Diablo Canyon with preferred resources (an unlikely scenario), expected CCE load migration will more than offset the loss of Diablo Canyon in the second half of the evaluation period.

- Hydro: 2016 was celebrated at the time as a "wet" water year because it was significantly better than the previous 3 years that were critical or drought years; however, 2016 was actually a below-normal/dry water year. In contrast, 2017 was classified as "wet" according to the California Department of Water Resources report. Strong hydroelectric generation in 2017 helps explain PG&E's reported 10% increase in GHG-free power in 2017 over 2016. It also suggests that 2016 could be more the norm than the high. Assuming 2015 hydro generation from 2020-2029 (a critical water year), hydro would supply over 10% of PG&E's annual energy requirements during that time due to departing load. Assuming 2016 hydro generation from 2020-2029, hydro would supply over 20% of PG&E's demand during that period. Of these, 2016 appears to be closer to the mean as well as the more conservative assumption for evaluation purposes in this study.

- Renewables: PG&E's existing renewable portfolio (based on deliveries in 2017) is large enough to exceed 50% of their total power needs starting in 2019 due to departing load. However, PG&E may continue to procure at least some RPS-eligible resources and exceed the requirements.

Accounting for all these factors, it is highly probable that PG&E will be able to serve close to 100% of the energy requirements of bundled customers with GHG-free resources from 2020-2025. After the retirement of Diablo, the share of GHG-free power may drop as low as 70% in the most critical water years and would likely be between 85% and 90% in typical years, assuming PG&E acquired no preferred resources to replace Diablo Canyon, which seems unlikely.

4.1.3 CCE Portfolio Assumptions

To be conservative, this study assumes all CCE power supply portfolios will be comprised of 100% GHG-free, non-nuclear power supply throughout all years of the study period to ensure the new CCE meets or exceeds the GHG-free content of PG&E's portfolio. Table 3 summarizes the portfolios evaluated in this study.

Table 3: CCE Portfolio Assumptions

	RPS Target	GHG-Free Target
Scenario 1	RPS Compliant: 30% in 2020 ramping up to 50% by 2030	100%
Scenario 2	50%	100%
Scenario 3	75%	100%

4.1.4 Renewable Energy and Storage Procurement Requirements

As the CCE builds its portfolio, it will need to also plan to meet several mandatory requirements, which are described below.

- **Renewable Portfolio Standard (RPS)**: current RPS requirements are mandated by Senate Bill 2 (1X) passed in 2011. This bill mandated RPS procurement requirements within multi-year compliance periods. During the current 10-year forecast period, a minimum of 75% of required RPS procurement must be sourced from PCC 1 resources and a maximum of 10% can be sourced from PCC 3 resources. The difference can be sourced from PCC 2. For purposes of this analysis, no PCC3 resources were included.
- **SB 350:** In October 2015, Senate Bill 350 (SB 350) was signed into law establishing new clean energy, clean air and greenhouse gas reduction goals for 2030 and beyond. SB 350 established California's 2030 GHG reduction target of 40% below 1990 levels. To accomplish this, SB 350 set ambitious targets for renewable energy and energy efficiency. In particular, SB 350 increases California's RPS goal from 33% by 2020 to 50% by 2030. The corresponding CPUC regulations require that transitions from the previous mandate will be implemented gradually with straight line increases during each year of the compliance regime. Additionally, SB 350 established that CCEs must have at least 65% of their RPS procurement under contracts of 10 years or longer beginning in 2021. Table 4 summarizes the CCE's annual RPS requirements, as well as the amount of renewable energy that will need to be procured under a 10-year or longer agreement.

Table 4: Annual RPS Compliance Requirements[7,8]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Annual RPS Requirements	*33.0%*	*34.8%*	*36.5%*	*38.3%*	*40.0%*	*41.7%*	*43.3%*	*45.0%*	*46.7%*	*48.3%*
Scenario 1 - City of San Luis Obispo Only:										
Total RPS Requirements (MWh)	80,885	85,434	90,157	94,983	100,312	105,096	109,858	114,928	120,056	124,982
Total RPS Requirements (aMW)	9.2	9.8	10.3	10.8	11.5	12.0	12.5	13.1	13.7	14.3
Long-Term RPS Requirement (MWh)	-	55,532	58,602	61,739	65,203	68,313	71,407	74,703	78,036	81,239
Long-Term RPS Requirement (aMW)	-	6.3	6.7	7.0	7.4	7.8	8.2	8.5	8.9	9.3
Scenario 2 - Cities of San Luis Obispo and Morro Bay:										
Total RPS Requirements (MWh)	95,656	101,005	106,554	112,220	118,478	124,092	129,672	135,616	141,624	147,391
Total RPS Requirements (aMW)	10.9	11.5	12.2	12.8	13.5	14.2	14.8	15.5	16.2	16.8
Long-Term RPS Requirement (MWh)	-	65,653	69,260	72,943	77,011	80,660	84,287	88,150	92,056	95,804
Long-Term RPS Requirement (aMW)	-	7.5	7.9	8.3	8.8	9.2	9.6	10.1	10.5	10.9
Scenario 3 - Cities of San Luis Obispo, Morro Bay, Paso Robles and Grover Beach:										
Total RPS Requirements (MWh)	95,656	178,756	188,511	198,501	209,458	219,318	229,109	239,532	250,062	260,162
Total RPS Requirements (aMW)	10.9	20.4	21.5	22.7	23.9	25.0	26.2	27.3	28.5	29.7
Long-Term RPS Requirement (MWh)	-	116,192	122,532	129,026	136,148	142,557	148,921	155,696	162,540	169,105
Long-Term RPS Requirement (aMW)	-	13.3	14.0	14.7	15.5	16.3	17.0	17.8	18.6	19.3

[7] In Scenario 3, RPS requirements in 2020 are only for the Cities and San Luis Obispo and Morro Bay because the Cities of Paso Robles and Grover Beach are modeled as joining the CCE in 2021.

[8] Long-term RPS refers to contracts for renewable energy of 10-years or longer that contribute to the CCE's long-term procurement obligation defined in SB350.

- **AB 2514:** The California Energy Storage Bill, AB 2514, was signed into law in September 2010 and established energy storage targets for IOUs, CCEs, and other LSEs in September 2013. The applicable CPUC decision established an energy storage procurement target for CCEs and other LSEs equal to 1 percent of their forecasted 2020 peak load. The decision requires that contracts be in place by 2020 and projects be installed by 2024. Beginning on January 1, 2018, and every two years thereafter, LSEs must file an advice letter demonstrating progress toward meeting this target and a description of the methodologies for insuring projects are cost effective. Depending on the particular load scenario, the prospective CCE's storage requirement will be between 0.5 and 1.0 MW.

5 Findings and Conclusions

The major findings of this study are summarized in Table 5 below.

Table 5a: City of San Luis Obispo Only CCE Program

Metric	Supply Scenario 1	Supply Scenario 2	Supply Scenario 3
RPS Percentage	RPS-Compliant	50%	75%
Annual GHG emissions (MT CO_2e)	0	0	0
Average Rate Savings:	3%	3%	3%
Residential Customers: Average rate savings in 2020 Average 5-yr rate savings	$1.10/month $1.15/month	$1.10/month $1.15/month	$1.10/month $1.15/month
Commercial Customers: Average rate savings in 2020 Average 5-yr rate savings	$50.00/month $54.88/month	$50.00/month $54.88/month	$50.00/month $54.88/month
Cumulative net revenues at end of year 3: Total $ % of Annual Op. Expenses	$.9.9 million 63% of op. exp	$9.1 million 57% of op. exp	$7.6 million 47% of op. exp

Table 5b: Two-City CCE Program (San Luis Obispo and Morro Bay)

Metric	Supply Scenario 1	Supply Scenario 2	Supply Scenario 3
RPS Percentage	RPS-Compliant	50%	75%
Annual GHG emissions (MT CO_2e)	0	0	0
Average Rate Savings	3%	3%	3%
Residential Customers:			

Average rate savings in 2020 Average 5-yr rate savings	$1.09/month $1.15/month	$1.09/month $1.15/month	$1.09/month $1.15/month
Commercial Customers: Average rate savings in 2020 Average 5-yr rate savings	$47.65/month $52.30/month	$47.65/month $52.30/month	$47.65/month $52.30/month
Cumulative net revenues at end of year 3: Total $ % of Annual Op. Expenses	$12.3 million 68% of op. exp	$11.3 million 61% of op. exp	$9.7 million 51% of op. exp

Table 5c: Four-City CCE (San Luis Obispo, Morro Bay, Paso Robles and Grover Beach)

Metric	Supply Scenario 1	Supply Scenario 2	Supply Scenario 3
RPS Percentage	RPS-Compliant	50%	75%
Annual GHG emissions (MT CO_2e)	0	0	0
Average Rate Savings: 2020 Average Rate Savings: 5-yr	3% 3%	3% 3%	3% 3%
Residential Customers: Average rate savings in 2020 Average 5-yr rate savings	$1.09/month $1.28/month	$1.09/month $1.28/month	$1.09/month $1.28/month
Commercial Customers: Average rate savings in 2020 Average 5-yr rate savings	$47.65/month $62.65/month	$47.65/month $62.65/month	$47.65/month $62.65/month
Cumulative net revenues at end of year 3: Total $ % of Annual Op. Expenses	$23.9 million 80% of op. exp	$22.4 million 74% of op. exp	$20.1 million 64% of op. exp

In all nine scenarios, net revenues are positive in all modeled years while offering customers a 3% rate discount relative to PG&E, which is the average discount currently being offered by operating CCE programs. Moreover, all scenarios show that the CCE would be able to accumulate net revenues in excess of 150 days of expenses over three years of operations under these scenarios. Based on these findings, TEA concludes that under base-case market and regulatory conditions, all nine scenarios would be feasible.

6 Financial Projections

A detailed summary of key assumptions is provided in Appendix A. Below are a few key assumptions:

- January 2020 launch for customers in the Cities of San Luis Obispo and Morro Bay, and January 2021 launch for customers in the Cities of Paso Robles and Grover Beach
- Customer opt-out rate of 10%
- CCE electric generation rates are assumed to be set 3% below PG&E, inclusive/net of PCIA exit and franchise fees.
- The PCIA charge reflects the existing PCIA rate setting structure using the market-price benchmark mechanism described in both the Administrative Law Judges' Proposed Decision in the PCIA Rulemaking Proceeding and the Alternative Proposed Decision.

6.1 Projected Results

Table 6a: Financial Projections for City of San Luis Obispo assuming Minimum RPS Compliance

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 12,051,583	$ 12,943,149	$ 13,458,921	$ 13,954,627	$ 14,555,244	$ 15,079,528	$ 15,579,292	$ 16,114,000	$ 16,674,750	$ 17,239,420
Portfolio & Data Management	$ 625,906	$ 644,683	$ 664,023	$ 683,944	$ 704,462	$ 725,596	$ 747,364	$ 769,785	$ 792,879	$ 816,665
General and Administrative	$ 1,042,628	$ 1,150,686	$ 1,204,491	$ 1,254,843	$ 1,319,580	$ 1,372,791	$ 1,421,860	$ 1,475,262	$ 1,531,706	$ 1,588,011
Cost of Credit for Procurement	$ 231,626	$ 231,999	$ 233,420	$ 234,358	$ 236,988	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 53,121	$ 53,652	$ 54,189	$ 54,731	$ 55,278	$ 55,831	$ 56,389	$ 56,953	$ 57,523	$ 58,098
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 14,701,864	$ 15,574,169	$ 15,615,044	$ 16,182,504	$ 16,871,553	$ 17,233,747	$ 17,804,905	$ 18,416,000	$ 19,056,858	$ 19,702,195
Revenues	$ 18,352,836	$ 18,596,535	$ 19,182,468	$ 19,293,856	$ 19,701,118	$ 20,095,001	$ 21,096,339	$ 22,212,092	$ 23,437,774	$ 24,696,996
Net Revenue										
Annual	$ 3,541,185	$ 2,911,120	$ 3,452,674	$ 2,995,936	$ 2,711,712	$ 2,741,045	$ 3,165,235	$ 3,663,218	$ 4,240,710	$ 4,847,062
Cumulative ($)	$ 3,541,185	$ 6,452,305	$ 9,904,979	$ 12,900,915	$ 15,612,627	$ 18,353,672	$ 21,518,907	$ 25,182,125	$ 29,422,835	$ 34,269,897
Cumulative (% of Tot. Rev. Req.)	24%	41%	63%	80%	93%	106%	121%	137%	154%	174%

Table 6b: Financial Projections for City of San Luis Obispo assuming 50% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 12,314,092	$ 13,188,239	$ 13,685,671	$ 14,160,472	$ 14,739,418	$ 15,238,591	$ 15,711,010	$ 16,216,318	$ 16,745,398	$ 17,275,932
Portfolio & Data Management	$ 625,906	$ 644,683	$ 664,023	$ 683,944	$ 704,462	$ 725,596	$ 747,364	$ 769,785	$ 792,879	$ 816,665
General and Administrative	$ 1,080,129	$ 1,185,699	$ 1,236,884	$ 1,284,250	$ 1,345,891	$ 1,395,514	$ 1,440,677	$ 1,489,879	$ 1,541,798	$ 1,593,227
Cost of Credit for Procurement	$ 231,626	$ 231,999	$ 233,420	$ 234,358	$ 236,988	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 53,121	$ 53,652	$ 54,189	$ 54,731	$ 55,278	$ 55,831	$ 56,389	$ 56,953	$ 57,523	$ 58,098
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 15,001,874	$ 15,854,272	$ 15,874,187	$ 16,417,754	$ 17,082,037	$ 17,415,532	$ 17,955,440	$ 18,532,935	$ 19,137,598	$ 19,743,923
Revenues	$ 18,352,836	$ 18,596,535	$ 19,182,468	$ 19,293,856	$ 19,701,118	$ 20,095,001	$ 21,096,339	$ 22,212,092	$ 23,437,774	$ 24,696,996
Net Revenue										
Annual	$ 3,241,174	$ 2,631,017	$ 3,193,531	$ 2,760,685	$ 2,501,228	$ 2,559,260	$ 3,014,700	$ 3,546,283	$ 4,159,969	$ 4,805,334
Cumulative ($)	$ 3,241,174	$ 5,872,191	$ 9,065,722	$ 11,826,407	$ 14,327,635	$ 16,886,895	$ 19,901,594	$ 23,447,877	$ 27,607,847	$ 32,413,181
Cumulative (% of Tot. Rev. Req.)	22%	37%	57%	72%	84%	97%	111%	127%	144%	164%

Table 6c: Financial Projections for City of San Luis Obispo assuming 75% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 12,700,136	$ 13,588,713	$ 14,102,493	$ 14,592,918	$ 15,190,823	$ 15,706,421	$ 16,195,268	$ 16,717,878	$ 17,264,869	$ 17,812,871
Portfolio & Data Management	$ 625,906	$ 644,683	$ 664,023	$ 683,944	$ 704,462	$ 725,596	$ 747,364	$ 769,785	$ 792,879	$ 816,665
General and Administrative	$ 1,135,278	$ 1,242,909	$ 1,296,429	$ 1,346,028	$ 1,410,377	$ 1,462,347	$ 1,509,856	$ 1,561,530	$ 1,616,009	$ 1,669,933
Cost of Credit for Procurement	$ 231,626	$ 231,999	$ 233,420	$ 234,358	$ 236,988	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 53,121	$ 53,652	$ 54,189	$ 54,731	$ 55,278	$ 55,831	$ 56,389	$ 56,953	$ 57,523	$ 58,098
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 15,443,067	$ 16,311,956	$ 16,350,554	$ 16,911,979	$ 17,597,929	$ 17,950,195	$ 18,508,877	$ 19,106,146	$ 19,731,279	$ 20,357,567
Revenues	$ 18,352,836	$ 18,596,535	$ 19,182,468	$ 19,293,856	$ 19,701,118	$ 20,095,001	$ 21,096,339	$ 22,212,092	$ 23,437,774	$ 24,696,996
Net Revenue										
Annual	$ 2,799,982	$ 2,173,333	$ 2,717,164	$ 2,266,461	$ 1,985,336	$ 2,024,597	$ 2,461,262	$ 2,973,072	$ 3,566,288	$ 4,191,690
Cumulative ($)	$ 2,799,982	$ 4,973,314	$ 7,690,478	$ 9,956,939	$ 11,942,275	$ 13,966,871	$ 16,428,134	$ 19,401,206	$ 22,967,495	$ 27,159,185
Cumulative (% of Tot. Rev. Req.)	18%	30%	47%	59%	68%	78%	89%	102%	116%	133%

Table 6d: Financial Projections for Cities of San Luis Obispo & Morro Bay assuming Minimum RPS Compliance

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,039,695	$ 15,093,064	$ 15,694,712	$ 16,271,514	$ 16,971,219	$ 17,580,921	$ 18,160,779	$ 18,781,744	$ 19,432,229	$ 20,087,585
Portfolio & Data Management	$ 709,199	$ 730,475	$ 752,390	$ 774,961	$ 798,210	$ 822,157	$ 846,821	$ 872,226	$ 898,393	$ 925,344
General and Administrative	$ 1,228,140	$ 1,356,662	$ 1,420,007	$ 1,479,139	$ 1,555,144	$ 1,617,587	$ 1,675,041	$ 1,737,620	$ 1,803,647	$ 1,869,578
Cost of Credit for Procurement	$ 273,923	$ 274,280	$ 275,873	$ 276,889	$ 279,905	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 69,015	$ 69,705	$ 70,402	$ 71,106	$ 71,817	$ 72,535	$ 73,260	$ 73,993	$ 74,733
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 17,016,290	$ 18,073,496	$ 18,212,686	$ 18,872,905	$ 19,675,583	$ 20,092,481	$ 20,755,176	$ 21,464,850	$ 22,208,262	$ 22,957,241
Revenues	$ 21,599,097	$ 21,877,993	$ 22,566,097	$ 22,682,240	$ 23,152,444	$ 23,607,888	$ 24,779,429	$ 26,085,643	$ 27,517,689	$ 28,989,458
Net Revenue										
Annual	$ 4,453,601	$ 3,673,622	$ 4,218,419	$ 3,673,648	$ 3,338,362	$ 3,374,183	$ 3,876,020	$ 4,464,748	$ 5,144,815	$ 5,858,801
Cumulative ($)	$ 4,453,601	$ 8,127,222	$ 12,345,642	$ 16,019,290	$ 19,357,652	$ 22,731,834	$ 26,607,855	$ 31,072,602	$ 36,217,418	$ 42,076,218
Cumulative (% of Tot. Rev. Req.)	26%	45%	68%	85%	98%	113%	128%	145%	163%	183%

Table 6e: Financial Projections for Cities of San Luis Obispo & Morro Bay assuming 50% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,350,142	$ 15,382,821	$ 15,962,702	$ 16,514,715	$ 17,188,745	$ 17,768,733	$ 18,316,257	$ 18,902,482	$ 19,515,568	$ 20,130,644
Portfolio & Data Management	$ 709,199	$ 730,475	$ 752,390	$ 774,961	$ 798,210	$ 822,157	$ 846,821	$ 872,226	$ 898,393	$ 925,344
General and Administrative	$ 1,272,489	$ 1,398,056	$ 1,458,292	$ 1,513,882	$ 1,586,219	$ 1,644,417	$ 1,697,252	$ 1,754,868	$ 1,815,553	$ 1,875,729
Cost of Credit for Procurement	$ 273,923	$ 274,280	$ 275,873	$ 276,889	$ 279,905	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 69,015	$ 69,705	$ 70,402	$ 71,106	$ 71,817	$ 72,535	$ 73,260	$ 73,993	$ 74,733
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 17,371,086	$ 18,404,646	$ 18,518,962	$ 19,150,848	$ 19,924,185	$ 20,307,123	$ 20,932,865	$ 21,602,837	$ 22,303,507	$ 23,006,450
Revenues	$ 21,599,097	$ 21,877,993	$ 22,566,097	$ 22,682,240	$ 23,152,444	$ 23,607,888	$ 24,779,429	$ 26,085,643	$ 27,517,689	$ 28,989,458
Net Revenue										
Annual	$ 4,098,805	$ 3,342,471	$ 3,912,144	$ 3,395,705	$ 3,089,761	$ 3,159,541	$ 3,698,332	$ 4,326,760	$ 5,049,571	$ 5,809,591
Cumulative ($)	$ 4,098,805	$ 7,441,276	$ 11,353,420	$ 14,749,125	$ 17,838,885	$ 20,998,426	$ 24,696,758	$ 29,023,518	$ 34,073,089	$ 39,882,680
Cumulative (% of Tot. Rev. Req.)	24%	40%	61%	77%	90%	103%	118%	134%	153%	173%

Table 6f: Financial Projections for Cities of San Luis Obispo & Morro Bay assuming 75% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,806,681	$ 15,856,280	$ 16,455,333	$ 17,025,640	$ 17,721,897	$ 18,321,120	$ 18,887,864	$ 19,494,339	$ 20,128,357	$ 20,763,851
Portfolio & Data Management	$ 709,199	$ 730,475	$ 752,390	$ 774,961	$ 798,210	$ 822,157	$ 846,821	$ 872,226	$ 898,393	$ 925,344
General and Administrative	$ 1,337,709	$ 1,465,693	$ 1,528,667	$ 1,586,871	$ 1,662,383	$ 1,723,329	$ 1,778,910	$ 1,839,419	$ 1,903,094	$ 1,966,187
Cost of Credit for Procurement	$ 273,923	$ 274,280	$ 275,873	$ 276,889	$ 279,905	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 69,015	$ 69,705	$ 70,402	$ 71,106	$ 71,817	$ 72,535	$ 73,260	$ 73,993	$ 74,733
Startup Loan Repayment	$ 697,000	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 17,892,844	$ 18,945,742	$ 19,081,968	$ 19,734,763	$ 20,533,501	$ 20,938,423	$ 21,586,131	$ 22,279,245	$ 23,003,837	$ 23,730,116
Revenues	$ 21,599,097	$ 21,877,993	$ 22,566,097	$ 22,682,240	$ 23,152,444	$ 23,607,888	$ 24,779,429	$ 26,085,643	$ 27,517,689	$ 28,989,458
Net Revenue										
Annual	$ 3,577,046	$ 2,801,375	$ 3,349,138	$ 2,811,790	$ 2,480,444	$ 2,528,241	$ 3,045,066	$ 3,650,352	$ 4,349,240	$ 5,085,925
Cumulative ($)	$ 3,577,046	$ 6,378,421	$ 9,727,559	$ 12,539,349	$ 15,019,793	$ 17,548,034	$ 20,593,100	$ 24,243,453	$ 28,592,693	$ 33,678,618
Cumulative (% of Tot. Rev. Req.)	20%	34%	51%	64%	73%	84%	95%	109%	124%	142%

Table 6g: Financial Projections for Cities of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach assuming Minimum RPS Compliance

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,018,186	$ 25,692,345	$ 26,719,867	$ 27,707,315	$ 28,905,050	$ 29,949,112	$ 30,943,800	$ 32,005,432	$ 33,116,933	$ 34,235,972
Portfolio & Data Management	$ 709,199	$ 999,287	$ 1,029,266	$ 1,060,144	$ 1,091,948	$ 1,124,707	$ 1,158,448	$ 1,193,201	$ 1,228,997	$ 1,265,867
General and Administrative	$ 608,883	$ 1,424,565	$ 1,495,038	$ 1,560,636	$ 1,646,094	$ 1,715,388	$ 1,778,803	$ 1,847,815	$ 1,920,704	$ 1,993,252
Cost of Credit for Procurement	$ 273,923	$ 485,416	$ 488,064	$ 489,775	$ 494,845	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 117,149	$ 118,320	$ 119,504	$ 120,699	$ 121,906	$ 123,125	$ 124,356	$ 125,599	$ 126,855
Startup Loan Repayment	$ 847,000	$ 700,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 16,525,523	$ 29,418,762	$ 29,850,555	$ 30,937,374	$ 32,258,636	$ 32,911,112	$ 34,004,176	$ 35,170,804	$ 36,392,234	$ 37,621,947
Revenues	$ 21,599,097	$ 38,728,023	$ 39,941,554	$ 40,129,417	$ 40,937,892	$ 41,730,837	$ 43,800,579	$ 46,101,461	$ 48,619,664	$ 51,206,014
Net Revenue										
Annual	$ 4,944,367	$ 9,077,588	$ 9,852,067	$ 8,951,987	$ 8,434,363	$ 8,570,088	$ 9,534,386	$ 10,654,875	$ 11,936,585	$ 13,277,749
Cumulative ($)	$ 4,944,367	$ 14,021,955	$ 23,874,021	$ 32,826,008	$ 41,260,371	$ 49,830,460	$ 59,364,845	$ 70,019,720	$ 81,956,305	$ 95,234,055
Cumulative (% of Tot. Rev. Req.)	30%	48%	80%	106%	128%	151%	175%	199%	225%	253%

Table 6h: Financial Projections for Cities of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach assuming 50% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,328,632	$ 26,205,152	$ 27,193,986	$ 28,137,501	$ 29,289,615	$ 30,281,048	$ 31,218,552	$ 32,218,726	$ 33,264,109	$ 34,311,988
Portfolio & Data Management	$ 709,199	$ 999,287	$ 1,029,266	$ 1,060,144	$ 1,091,948	$ 1,124,707	$ 1,158,448	$ 1,193,201	$ 1,228,997	$ 1,265,867
General and Administrative	$ 639,587	$ 1,475,282	$ 1,541,929	$ 1,603,182	$ 1,684,128	$ 1,748,217	$ 1,805,976	$ 1,868,910	$ 1,935,260	$ 2,000,770
Cost of Credit for Procurement	$ 273,923	$ 485,416	$ 488,064	$ 489,775	$ 494,845	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 117,149	$ 118,320	$ 119,504	$ 120,699	$ 121,906	$ 123,125	$ 124,356	$ 125,599	$ 126,855
Startup Loan Repayment	$ 847,000	$ 700,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 16,866,673	$ 29,982,287	$ 30,371,564	$ 31,410,105	$ 32,681,235	$ 33,275,877	$ 34,306,101	$ 35,405,193	$ 36,553,966	$ 37,705,481
Revenues	$ 21,599,097	$ 38,728,023	$ 39,941,554	$ 40,129,417	$ 40,937,892	$ 41,730,837	$ 43,800,579	$ 46,101,461	$ 48,619,664	$ 51,206,014
Net Revenue										
Annual	$ 4,603,217	$ 8,514,063	$ 9,331,057	$ 8,479,255	$ 8,011,764	$ 8,205,324	$ 9,232,461	$ 10,420,486	$ 11,774,853	$ 13,194,216
Cumulative ($)	$ 4,603,217	$ 13,117,281	$ 22,448,337	$ 30,927,593	$ 38,939,356	$ 47,144,680	$ 56,377,141	$ 66,797,627	$ 78,572,480	$ 91,766,696
Cumulative (% of Tot. Rev. Req.)	27%	44%	74%	98%	119%	142%	164%	189%	215%	243%

Table 6i: Financial Projections for Cities of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach assuming 75% RPS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Costs										
Power Supply	$ 14,785,171	$ 27,043,072	$ 28,065,528	$ 29,041,252	$ 30,232,177	$ 31,257,330	$ 32,228,669	$ 33,264,284	$ 34,346,283	$ 35,429,865
Portfolio & Data Management	$ 709,199	$ 999,287	$ 1,029,266	$ 1,060,144	$ 1,091,948	$ 1,124,707	$ 1,158,448	$ 1,193,201	$ 1,228,997	$ 1,265,867
General and Administrative	$ 684,739	$ 1,558,153	$ 1,628,125	$ 1,692,564	$ 1,777,349	$ 1,844,772	$ 1,905,878	$ 1,972,317	$ 2,042,288	$ 2,111,330
Cost of Credit for Procurement	$ 273,923	$ 485,416	$ 488,064	$ 489,775	$ 494,845	$ -	$ -	$ -	$ -	$ -
PG&E Billing Services	$ 68,331	$ 117,149	$ 118,320	$ 119,504	$ 120,699	$ 121,906	$ 123,125	$ 124,356	$ 125,599	$ 126,855
Startup Loan Repayment	$ 847,000	$ 700,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Requirement	$ 17,368,364	$ 30,903,078	$ 31,329,303	$ 32,403,238	$ 33,717,018	$ 34,348,715	$ 35,416,120	$ 36,554,158	$ 37,743,168	$ 38,933,917
Revenues	$ 21,599,097	$ 38,728,023	$ 39,941,554	$ 40,129,417	$ 40,937,892	$ 41,730,837	$ 43,800,579	$ 46,101,461	$ 48,619,664	$ 51,206,014
Net Revenue										
Annual	$ 4,101,526	$ 7,593,272	$ 8,373,318	$ 7,486,123	$ 6,975,981	$ 7,132,486	$ 8,122,442	$ 9,271,521	$ 10,585,651	$ 11,965,780
Cumulative ($)	$ 4,101,526	$ 11,694,798	$ 20,068,116	$ 27,554,239	$ 34,530,220	$ 41,662,706	$ 49,785,148	$ 59,056,668	$ 69,642,319	$ 81,608,099
Cumulative (% of Tot. Rev. Req.)	24%	38%	64%	85%	102%	121%	141%	162%	185%	210%

6.2 Sensitivity Analysis

TEA created an alternative price scenario to test the financial viability of the CCE program. The alternative price scenario modified three key assumptions and was applied to each community participation scenario assuming a 50% RPS power portfolio. The three variables modified in the sensitivity scenario are:

1) **Market Prices** were increased by an average of $5.57/MWh over base-case forward prices for the study horizon. Based on current market price volatility, there is a 75% chance that market prices will be lower than those assumed in this alternative scenario but a 25% chance that actual market prices will be higher.
2) **Power Charge Indifference Adjustment (PCIA)** rates were increased 40% relative to the base case. This higher PCIA estimate is representative of the possible impact if the CPUC adopts the Alternative Proposed Decision in Rulemaking Proceeding R.17-06-026. It is difficult to assign a probability to this scenario, but it is important to remember that the Alternative Proposed Decision was proposed by Commissioner Peterman.
3) **PG&E Generation Rates** were decreased by an average of 10% over the study horizon relative to the base-case scenario – equivalent to PG&E generation rates increasing at 2% annually from 2019 through the study period. This is in contrast to current rate forecasts, which show a significant PG&E rate increase in 2020 due to large departing load. Like the PCIA increase, it is difficult to assign a probability to this decreased generation rate scenario. However, this scenario is consistent with the assumption above regarding a larger PCIA, which would offset some of PG&E's generation costs.

TEA views this alternative price scenario as a plausible outcome that the CCE should be prepared to address. Results of the alternative price scenario are presented in Table 7 below.

Table 7: Alternative price scenario results for all three community participation scenarios assuming 50% RPS under two rate discount scenarios

Community Participation Scenario	**Cumulative net revenues at end of year 3:**			
	3% Generation Rate Discount to PG&E		**0% Generation Rate Discount to PG&E**	
	Total ($ Million)	**% of Annual Expenses**	**Total ($ Million)**	**% of Annual Expenses**
City of San Luis Obispo	($3.2M)	(18%)	($1.0M)	(6%)
Cities of San Luis Obispo and Morro Bay	($3.2M)	(16%)	($0.6M)	(3%)
Cities of San Luis Obispo, Morro Bay, Paso Roble, and Grover Beach	$0.6M	2%	$4.5M	13%

Under the alternative prices, the 1 and 2-city scenarios result in negative net revenues year-over-year when maintaining the 3% rate discount relative to PG&E, while the 4-city scenario presents slightly positive results. If the rate discount is set at zero, only the 4-city scenario yields positive net revenue, while the 1 and 2-city scenarios require between a 1% and 2% rate premium over PG&E in order to achieve positive net revenues. However, it's important to note that these scenarios do not take into account some mitigating factors such as the CCE's ability to make more conservative policy and budgeting decisions than were assumed for this study.

These results demonstrate the need for the potential CCE member communities to continue to reevaluate market and regulatory conditions throughout the CCE planning and implementation process. The participating communities will be able to adjust program design if these adverse conditions begin to develop.

7 CCE Risk Analysis

While there are many benefits to a CCE, there are also risks that need to be identified, monitored, and mitigated. A detailed risk assessment is beyond the scope of this study, but there are a few primary risks associated with power supply procurement and legal/regulatory changes that need to be considered as part of the decision to launch a CCE program.

If the new CCE's rates become significantly higher than PG&E's, there is a risk that customers may revert to PG&E service, which could potentially threaten the CCE's financial viability. It will therefore be important for the CCE to follow industry best practices including:

- ***Financial Reserves*** – Building financial reserves as a buffer against unexpected cost increases, as well as to serve as a means of demonstrating creditworthiness for long-term contracting. A key measure considered in this study is how quickly the new CCE will build financial reserves to a level equivalent to 150 to 180 days of annual operating expenses. A financial buffer of this magnitude can help mitigate unexpected changes in procurement costs, PG&E rates and/or other unexpected cost shocks.
- ***Risk Management*** – Implementing an energy risk management program consistent with industry best practices, including spreading procurement over time, across counterparties and among different generation technologies, as well as continually monitoring open positions and the expected cost of the same.
- ***Qualified Staff*** – Employing competent and experienced staff and third-party service providers that can enable a new CCE to quickly launch and implement best practices.
- ***Regulatory and Legislative Monitoring*** – Coordinating with Cal-CCE, other CCEs and other interested parties to understand and influence legislative and regulatory decisions, as well as actively monitor proceedings.
- ***Demonstrating Customer and Community Value Beyond Rate Savings*** – Implementing customer and community-based programs and having a positive reputation in the community will help mitigate customer opt-outs as has been demonstrated by other

CCE programs that have been through periodic cycles of higher rates than PG&E as a result of fluctuating PCIA charges.

7.1 PCIA Rulemaking

Arguably, the single largest risk currently facing a new CCE is the outcome of the current PCIA Rulemaking proceeding. A final ruling in this proceeding is not expected until after completion of this study, sometime in mid/late September. Updates that have material impact on this report's current analysis will be provided right away.

To test financial viability under a range of future possible scenarios, TEA has created a sensitivity scenario that increases the PCIA charge 40% above the base case scenario. The assumed customer class weighted PCIA charge for both base and stressed scenarios is provided in Appendix A: Key Assumptions. Prior to submitting its Implementation Plan, TEA also recommends updating the financial analysis after the final PCIA ruling is available.

7.2 Long-term Contracting

A unique challenge facing all CCEs launching in 2020 is the need to immediately enter into long-term contracts to satisfy the requirement to procure 65% of renewable supply under a 10-year or longer contract. While the long-term contract requirement is not unique, having to satisfy the creditworthiness standards of potential generators without the benefit of accumulating financial reserves and establishing an operating track record is a unique challenge.

For the purposes of this study, TEA has assumed base PCC1 prices are sufficient to cover the mid-point of expected long-term renewable contracting costs (see Appendix). However, the implied REC premium of long-term contracts must be assessed on a case-by-case basis as these costs can vary widely depending on generation profile and congestion at the point the generator connects with the CAISO grid. Fortunately, the extended timeline prior to implementation in 2020 gives the prospective CCE time to explore with other CCEs, as well as potential generators, the requirements for long-term contracting that a new CCE will face. This inquiry will enable the new CCE to incorporate these requirements into financial and operating plans and policies established at program launch.

Possible direct and indirect means of addressing long-term contract requirements may include, but are not limited to:

- Contracting with economically-priced local generators that are likely to be have greater interest in establishing a mutually beneficial, long-term, relationship with a local CCE;
- Partnering with established CCEs in their procurement activities for a portion of long-term requirements;
- Being disciplined in executing rate and financial policies to achieve and maintain a strong liquidity positon and generate the required levels of free cash flow;
- Building a strong relationship with the local community to help ensure commitment to the CCE program, even during a period when rates may need to be set above PG&E to meet the procurement goals of the CCE.

Appendix A: Key Assumptions

- Customer Opt-out rate of 10% for all scenarios
- Startup costs equal $1.25 million for the 1 and 2-city scenarios and $1.55 million for the 4-city scenario, including the $147,000 CPUC bond.
- The $500,000 posting to CAISO needed to satisfy the credit requirements for the CCE to be a Candidate Congestion Revenue Rights (CRR) Holder is not included at this time, nor has the revenue associated with CRRs been included. Historically, CRR revenues have provided $0.50 to $1.50 per MWh.
- Accumulated Net Revenues
    - Target by end of 2024 equal to 5-6 months of operating expenses (including power supply expenses)
    - Annual target equal to 8.3 to 10% of projected operating expenses in year 5
- Forward Power Supply Costs ($/MWh)

Table 8: Forward Power Supply Cost Assumptions

	Energy (ATC)	PCC1	PCC2[9]	CF
2020	$34.16	$17.50	$7.00	$3.00
2021	$37.11	$18.00	$7.25	$3.25
2022	$38.35	$18.50	$7.50	$3.50
2023	$39.54	$19.00	$7.75	$3.75
2024	$40.68	$19.50	$8.00	$4.00
2025	$41.78	$20.00	$8.25	$4.25
2026	$42.87	$20.50	$8.50	$4.50
2027	$43.99	$21.00	$8.75	$4.75
2028	$45.14	$21.50	$9.00	$5.00
2029	$46.32	$22.00	$9.25	$5.25

- Miscellaneous Power Supply Costs
    - CAISO: $1.44/MWh
    - Distribution losses: 5%

[9] Due to the passage of California Assembly Bill 1110, PCC2 purchases are not considered carbon-free. Accordingly, TEA assumed carbon-free power would need to be purchased in addition to all PCC2 purchases in order to achieve the CCE goal of zero GHG emissions.

- Portfolio Management and Scheduling Coordination consistent with TEA's proposal

- Non-power supply costs
  - Internal staffing, overhead and administration: $90,000 per month for the City of San Luis Obispo only; $109,000 per month for the City of San Luis Obispo and Morro Bay; and $126,000 for the City of San Luis Obispo, Morro Bay, Paso Robles, and Grover Beach
  - Data management fees: $1.15 per customer per month in 2020, escalating at 3% per year
  - PG&E service fees: $0.21 per customer per month
- PG&E Generation and PCIA Rate Forecast (Load Weighted Average)

Table 9: Forward Power Supply Cost Assumptions

	PG&E Gen Rate ($/MWh)	PG&E PCIA ($/MWh)
2020	$110.92	$24.71
2021	$112.55	$25.18
2022	$113.74	$25.66
2023	$115.64	$26.15
2024	$117.42	$26.65
2025	$119.23	$27.16
2026	$123.72	$27.67
2027	$128.83	$28.20
2028	$134.29	$28.74
2029	$139.99	$29.29

- Uncollected debt equals 0.3% of revenues based on the historic collection rates at public utilities throughout California.

JOINT EXERCISE OF POWER AGREEMENT
RELATING TO AND CREATING CENTRAL COAST COMMUNITY ENERGY

This Joint Exercise of Powers Agreement, effective as of ____________, 2018 is made and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq*.) of the California Government Code among the Parties.

RECITALS

A. The Parties share various powers under California law, including, but not limited to, the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions.

B. In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandates a reduction in greenhouse gas emissions in 2020 to 1990 levels. In 2016, the State Legislature adopted SB 32, which mandates statewide greenhouse gas emissions be reduced to 40 percent below the 1990 level by 2030. The California Air Resources Board is promulgating regulations to implement the greenhouse gas reduction targets, which will require local governments to develop programs to reduce greenhouse gas emissions.

C. The purposes for entering into this Agreement include:

   a. Reducing greenhouse gas emissions;

   b. Providing electric power to customers at a competitive cost;

   c. Carrying out programs to reduce energy consumption;

   d. Stimulating and sustaining the local economy by developing local jobs in renewable energy and energy efficiency; and

   e. Promoting long-term electric rate stability and energy security and reliability for residents through local control of electric generation resources.

D. It is the mission and purpose of this Agreement to build a strong Community Choice Energy (CCE) program that is locally controlled and delivers greenhouse gas emission reductions, cost-competitive clean electricity, product choice, price stability, and energy efficiency.

E. It is the intent of this Agreement to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to solar, wind, and biomass energy production. The purchase of renewable power and greenhouse gas-free energy sources will decrease regional greenhouse gas emissions and accelerate the State's transition to clean power resources to the extent feasible. Implementing a CCE program pursuant to this Agreement also will add increasing levels of locally generated renewable resources.

F. The Parties desire to establish a separate public agency, known as Central Coast Community Energy, a California joint powers authority, or CCCE, under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") in order to collectively study, promote, develop, conduct, operate, and manage energy programs.

G. The Parties have each adopted an ordinance electing to implement, through the CCCE, a common CCE program (also known as a Community Choice Aggregation (CCA) program) hereinafter called the CCE Program, pursuant to California Public Utilities Code, sections 331.1(b) and 366.2. The first priority of the CCCE will be the consideration of those actions necessary to implement the CCE Program.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

ARTICLE 1.
DEFINITIONS AND EXHIBITS

1.1 Definitions. Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A, unless the context requires otherwise.

1.2 Documents Included. This Agreement consists of this document and the following exhibits, all of which are hereby incorporated into this Agreement:

Exhibit A: Definitions
Exhibit B: List of the Parties
Exhibit C: Annual Energy Use
Exhibit D: Voting Shares
Exhibit E: Signatures

ARTICLE 2.
FORMATION OF CENTRAL COAST COMMUNITY ENERGY

2.1 Effective Date and Term. This Agreement shall become effective and CCCE shall exist as a separate public agency on [insert date], or when both the cities of San Luis Obispo and Morro Bay have executed this Agreement, whichever occurs later. The CCCE shall provide notice to the Parties of the Effective Date. CCCE shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with Section 6.4, subject to the rights of the Parties to withdraw from CCCE.

2.2 Formation. There is formed, as of the Effective Date, a public agency named Central Coast Community Energy. Pursuant to Sections 6506 and 6507 of the Act, CCCE is a public agency separate from the Parties. Pursuant to Sections 6508.1 of the Act, the debts, liabilities or obligations of CCCE shall not be debts, liabilities or obligations of the individual Parties unless the governing body of a Party agrees in writing to assume any of the debts, liabilities or obligations of CCCE. A Party who has not agreed to assume an CCCE debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of the Parties agree to assume the debt, liability or obligation of CCCE. Notwithstanding Section 7.4 of this Agreement, this Section 2.2 may not be amended, unless such amendment is approved by the governing body of each Party.

2.3 Name. CCCE may change its name at any time through adoption of a resolution of the Board of Directors.

2.4 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to establish and operate a CCE Program that achieves long-term GHG emission reductions by offering clean, cost effective and price stable electricity to residents, businesses, and agricultural producers, while carrying out innovative programs to reduce customer energy use, substantially increase local renewable energy production, and power the local transportation system. To that end, CCCE will study, promote, develop, conduct, operate, and manage energy, energy efficiency and conservation, and other energy-related programs, and to exercise all other powers necessary and incidental to accomplishing this purpose. Without limiting the generality of the foregoing, the Parties intend for this Agreement to be used as a contractual mechanism by which the Parties are authorized to participate in the CCE Program, as further described in Section 4.1. The Parties intend other agreements shall define the terms and conditions associated with the implementation of the CCE Program and any other energy programs approved by CCCE.

2.5 Membership in CCCE

2.5.1 The initial members of CCCE are the City of San Luis Obispo and the City of Morro Bay. Additional cities or counties may also become initial members of CCCE by executing this Agreement and delivering an executed copy of this Agreement and a copy of the adopted ordinance required by Public Utilities Code Section 366.2(c)(12) prior to the Effective Date.

2.5.2 Any city or county that is not an initial member may request to become a member of CCCE by submitting a resolution adopted by its City Council or Board of Supervisors to the Board of CCCE. The Board shall review the request and shall vote to approve or disapprove the request by resolution. The Board may establish conditions, including, but not limited, to financial conditions, under which the city or county may become a member of CCCE. The Board shall notify the existing members of CCCE of that request and the date the request will be on the Board's meeting agenda for action. The date set for Board action shall be at least forty-five (45) days after the date the notice is mailed to the members. If the request is approved by a two-thirds vote of the entire Board, then the city or county shall become a member of CCCE under the terms and conditions set forth by the Board and upon the adoption of an ordinance required by Public Utilities Code, section 366.2(c)(12) and the approval and execution of this Agreement by the city or county.

2.6 Powers. CCCE shall have all powers common to the Parties and such additional powers accorded to it by law. CCCE is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to, each of the following powers, subject to the voting requirements set forth in Section 3.8:

2.6.1 Make and enter into contracts;

2.6.2 Employ agents and employees, including but not limited to an Executive Officer and General Counsel;

2.6.3 Acquire property by eminent domain, or otherwise, except as limited under Section 6508 of the Act, and to hold or dispose of any property;

2.6.4 Lease any property;

2.6.5 Sue and be sued in its own name;

2.6.6 Incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers such as Government Code, section 53850 *et seq.* or any legal authority under the Act or other laws;

2.6.7 Form other entities if necessary, to carry out energy supply and energy conservation programs or conduct other programs or activities within the powers of CCCE;

2.6.8 Issue revenue bonds and other forms of indebtedness;

2.6.9 Apply for, accept, and receive all licenses, permits, grants, loans or other assistance from any federal, state, or local public agency;

2.6.10 Submit documentation and notices, register, and comply with orders, tariffs and agreements for the establishment and implementation of the CCE Program and other energy programs;

2.6.11 Adopt policies, rules and regulations governing the operation of CCCE;

2.6.12 Make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCE Program and other energy programs;

2.6.13 Designate another entity authorized to be a community choice aggregator to act as the community choice energy aggregator on behalf of CCCE.

2.7 Limitation on Powers. As required by Government Code, section 6509, the power of CCCE is subject to the restrictions upon the manner of exercising power possessed by City of San Luis Obispo.

2.8 Compliance with Local Zoning and Building Laws. Notwithstanding any other provisions of this Agreement or state law, any facilities, buildings or structures located, constructed or caused to be constructed by CCCE within the territory of CCCE shall comply with the General Plan, zoning and building laws of the local jurisdiction within which the facilities are constructed .

ARTICLE 3.
GOVERNANCE AND INTERNAL ORGANIZATION

3.1 Board of Directors. CCCE shall be governed by a legislative body known as the a Board of Directors. The initial Board shall consist of two Directors appointed by the governing body of each of the initial Parties. For example, if the initial Parties are the City of San Luis Obispo and the City of Morro Bay, the Board shall consist of four Directors with two Directors appointed by the City Council of San Luis Obispo and two Directors appointed by the City Council of Morro Bay. Each Director shall serve at the pleasure of the governing body of the Party whom appointed such Director, and may be removed as Director by such governing body at any time. If at any time a vacancy occurs on the Board, then a replacement shall be appointed to fill the position of the previous Director within 45 days after the date that position becomes vacant. Directors must be members of the City Council or Board of Supervisors of a Party to this Agreement. Each Party shall appoint an alternate(s) to serve in the absence of its Director(s). Alternates may be members of the City Council or Board of Supervisors of the Party or a staff member of the Party.

If additional cities or counties join CCCE, as provided in Section 2.5.2, each city or county that becomes a member of CCCE shall be entitled to two Directors who shall be appointed as set forth above. When the fifth member joins CCCE, the number of Directors per Party shall be reduced to one Director per Party; and each Party shall determine which Director shall continue as that Party's representative on the Board.

3.2 Quorum. A majority of the appointed Directors shall constitute a quorum, except that less than a quorum may adjourn from time to time in accordance with law.

3.3 Powers and Functions of the Board. The Board shall exercise the general governance and legislative powers of CCCE, consistent with this Agreement and applicable law. The Board shall provide general policy guidance on the CCE Program and other energy programs. This Agreement delegates contracting powers and administrative powers and oversight over the operations and activities of SLO to the Operations Board as further described in Section 3.5. Board of Director approval shall be required for any of the following actions in addition to any other actions specified by this Agreement or required by law:

3.3.1 The issuance of bonds or any other financing even if program revenues are expected to pay for such financing.

3.3.2 The appointment or termination of the Executive Officer and General Counsel.

3.3.3 The appointment or removal of officers described in Section 3.10.

3.3.4 Any decision to provide retirement or post-retirement benefits.

3.3.5 The adoption of the annual budget.

3.3.6 The adoption of an ordinance.

3.3.7 The initiation or resolution of claims and litigation where CCCE will be the plaintiff, petitioner, cross complainant or cross petitioner, or intervenor; provided, however, that the Executive Officer or General Counsel, on behalf of CCCE, may intervene in, become a party to, or file comments with respect to any proceeding pending at the California Public Utilities Commission, the Federal Energy Regulatory Commission, or any other administrative agency, without approval of the Board as long as such action is consistent with any adopted Board policies.

3.3.8 The adoption of the Implementation Plan.

3.3.9 The approval of major capital expenditures, excluding power purchases, as defined by Board resolution.

3.3.10 The setting of rates for power sold by CCCE and the setting of charges for any other category of service provided by CCCE.

3.3.11 The approval of new members pursuant to Section 2.5.2.

3.3.12 Termination of the CCE Program.

3.4 Executive Officer. The Board of Directors shall appoint an Executive Officer for CCCE, who shall be responsible for the day-to-day operation and management of CCCE and the CCE Program. The Executive Officer may be retained under contract with CCCE, be an employee of CCCE, or be an employee of one of the Parties. The Executive Officer shall report directly to the Board of Directors and serve as staff to CCCE. The Executive Officer also shall report to and work with the Operations Board on those matters within the jurisdiction of the Operations Board. Except as otherwise set forth in this Agreement, the Executive Officer may exercise all powers of CCCE, including the power to hire, discipline and terminate employees, as well as the power to approve any agreement if the total amount payable under the agreement is less than $100,000 in any fiscal year, or such higher amount as established by the Board from time to time, by resolution of the Board, except the powers specifically set forth in Section 3.3 or those powers, which by law, must be exercised by the Board of Directors. The Executive Officer shall be responsible for coordinating the actions of the Board of Directors and the Operations Board. The Executive Officer shall serve at the pleasure of the Board of Directors.

3.5 Operations Board. The Operations Board shall consist of the City Manager of each city Party and the Chief Administrative Office or Chief Executive Officer of each county Party. Each Party also may appoint an alternate Director to the Operations Board who shall be a management level employee of the Party. The Operations Board shall provide direction to the Chief Executive Officer on the day-to-day operations of CCCE and shall have the authority to approve and take action on the following matters:

3.5.1 The approval of all contracts and contract amendments except as provided by Section 3.3.9, including, but not limited to, power purchase agreements.

3.5.2 The adoption of personnel rules and regulations.

3.5.3 The adoption of administrative rules and regulations except as provided otherwise by this Agreement.

3.5.4 Any matters referred to the Operations Board by the Board of Directors for study, review, recommendation or final action.

3.6 Commissions, Boards, and Committees. The Board of Directors may establish commissions, boards or committees, including, but not limited to, a standing executive committee and community advisory committee, as the Board deems appropriate, to advise and assist the Board in carrying out its authority and functions under this Agreement and may delegate authority to such commission, board or committee as set forth in a Board resolution. Such delegation may be modified, amended or revoked at any time as the Board may deem appropriate. The Board may establish rules, regulations, policies, bylaws or procedures to govern any such commissions, boards, or committees, and shall determine whether members shall be compensated or entitled to reimbursement for expenses. Any commission, board or committee established by the Board of Directors shall comply with the applicable requirements of the Ralph M. Brown Act.

3.7 Director Compensation. Directors shall serve without compensation from CCCE. However, Directors may be compensated by their respective appointing authorities. The Board, however, may adopt by resolution a policy relating to the reimbursement by CCCE of expenses incurred by Directors.

3.8 Board Voting. Except when a supermajority vote is required by Section 3.8.4, action by the Board of Directors or the Operations Board shall require a majority vote of the total number of Directors of the entire Board; provided, however, that so long as CCCE consists of three or less members, all actions of the Board shall require the affirmative vote of at least one Director appointed by each Party. In addition, as described below in Section 3.8.3, upon request of two Directors, each from a different Party, a weighted vote by shares also will be conducted. When such a request is made, an action must be approved by both a majority vote of Directors present and a majority of the voting shares of the entire Board. No action may be approved solely by a vote by shares. The voting shares of Directors and the requirements for voting by shares shall be as follows:

3.8.1 Voting Shares.

Each Party shall have a voting share as determined by the following formula: (Annual Energy Use/Total Annual Energy) multiplied by 100, where

(a) "Annual Energy Use" means, (i) with respect to the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("kWh"), within the Party's respective jurisdiction and (ii) with respect to the period after the second anniversary of the Effective Date, the annual electricity usage during the prior Fiscal Year, expressed in kWh, of accounts within a Party's respective jurisdiction that are served by CCCE; and

(b) "Total Annual Energy" means the sum of all Parties' Annual Energy Use. The initial values for Annual Energy Use will be designated in Exhibit C, and shall be adjusted annually as soon as reasonably practicable after January 1, but no later than March 1 of each year. Those adjustments shall be approved by the Board of Directors.

(c) The combined voting share of all Directors representing a Party shall be based upon the annual electricity usage within the Party's jurisdiction; the combined voting share of a county shall be based upon the annual electricity usage within the unincorporated area of the county.

For the purposes of weighted voting by shares, if a Party has more than one Director on the Board of Directors present and voting, then the voting shares allocated to the entity shall be equally divided amongst its Directors that are present and voting.

3.8.2 Exhibit Showing Voting Shares. The initial voting shares will be set forth in Exhibit D. Exhibit D shall be revised no less than annually, as necessary to account for changes in the number of Parties and changes in the Parties' Annual Energy Use. Adjustments to Exhibit D shall be approved by the Board of Directors.

3.8.3 Option for Approval by Voting Shares. Any two Directors, each appointed from a different Party, present at a meeting may demand approval of any matter related to the CCE Program shall be determined on the basis of both voting shares and by the affirmative vote of a majority of Directors present at the meeting. If two Directors, each appointed from a different Party, make such a demand with respect to approval of any such matter, then approval of such matter shall require the affirmative vote of a majority of Directors present at the meeting and the affirmative vote of Directors having a majority of the voting shares of the entire Boardt. In the event any one Party has a voting share that equals or exceeds that which is necessary to disapprove the matter being voted on by the Board, at least one other Party shall be required to vote in the negative in order to disapprove such matter.

3.8.4 Special Voting Requirements for Certain Matters.

(a) Two-Thirds and Weighted Voting Approval Requirements Relating to Specified Actions. Action of the Board on the matters set forth in Section 2.5.2 (approval of new members), 6.2 (involuntary termination of a Party), or Section 7.4 (amendment of this Agreement) or the approval of any bonds, loans or other indebtedness shall require the affirmative vote of at least two-thirds of the Directors of the entire Board. Notwithstanding the foregoing, any two Directors present at the meeting, each appointed from a different Party, may demand that the vote be determined on the basis of both voting shares and by the affirmative vote of Directors, and if any two Directors, each appointed from a different Party, makes such a demand, then approval shall require the affirmative vote of both at least two-thirds of the Directors on the entire Board and the affirmative vote of Directors having at least two-thirds of the voting shares of the entire Board, as determined by Section 3.8; but, Directors from at least two Parties must vote against a matter for the vote to fail. On votes to involuntarily terminate a Party under Section 6.2, the Director(s) for the Party subject to involuntary termination may not vote, and the number of Directors constituting two-thirds of all Directors, and the weighted vote of each Party shall be recalculated as if the Party subject to possible termination were not a Party.

(b) Seventy-Five Percent Special Voting Requirement for Eminent Domain .

(i) A decision to exercise the power of eminent domain on behalf of CCCE to acquire any property interest other than an easement, right-of-way, or temporary construction easement shall require a vote of at least 75% of all the members of the Board of Directors.

(ii) Notwithstanding the foregoing, any two Directors present at the meeting, each appointed by a different Party, may demand a vote under subsection (i) be determined on the basis of voting shares and by the affirmative vote of Directors, and if any two Directors, each appointed from a different Party, makes such a demand, then approval shall require both the affirmative vote of at least 75% of the entire Directors on the Board and the affirmative vote of Directors having at least 75% of the voting shares of the entire Board, but Directors from at least two Parties must vote against a matter for the vote to fail.

3.9 Regular and Special Meetings of the Boards. The Board of Directors and Operations Board shall hold the number of regular meetings provided by resolution of each Board. The date, hour and place of each regular meeting shall be fixed by resolution of each Board. Regular meetings may be adjourned to another meeting time. Special and emergency meetings of the Boards may be called in accordance with the provisions of California Government Code, sections 54956 and 54956.5. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law. All meetings shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code, sections 54950 *et seq.*).

3.10 Selection of Board Officers.

3.10.1 Chair and Vice Chair. The Directors shall select, from among themselves, a Chair, who shall be the presiding officer of all Board meetings, and a Vice Chair, who shall serve in the absence of the Chair. The Chair and Vice Chair shall each serve for a one-year term at the pleasure of the Board. There shall be no limit on the number of terms held by either the Chair or Vice Chair. The office of either the Chair or Vice Chair shall be declared vacant and a new selection shall be made if:

(a) the person serving dies, resigns, or the Party the person represents removes the person as its representative on the Board, or

(b) the Party that he or she represents withdraws from CCCE pursuant to the provisions of this Agreement.

3.10.2 Secretary. The Board of Directors shall appoint a Secretary who shall be responsible for keeping the minutes of all meetings of the Board and all other official records of CCCE.

3.10.3 Treasurer and Auditor. The Board of Directors shall appoint a Treasurer who shall function as the combined offices of Treasurer and Auditor pursuant to Government Code section 6505.6 and shall strictly comply with the statutes related to the duties and responsibilities specified in Section 6505.5 of the Act. The Treasurer for CCCE shall be the depository and have custody of all money of CCCE from whatever source and shall draw all warrants and pay demands against CCCE as approved by the Board. The Treasurer shall cause an independent audit(s) of the finances of CCCE to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act. The Treasurer shall report directly to the Board of Directors and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time. The duties and obligations of the Treasurer are further specified in Article 5. The Treasurer shall serve at the pleasure of the Board of Directors.

3.11 Administrative Services Provider. The Operations Board may appoint one or more administrative services providers to serve as CCCE's agent for planning, implementing, operating and administering the CCE Program, and any other program approved by the Board, in accordance with the provisions of an Administrative Services Agreement. The appointed administrative services provider may be one of the Parties. One or more of the Parties may agree to provide all or a portion of the services in the manner set forth in an Administrative Services Agreement. Employees of the Parties utilized to perform such services shall remain employees of the Parties and subject to the employing Party's control and supervision. An Administrative Services Agreement shall set forth the terms and conditions by which the appointed administrative services provider shall perform or cause to be performed all or enumerated tasks necessary for planning, implementing, operating and administering the CCE Program and other approved programs. The Administrative Services Agreement shall set forth the term of this Agreement, the services to be provided, and the circumstances under which the Administrative Services Agreement may be terminated by CCCE. This section shall not in any way be construed to limit the discretion of CCCE to hire its own employees to administer the CCE Program or any other program.

ARTICLE 4.
IMPLEMENTATION ACTION AND CCCE DOCUMENTS

4.1 Preliminary Implementation of the CCE Program.

4.1.1 Enabling ordinance. To be eligible to participate in the CCE Program, each Party must adopt an ordinance in accordance with Public Utilities Code section 366.2(c)(12) for the purpose of specifying the Party intends to implement a CCE program by and through its participation in CCCE.

4.1.2 Implementation Plan. CCCE shall cause to be prepared an Implementation Plan meeting the requirements of Public Utilities Code, section 366.2 and any applicable Public Utilities Commission regulations, as soon after the Effective Date as reasonably practicable. The Implementation Plan shall not be filed with the Public Utilities Commission until it is approved by the Board of Directors.

4.1.3 Integrated Resource Plan. CCCE shall cause to be prepared an Integrated Resource Plan in accordance with CPUC regulations that will ensure the long-term development and administration of a variety of power resources in compliance with the State Renewable Portfolio Standard and other statutory and regulatory requirements of the State of California.

4.1.4 Termination of CCE Program. Nothing contained in this Article or this Agreement shall be construed to limit the discretion of CCCE to terminate the implementation or operation of the CCE Program at any time in accordance with any applicable requirements of state law.

4.2 CCCE Documents. The Parties acknowledge and agree the affairs of CCCE will be implemented through various documents duly adopted by the Board of Directors or Operations Board through Board resolution or minute action; provided, that any Operations Board actions must be consistent with the polices established by the Board of Directors. The Parties agree to abide by and comply with the terms and conditions of all such documents that may be adopted by the Board, subject to the Parties' right to withdraw from CCCE as described in Article 6.

ARTICLE 5.
FINANCIAL PROVISIONS

5.1 Fiscal Year. CCCE's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by resolution of the Board of Directors .

5.2 Depository.

5.2.1 All funds of CCCE shall be held in separate accounts in the name of CCCE and not commingled with funds of any Party or any other person or entity.

5.2.2 All funds of CCCE shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of CCCE shall be open to inspection by the Parties at all reasonable times. The Board of Directors shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of CCCE, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

5.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies, rules and regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.

5.3 Budget and Recovery of Costs.

5.3.1 Budget. The initial budget shall be approved by the Board of Directors. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of CCCE shall be approved by the Board of Directors.

5.3.2 Funding of Initial Costs. In the event the CCE Program becomes operational, any Initial Costs paid by the Parties shall be included in the customer charges for electric services as provided by Section 5.3.3 to the extent recovery of such costs is permitted by law, and the Parties shall be reimbursed from the payment of such charges by customers of CCCE. Prior to such reimbursement, the Parties shall provide such documentation of costs paid as the Board may request. CCCE may establish a reasonable time period over which such costs are recovered. In the event the CCE Program does not become operational, the Parties who had contributed Initial Costs shall not be entitled to any reimbursement from CCCE or any other Party. If any Party assists in funding initial costs, then that Party shall also be entitled to reimbursement pursuant to this section.

5.3.3 CCE Program Costs. The Parties desire all costs incurred by CCCE that are directly or indirectly attributable to the provision of electric, conservation, efficiency, incentives, financing, or other services provided under the CCE Program, including, but not limited to, the establishment and maintenance of various reserves and performance funds and administrative, accounting, legal, consulting, and other similar costs, shall be recovered through charges to CCE customers receiving such electric services, or from revenues from grants or other third-party sources.

5.3.4 Additional Contributions and Advances. Pursuant to Government Code section 6504, the Parties may, in their sole discretion, make financial contributions, loans or advances to CCCE for the purposes of CCCE set forth in this Agreement. The repayment of such contributions, loans or advances will be on the written terms agreed to by the Party making the contribution, loan or advance to the CCCE.

ARTICLE 6.
WITHDRAWAL AND TERMINATION

6.1 Withdrawal Provisions.

6.1.1 General Right to Withdraw. A Party may withdraw its membership in CCCE, effective as of the beginning of CCCE's fiscal year, by giving no less than 6-months' advance written notice of its election to do so, which notice shall be given to CCCE and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing body.

6.1.2 Right to Withdraw After Amendment. Notwithstanding Section 6.1.1, a Party may withdraw its membership in CCCE following an amendment to this Agreement adopted by the Board of Directors which the Party's Director(s) voted against; provided,that such notice is given in writing within thirty (30) days following the date of the vote. Withdrawal of a Party under this section shall require an affirmative vote of the Party's governing body and shall not be subject to the six-month advance notice provided in Section 6.1.1. In the event of such withdrawal, the Party shall be subject to the provisions of Section 6.3.

6.1.3 The Right to Withdraw Prior to Program Launch. After receiving bids from power suppliers before the CCE Program launch, CCCE shall provide to the Parties a report from the consultant retained by CCCE that compares the total estimated electrical rates that CCCE will be charging to customers as well as the estimated greenhouse gas emissions rate and the amount of estimated renewable energy used with that of the incumbent utility. If the report finds that any one of the following conditions exists, then a Party may immediately withdraw its membership in CCCE without any financial obligation, as long as the Party provides written notice of its intent to withdraw to CCCE Board of Directors no more than fifteen (15) days after receiving the report. Those conditions include: 1) the CCCE is unable to provide total electrical rates that are equal to or less than the incumbent utility at time of program launch, 2) the CCCE is unable to provide electricity that has equal or lower greenhouse gas emissions than the incumbent utility, and 3) the CCCE is not able to match or exceed the incumbent utility's renewable energy performance pursuant to the State Renewable Portfolio Standard. Any Party that withdraws from CCCE pursuant to this section shall not be entitled to any refund of the Initial Costs it has paid to CCCE prior to the date of withdrawal unless CCCE is later terminated pursuant to Section 6.4. In such event, any Initial Costs not expended by CCCE shall be returned to all Parties, including any Party that has withdrawn pursuant to this section, in proportion to the contribution that each made. Notwithstanding anything to the contrary in this Agreement, any Party that withdraws pursuant to this section shall not be responsible for any liabilities or obligations of CCCE after the date of withdrawal, including without limitation any liability arising from power purchase agreements entered into by CCCE.

6.1.4 Withdrawal Documents. Except as provided by Section 6.1.3, a Party that withdraws its participation in the CCE Program may be subject to certain continuing financial obligations, as described in Section 6.3. Each withdrawing Party and CCCE shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from participation in the CCE Program.

6.2 Involuntary Termination of a Party. Participation of a Party in the CCE Program may be terminated for material non-compliance with provisions of this Agreement or any other agreement relating to the Party's participation in the CCE Program upon a vote of Board members as provided in Section 3.8.4(a). Prior to any vote to terminate participation with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or other agreement that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party that has had its participation in the CCE Program terminated shall be subject to in the provisions of Section 6.3.

6.3 Continuing Financial Obligations; Refund. Except as provided by Section 6.1.3, upon a withdrawal or involuntary termination of a Party, the Party shall remain responsible for any claims, demands, damages, or other financial obligations arising from the Party membership or participation in the CCE Program through the date of its withdrawal or involuntary termination, subject to the provisions of Section 2.2. Thereafter, notwithstanding Section 2.2, the withdrawing or terminated Party shall be responsible and liable for any damages, losses or costs incurred by CCCE resulting from the Party's withdrawal including, but are not limited to, losses from the resale of power contracted for by CCCE to serve the Party's load. With respect to such financial obligations, upon notice by a Party that it wishes to withdraw from the CCE Program, CCCE shall notify the Party of the minimum waiting period under which the Party would have no costs for withdrawal if the Party agrees to stay in the CCE Program for such period. The waiting period will be set to the minimum duration required so no costs are transferred to remaining ratepayers. If the Party elects to withdraw before the end of the minimum waiting period, then the charge for withdrawal shall be set at a dollar amount that would offset the estimated losses to CCCE and costs to the remaining ratepayers, and may not include punitive charges that exceed actual costs. For the purposes of this section, actual costs shall include not only any financial losses or increased operating costs incurred by CCCE, but also all staff time and consultant costs related to the withdrawal. CCCE may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with CCCE, as reasonably determined by and approved by the Board of Directors, to cover the Party's financial obligations for the costs described above. Any amount of the Party's funds held on deposit with CCCE above that which is required to pay any financial obligations shall be returned to the Party. If there is a disagreement related to the charge(s) for withdrawal or exiting, then the Parties shall attempt to settle the amount through mediation or other dispute resolution process as authorized by Section 7.1. If the dispute is not resolved, then the Parties may agree in writing to proceed to arbitration, or any party may seek judicial review.

6.4 Mutual Termination. This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Party to withdraw its participation in the CCE Program, as described in Section 6.1.

6.5 Disposition of Property upon Termination of CCCE. Upon termination of this Agreement, any surplus money or assets in possession of CCCE for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred under this Agreement and under any program documents, shall be returned to the then-existing Parties in proportion to the contributions made by each.

ARTICLE 7.
MISCELLANEOUS PROVISIONS

7.1 Dispute Resolution. The Parties and CCCE shall make reasonable efforts to informally settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or Parties and CCCE shall engage in nonbinding mediation or arbitration in the manner agreed upon by the Party or Parties and CCCE. In the event nonbinding mediation or arbitration is not commenced or does not result in the settlement of a dispute within 120 days after the demand for nonbinding mediation or arbitration is made, the Party or Parties and CCCE may pursue any remedy provided by law.

7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of CCCE shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. CCCE shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code section 995 *et seq*. Nothing in this section shall be construed to limit the defenses and immunities available under the law, to the Parties, CCCE, or its Directors, officers, or employees.

7.3 Indemnification of Parties. CCCE shall acquire such insurance coverage as is necessary to protect the interests of CCCE, the Parties, and the public. CCCE shall defend, indemnify, and hold harmless the Parties and each of their respective Council and Board of Supervisors Members, officers, officials, agents and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of CCCE under this Agreement.

7.4 Amendment of this Agreement. This Agreement may not be amended except by a written amendment approved by the Board of Directors as provided in Section 3.8.4(a). CCCE shall provide written notice to all Parties of amendments to this Agreement, including the effective date of such amendments, at least 30 days prior to the date upon which the Board votes on such amendments.

7.5 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this Section 7.5 shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties. This Section 7.5 does not prohibit a Party from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party's contributions to CCCE, or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of CCCE or the Parties under this Agreement.

7.6 Severability. If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, then it is hereby agreed by the Parties, the remainder of this Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provision shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

7.7 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.

7.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

7.9 Parties to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of CCCE or Party, as the case may be, or such other person designated in writing by CCCE or Party. Notices given to one Party shall be copied to all other Parties. Notices given to CCCE shall be copied to all Parties.

[Signatures on next page]

CITY OF SAN LUIS OBISPO, a
California municipal corporation

By: ______________________________
(Insert name), Mayor

ATTEST

By: ____________________________
(Insert name), City Clerk

APPROVED AS TO FORM:

By: ____________________________
(Insert name), City Attorney

CITY OF MORRO BAY, a California
municipal corporation

By: ____________________________
(Insert name), Mayor

ATTEST

____
(Insert name), City Clerk

APPROVED AS TO FORM

____
(Insert Name), City Attorney

EXHIBIT A
DEFINITIONS

"Act" means the Joint Exercise of Powers Act of the State of California (Government Code section 6500 *et seq.*)

"Administrative Services Agreement" means an agreement or agreements entered into after the Effective Date by CCCE with an entity that will perform tasks necessary for planning, implementing, operating and/or administering the CCE Program, or any portion of the CCE Program or any other energy programs adopted by CCCE.

"Agreement" means this Joint Powers Agreement.

"Annual Energy Use" has the meaning given in Section 3.7.1.

"Board" means the Board of Directors of CCCE unless the context indicates that the use of the word "Board" also is intended to include the Operations Board.

"CCE" or "Community Choice Energy" or "CCA" or "Community Choice Aggregation" means an electric service option available to cities and counties pursuant to Public Utilities Code Section 366.2.

"CCE Program" or "CCA Program" means CCCE's program relating to CCE that is principally described in Sections 2.3, 2.4, and 4.1.

"Director" means a member of the Board of Directors or the Operations Board representing a Party.

"Effective Date" means the date on which this Agreement shall become effective and CCCE shall exist as a separate public agency, as described in Section 2.1.

"Implementation Plan" means the plan generally described in Section 4.1.2 of this Agreement that is required under Public Utilities Code section 366.2 to be filed with the California Public Utilities Commission for the purpose of describing a proposed CCE Program.

"Initial Costs" means all costs incurred by Parties and/or CCCE relating to the establishment and initial operation of CCCE, such as the hiring of an Executive Officer and any administrative staff, and any required accounting, administrative, technical, or legal services in support of CCCE's initial activities or in support of the negotiation, preparation, and approval of one or more Administrative Services Agreements, Power Purchase Agreements, or financing transactions.

Operations Board means the Board established by Section 3.5.

"Parties" or "Members" means, collectively, the City of San Luis Obispo and the City of Morro Bay and any other city or county which timely executes this Agreement pursuant to Section 2.5.1 or is added to this Agreement pursuant to Section 2.5.2 and is listed in Exhibit B.

“Party,” “Member” or “Member Agency” means a signatory to this Agreement.

“Total Annual Energy” has the meaning given in Section 3.7.1.

“CCCE Document(s)” means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions, and activities of CCCE, including but not limited to the annual budget, rules, regulations, plans and policies.

EXHIBIT B
LIST OF PARTIES

EXHIBIT C
ANNUAL ENERGY USE/VOTING SHARES (as of 2015)

City of San Luis Obispo	237,472 MWh
City of Morro Bay	45,882 MWh

EXHIBIT D
VOTING SHARES (as of ______)

EXHIBIT E
SIGNATURE PAGES

RESOLUTION NO. _____ (2018 SERIES)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, TO APPROVING THE JOINT POWERS AGREEMENT ESTABLISHING CENTRAL COAST COMMUNITY ENERGY ON BEHALF OF THE CITY OF SAN LUIS OBISPO.

WHEREAS, AB 117, adopted as California state law in 2002, permits cities, counties, or city and county Joint Power Authorities to aggregate residential, commercial, industrial, municipal and institutional electric loads through Community Choice Aggregation (CCA); and

WHEREAS, the City of San Luis Obispo, in partnership with the City of Morro Bay, commissioned a technical study to analyze the feasibility of a CCA program serving the city and the San Luis Obispo region; and

WHEREAS, the City of Morro Bay wishes to be a community choice aggregator and has introduced the Ordinance as required by Public Utilities Code Section 366.2 in order to do so; and

WHEREAS, the City of San Luis Obispo also wishes to be a community choice aggregator and will also introduced the Ordinance as required by Public Utilities Code Section 366.2 in order to do so; and

WHEREAS, pursuant to Section 366.2 two or more entities authorized to be a community choice aggregator, may participate as a group in a community choice aggregation program through a joint powers agency established pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, if each entity adopts the aforementioned ordinance; and

WHEREAS, the City Council has considered the proposed Joint Exercise of Powers Agreement, a draft of which is attached hereto as Exhibit A, under which the City of San Luis Obispo and City of Morro Bay will become the initial members of Central Coast Community Energy (CCCE) Authority; and

WHEREAS, Once the California Public Utilities Commission certifies the Implementation Plan created by CCCE, it will provide service to customers within the cities and counties that choose to join CCCE and to participate in the CCA program; and

WHEREAS, under Public Utilities Code section 366.2, customers have the right to opt-out of the CCE program and continue to receive service from the incumbent utility. Customers who wish to continue to receive service from the incumbent utility will be able to do so.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of San Luis Obispo that:

SECTION 1. The City Council hereby approves the Joint Exercise of Powers Agreement with the City of Morro Bay to form the Central Coast Community Energy (CCCE) Authority.

R ______

SECTION 2. That_______________ and _______________ are hereby appointed as the initial Directors on the CCCE Board representing the City of San Luis Obispo.

SECTION 3. This resolution and the establishment of the Central Coast Community Energy Authority is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, as it is not a "project" since this action involves organizational and administrative activities of government that will not result in direct or indirect physical changes in the environment. (14 Cal. Code Regs. § 15378(b)(5)). Further, the ordinance is exempt from CEQA as there is no possibility that the ordinance or its implementation would have a significant negative effect on the environment. (14 Cal. Code Regs.§ 15061(b)(3)). A Notice of Exemption shall be filed as authorized by CEQA and the State CEQA guidelines.

SECTION 4. This resolution shall be effective upon the adoption of Ordinance No. ______, an Ordinance of the City of Morro Bay authorizing the implementation of a Community Choice Aggregation (CCA) Program.

BE IT FURTHER RESOLVED that the Mayor and/or City Manager is hereby authorized and directed to execute the Joint Exercise of Powers Agreement on behalf of the City of Morro Bay, which will establish CCCE with the City as a founding member.

Upon motion of _______________________, seconded by _______________________, and on the following roll call vote:

AYES:
NOES:
ABSENT:

The foregoing resolution was adopted this _____ day of _____________________ 2018.

____
Mayor Jamie Irons

ATTEST:

____
Dana Swanson
City Clerk

APPROVED AS TO FORM:

R ______

____
Joseph W. Pannone
City Attorney

R ______

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AGENDA NO: **C-2**
MEETING DATE: September 11, 2018

Staff Report

TO: **Honorable Mayor and City Council** **DATE: August 27, 2018**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **City Council Input and Direction on Update of the Harbor Department Lease Management Policy Document**

RECOMMENDATION

Staff recommend the Council provide input and direction on the Harbor Department Lease Management Policy update process being proposed.

ALTERNATIVES

No alternatives are being presented at this time.

FISCAL IMPACT

There is no direct fiscal impact to this action.

BACKGROUND

The City's current Lease Management Policy (LMP) was created in the early 2000's, and adopted by the City Council in October 2001. It was created to provide a guidance document for management of the City's Tidelands Trust lease sites to ensure protection of the public interest and benefit, while at the same time promoting good site development and redevelopment in partnership with tenants willing to invest and do business on the waterfront.

According to the LMP: "*The purpose of this document is an attempt to integrate existing policy with a broader statement of public leasing policy to enhance public understanding and provide a framework for future actions.*"

While the LMP is a good "mission statement" of sorts and has done a good job of achieving its stated purposes, it is lacking in many respects with regard to providing the Council and staff more detailed and specific policy process, methodology, standards and criteria by and with which to achieve those purposes. Recognizing that, the City Council established updating the LMP as a Council objective item for 2018

Staff has begun soliciting input from some Morro Bay waterfront leaseholders, in addition to researching the leasing policies and documents of other public port and harbor agencies. Enough progress was made on those fronts and good information and insight garnered to enable staff to propose a draft path and process forward for Council input and direction, at this time.

DISCUSSION

Staff are seeking input and direction on three primary actions of a proposed LMP update process:

Prepared By: ___EE_____	**Dept Review:** ___EE___
City Manager Review: ___SC_____	**City Attorney Review:** ___JWP___

Action 1: The LMP document itself, and what we want it to be?

In staff's estimation the current LMP is a solid base document and should be retained, albeit revised and restructured, to best provide the over-arching leasing policy and procedures from the "30,000-foot altitude" perspective. In areas where more policy, procedure or criteria detail is warranted (the "10,000-foot altitude" perspective), such as how to conduct the periodic percent gross audits, undertake lease negotiations or financial partnership policy and parameters, longer and more in-depth follow-on "policy directive" or "policy implementation" documents would be created. Those documents would be more nimble, that is, updateable and modifiable, than periodically revising the whole LMP document.

Is Council in concurrence with that approach?

Action 2: What areas of the LMP warrant "policy directive" or "policy implementation" documents?

Staff have identified a preliminary list of areas they believe should have directive or implementation documents (in no particular order or degree of priority):

A. Lease sale, assignment and assumption
B. Subleasing
C. Lease negotiations
D. Lease renewal and extension
E. Lease term
F. Fair market rent
G. Percent gross rental rates
H. Percent gross auditing
I. Site inspection and compliance monitoring
J. Site redevelopment
K. Financial partnership criteria and financing
L. License agreements
M. Approved uses

Is the Council in concurrence with that list or does Council, wish to add, remove or combine any items on that list?

Action 3: The process by which to undertake this LMP update?

It is staff's recommendation a stakeholder advisory group approach take place to assist in the LMP update, such as an ad-hoc committee or task force. Such a group could consist two Council Members, two Harbor Advisory Board (HAB) Members and two waterfront leaseholders assisted by key City staff, working in a collaborative approach, and also tapping such sources as the Chamber of Commerce, local lenders or developers to ensure good input and opinion from many aspects of the various issues. Such an ad-hoc committee must comply with the Brown Act, since it would be created by Council action and include members of both the Council and HAB.

Another approach could be for the City Manager, in consultation with the Harbor Director, to seek input from an ad-hoc committee consisting of two HAB Members, selected by the HAB, and two waterfront leaseholders, selected by staff, whose comments, suggestions, recommendations and input could be provided to a subcommittee of two Council Members, selected by the Council, which would then make recommendations to the entire Council.

Which approach does the Council prefer? Further, if the chosen approach includes a Council subcommittee, then does Council, at this time, wish to appoint the two Council subcommittee members?

CONCLUSION
Once staff receive input and direction on the action areas outlined, or other areas or topics the Council wishes to address, staff will continue implementing the LMP update process. A proposed timeline for the update is as follows:

September 11, 2018 – City Council approves a process and approach.

September and October, 2018 – staff seek suggestions and recommendations from the ad-hoc committee/stakeholder group and propose a draft LMP (including follow-up documents, as needed), for presentation to the City Council or Council subcommittee, as appropriate, for input.

October 23, 2018 – staff bring a first draft of the updated LMP to the Council or Council subcommittee, as appropriate, for input.

November 13, 2018 – final draft brought to Council for approval.

If one or more special Council meetings are scheduled in the timeline above, then the LMP update could be added to the agenda for additional Council and public input.

ATTACHMENTS
1. Current City of Morro Bay Harbor Department Lease Management Policy

CITY OF MORRO BAY
HARBOR DEPARTMENT LEASE MANAGEMENT POLICY

BACKGROUND

Tracing back to English Common law the Public Trust Doctrine establishes that navigable water or lands subject to tidal influence are "sovereign", held open to the public for commerce, fisheries or navigation. In 1942-44, the federal government constructed a revetment along the Morro Bay waterfront and filled most of the area now known as the commercial strip along the Embarcadero. The State of California claimed ownership of the newly created land as at least a portion of it had previously been below the high tide line. After many years of dispute with private property owners, who also claimed an interest in the land, most title issues were settled in the 1950s-1960s by designating those lands west of Embarcadero Road as public trust lands owned by the State, and those lands east of Embarcadero Road as privately owned. Attached is a map of the tidelands grant in Morro Bay.

In 1947, the State of California granted those public trust lands in Morro Bay to the County of San Luis Obispo. The City of Morro Bay assumed trusteeship of the granted lands upon incorporation in 1964-1965. The tidelands grant in Morro Bay is in perpetuity, provided the City conforms to the terms of the legislative grant. The granted lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Residential use of these public lands is specifically prohibited. The City may lease out these lands to private businesses for a period up to 50 years and all revenues from such leases must be expended within the area of the granted lands for the purposes of the public trust. Much of the granted lands were leased to established businesses in the 1960s on long-term leases that provided low rental rates in exchange for tenant investment in the business on the sites or settlement of previous land ownership or county lease disputes. Some of these old long-term leases have accrued significant "bonus" value to the benefit of the private party because waterfront property values have increased far in excess of the contractual rental return to the City.

Over the years, the City has changed its leasing practices and policies to better protect the public interest by adopting modern lease formats and standards for fair market rent and periodic rental adjustments. There has been some resistance on the part of existing tenants to changes in the City's leasing practices and many issues regarding granted land use and City policy have been difficult to make clear to the general public because of their complexity. In 1985, the City created the Harbor Department to focus property management efforts in the tidelands and to assure the State that tidelands revenues were properly accounted for. The Harbor Department is operated through a City enterprise fund known as the Harbor Fund. Similar to the Water and Wastewater enterprise funds, all Harbor services are funded with either users fees or property management income (no tax revenues). In FY88-89 Harbor Fund lease revenues were $427,634 increasing to $777,784 in lease revenues in FY98-99. The aggressive modernization of the City's property management practices over the last 15 years have allowed the Harbor Department to expand services to the boating public and improve existing harbor/park facilities.

While many coastal cities in California manage tidelands grants similar to that in Morro Bay, such a property management role is not necessarily a natural fit for local government. Familiarity with the history and terms of the various contract forms allows for resolution on contract interpretation issues before they become problems.

The Harbor Department routinely handles five to ten lease "questions" a week. If these questions were put through a political or bureaucratic process, the result would replicate the situation in Morro Bay in the mid-1980s when the Harbor Commission reviewed all lease actions. The City Council reorganized the Harbor Commission into the current Harbor Advisory Board and took lease management issues out of the Board's purview to streamline City responsiveness and improve lease management. Inability to answer contract interpretation questions, or to process City required contractual approvals in a timely manner could cripple tenants' ability to succeed on the tidelands lease sites.

On the one hand, the purpose of the tidelands grant is to develop harbor facilities and with percentage rents, the City is essentially a partner with the lessees along the tidelands. On the other hand, facility development and the desire to increase harbor lease revenues through tidelands lease improvement and business success must be balanced with City planning and land use policies requiring public benefit on sites and good community projects. In the 1990s the City demonstrated it can successfully achieve that balance by working cooperatively with tenants to renegotiate long-term leases (with increased rental revenues) for commercial redevelopment.

The City Manager coordinates the various interests by delegating lease management to the Harbor Director with the understanding that planning, zoning and land use issues shall be determined in accordance with adopted City Plans and Policies administered by the City Planning Staff, legal issues by the City Attorney and insurance issues by the City Risk Manager. The City has previously adopted a lease negotiation policy and a master lease format as policy but has never attempted a more comprehensive statement of management policy. The purpose of this document is an attempt to integrate existing policy with broader statement of public leasing policy to enhance public understanding and provide a framework for future actions.

The City of Morro Bay will use the following policy guidelines in management of the tidelands and Harbor Fee leases in the Harbor Department lease management program.

GENERAL POLICY

The City will manage the tidelands leases to provide and support harbor facilities and enhancement.

The City shall appropriately account for tidelands revenues and expenses in compliance the state law and the tidelands grant.

The Harbor Department will actively work with and attempt to enhance marine dependent or marine related uses in compliance with the adopted City Plans and Policies, and the City's goals of maintaining a small commercial fishing harbor and working waterfront.

The City shall at all times be governed in its management of the tidelands properties by the granting statutes as interpreted and managed by the State Lands Commission.

The Harbor Department will manage leases in a way that will strive to support tidelands visitor serving lease businesses to increase revenues consistent with adopted City Plans and Policies, and coordinated with City planning and land use policies.

Many property management functions of the City such as: lease assignment, sublease approval, lease renewal, extension or renegotiations contractually require City Council review and approval. The City Council approval process can sometimes be misconstrued by the public or the lessees to mean the City Council approves other issues, required permits or plans for the site. The Harbor Department will process lease contract administration issues requiring City Council approval in a timely fashion so lessees are not unduly burdened in their business operations. Any such approval shall not waive any and all other permits, approvals or governmental regulations such as planning and land use permits, building permits, etc.

SPECIFIC POLICIES FOR CONTRACT ADMINISTRATION

Master Lease Format: The City has developed a master lease format based on modern leasing practices and similar formats used by other public agencies. The City master lease format adopted in 1986 is hereby amended and attached to this policy statement. Any lease agreements in the future will be in the approved master lease format. The City may use a license agreement for temporary, interim or non-exclusive use of property when appropriate.

Approved Uses: Uses on the lease sites shall be in conformance with the Tidelands Trust and the City Conditional Use Permit for the site. Proposed new uses for lease sites must be in conformance with the then planning, zoning and land use policies of the City. Lessees proposing or considering new uses for a site will be referred to the Planning Division or Department of the City for review and approval.

Negotiation: Following is the lease negotiation policy adopted by the City Council July 10, 1987:

"It is the policy of the City Council of the City of Morro Bay that negotiations relative to leasing public tidelands shall commence and remain at the appropriate staff level, as managed by the City Administrator. The City Administrator is to serve as the initial level of negotiation appeal, with the City Attorney participating when legal issues arise. Differences of opinion shall be resolved to the maximum extent possible between the parties at the staff level, *prior* to any City Council consideration of the lease.

In the event certain lease issues remain unresolved upon exhaustion of administrative review, the lessee (tenant) may submit a written document to the City Council outlining their points and perspectives concerning the outstanding lease issues. Upon City receipt of the written report, the City Clerk shall cause the item to be placed on the City Council agenda, and the lessee or his/her representative may provide a brief verbal summary of their perspectives to the City Council during a public meeting. It is the policy of the City Council to receive under advisement any written or verbal report at that time, but not to comment on or negotiate in public.

Following receipt of this input from the lessee, the City Council will exercise its authority under California Government Code Section 54956.8, to meet in Closed Session to give instructions to the City's negotiator(s) regarding negotiations for lease of real property (public tidelands). Upon conclusion of the Closed Session considering the points submitted by the tenant, the City's negotiators will be properly instructed and authorized to finalize negotiations and the lease with the tenant."

The following two sub paragraphs are added for clarification on the negotiation process:

A. In many cases parties who are considering buying a tidelands leasehold interest desire to renegotiate the lease (to extend the term, change rent or uses) prior to completing the sale/assignment of the lease. Normally, City staff will not negotiate with prospective tenants due to limited staff time and the potential impact on the "sale" price of a lease. **Prospective buyers of leasehold interest are buying the existing lease agreement only.**

B. All lease sites eventually need to be reconstructed or significantly remodeled. In general, the City desires such reconstruction to bring improvements up to modern building codes, design criteria, and market conditions. The City acknowledges that tenants will need to renegotiate leases to new longer terms to amortize and collateralize their investment on the public property. The normal stage for lease negotiation to commence in a reconstruction redevelopment situation is when the tenant has received Planning Commission and/or City Council approval of a Concept Plan for a Conditional Use Permit to redevelop the site. The project will therefore be at a stage when the CUP can be attached to a new lease and the tenant can be required to construct improvements in compliance with the CUP in a given period of time. The appropriate term for the new lease will be determined by the size of the lease site and the level of private investment proposed for the public property.

Lease Renewal: The practice of the City in the past has been to automatically renew or renegotiate a lease with an existing tenant. This has led to a false sense of private ownership of the lease site and sometimes leads to tenants not maintaining lease or reconstructing prior to the expiration of a given lease term. The City should set some standards for renewing a lease. Lease expiration dates should be encouraged to coincide where adjoining sites may have mutual planning benefits. In some cases, the City should not renew a lease, either for the purpose of consolidating sites or to pursue other extenuating public benefit.

The City will use the following standards for determining whether it should negotiate a new lease with a tenant:

A. The tenant has a good history of performance and lease compliance and the improvements on the site are well maintained. Example standards for determining "good history" of lessee performance are:

1. The tenant's record with respect to the prompt and accurate payment of rent due the City;
2. The tenant's record of compliance with existing lease conditions;
3. The appropriateness of the proposed tenant business with respect to the total mix of uses and services available to the public and with respect to the long-term planning goals of the City;
4. The tenant's financial and personal investment in tenant business and the leasehold improvements;
5. The contribution to the surrounding business community made by the tenant's business;
6. The quality of direct services to the public provided by the tenant and its business;
7. The value received by the public in goods or services.
8. The total financial return to City from the leasehold;
9. Other pertinent considerations as may be appropriate as determined by the City Council.

B. In addition to the above, the City recognizes that there are three distinct zoning areas on the waterfront that require different considerations in lease renewals issues. As follows:

1. Tidelands Park south water area only leases. In this area the City leases only the water areas as the upland property and access to the water areas is owned and controlled by private parties. The City will encourage continuation/enhancement of marine dependent uses such as boats slips and boat repair facilities where feasible. However, this area is not suitable for large redevelopment projects and in most cases the City will negotiate a new 10 to 30 year lease extension with existing tenants when they meet the above criteria.

2. Embarcadero from Beach Street to Tidelands Park. In this area, the City controls land and water areas. In this area tenants are encouraged to propose redevelopments of lease sites to improve public benefits on these sites, enhance the Embarcadero business environment, and renegotiate leases to modern terms. To help accomplish this, and to provide tenants motivation not to let long-term leases run to the very end of their terms with degraded building/improvements, and under market lease terms, the City will generally not renew leases with existing tenants in this area if they allow their leases to run to a term of less than five years remaining.

3. Embarcadero from Beach Street north. This area is designated with zoning to preserve commercial fishing/marine dependent uses. In addition, existing restaurants or retail uses are grandfathered in. The City will strongly encourage tenants who propose enhancement of commercial fishing uses or marine dependent uses by considering new long-term leases that facilitate these types of projects. Existing restaurant/retail sites shall be extended or renewed if the tenant can develop plans for enhancement of the site within the constraints of CF District zoning. Within the general outlines of this policy the City Council will provide specific direction to the City's designated negotiator on the Morro Bay Power Plant outfall lease.

In general, leases that are not renewed should be put out to public bid or kept in short-term interim lease arrangements until adjacent sites become available for consolidation. In addition, the City has many long-term ground leases (known as the County or Pipkin leases), which provide low rent in exchange for tenant investment or settlement of previous disputes. These long-term leases provide that the tenant-constructed improvements revert to City ownership upon lease termination and this was a critical part of the consideration in allowing the tenant such a long-term lease at the specified rents. The County and Pipkin leases were 50-year leases (the maximum term set by the tidelands grant) and may not be extended or renewed. The City shall encourage tenants to renegotiate these leases into the new City master lease format well before the termination date of that lease.

In the CF District the City should attempt to consolidate leases in the area between the T-Piers to facilitate marine dependent redevelopment such as a seafood processing plant.

Fair Market Rent: State Law requires that fair market rent be charged for use of the granted tidelands. Fair market rental shall be determined through the use of an independent appraiser to appraise the fair market value of the property and the City will set a minimum annual rent equal to 8% of the appraised value of the land or improvements if the improvements have reverted to the City. The lease rent will be structured to provide for a minimum annual rent as outlined above or a percentage of gross sales rent as shown on the attached Schedules entitled Standard City percentage of gross sales rent.

In cases where the tenant is proposing complete redevelopment of a site to eminent modern design criteria at significant private investment the City may allow both temporary reductions in the outlined minimum rent to offset tenants period of reduced revenues during construction and reduction in the standard retail percentage of gross sales to 3% for the first 10 years of a new long-term lease agreement.

Maintenance of Improvements: The City has a paramount interest in ensuring that the improvements on the lease site are being properly maintained and are in a safe and secure condition. The City shall contract to have the lease sites inspected and a report made on such inspections every five years. City staff will require significant deficiencies noted in the lease site inspection reports to be repaired or cured by the tenants. As long-term leases draw close to expiration tenants tend to defer maintenance and the City must carefully monitor and strictly enforce lease maintenance provisions to protect the reversionary interest in the lease site improvements.

Percentage of Gross Sales Audits: Where tenants are subject to percentage of gross sales rent, the City will contract to have the business accounting records examined for lease compliance at least every five years. City staff will require tenants to comply with or cure any deficiencies noted in the accounting records examinations.

Lease Assignment/Sale: All City leases require City Council approval of the sale or assignment of a lease agreement. Any tenant requesting such approval will be required to pay fees noted in the master fee schedule, to submit financial documentation to indicate qualifications to the satisfaction of the Finance Director, and be in full compliance with the terms and conditions of their lease agreement. If the proposed assignment or sale includes a change in use of the site, then the change in use will be reviewed by the Public Services Department of the City for conformance with planning and zoning regulations. Proposed changes in uses for lease sites must comply with City planning and zoning ordinances, the City's adopted Local Coastal Plan and Measure D limitations for properties north of Beach Street. Where zoning allows a variety of uses, preference will be given to coastal related uses whenever possible.

Sublease Approval: All leases require City approval of sublease agreements. Prior to approval of the sublease, the tenant shall pay any fees noted in the master fee schedule; submit a properly executed copy of the City standard Consent to Sublease form and a copy of the Sublease Agreement. Future lease agreements may provide for the City Manager or designee to approve sublease agreements which meet the stated qualifications for approval and which comply with the terms and conditions of the lease agreements.

Financing: The City will not approve financing related to or using the lease site, or leasehold interest as collateral unless such financing is for sole investment upon the lease site or for City requested public improvements.

SCHEDULE A

PERCENTAGE RENT FOR GROUND LEASES

		% GROSS SALES
FOOD SERVICE:	Restaurant, Dining Room	3
	Snack Bar, Delicatessen,	5
	Fast Food, Convenience Food	5
	Bar/Lounge, Beer & Wine Sales	5
RETAIL SALES & SERVICE:	Tenant	3-5
FISH & SEAFOOD:	Retail Sales	3-5
	Wholesale Sales	0
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	10
	Pier/Floating	10
BOAT REPAIR & SALES:	Boat & Marine Repair	3
	New Boat Sales	1
	Used Boat Sales	2
FUEL:	Gasoline	$0.02/gal.
	Diesel	$0.015/gal.
MOTEL:		5
ALL OTHER USES:		5

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

SCHEDULE B

PERCENTAGE RENT FOR BUILDING LEASES

		% GROSS SALES
FOOD SERVICE:	Restaurant, Dining Room	5
	Snack Bar, Delicatessen,	7
	Fast Food, Convenience Food	7
	Bar/Lounge, Beer & Wine Sales	10
RETAIL SALES & SERVICE:	Tenant	7
	Sublease	7
FISH & SEAFOOD:	Retail Sales	5
	Wholesale Sales	0.5
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	20
	Pier/Floating	20
BOAT REPAIR & SALES:	Boat & Marine Repair	5
	New & Used Boat Sales	2
FUEL:	Gasoline	.02/gal.
	Diesel	$0.015/gal.
MOTEL:		10
RV PARK:		25
ALL OTHER USES:		10

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.