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, October 8, 2019
Veterans Memorial Hall - 5:30 P.M.
209 Surf St., Morro Bay, CA

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
RECOGNITION
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS
PRESENTATIONS

- Intimate Partner Violence Awareness Month Proclamation
- Visit SLO Cal Presentation

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

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

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

A. CONSENT AGENDA

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

A-1 APPROVAL OF MINUTES FOR THE SEPTEMBER 24, 2019, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 PROCLAMATION DECLARING OCTOBER 2019 AS INTIMATE PARTNER VIOLENCE AWARNESS MONTH; (ADMINISTRATION)

RECOMMENDATION: Approved as submitted.

A-3 ADOPTION OF RESOLUTION NO. 81-19 APPROVING A REVISED UTILITY LEAK REVIEW POLICY; (FINANCE)

RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 81-19 rescinding Resolution No. 62-19 approving a revised Leak Review Policy, and re-adopting Utility Payment Arrangement, Approved Payment Types and Change of Primary Account Holder Policies.

A-4 ADOPTION OF RESOLUTION NO. 82-19 AUTHORIZING APPLICATION SUBMITTALS FOR CALIFORNIA'S DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE) GRANTS FOR RUBBERIZED PAVING (PUBLIC WORKS)

RECOMMENDATION: Staff recommends the City Council to adopt Resolution No. 82-19 authorizing the Public Works Director to:

1. **Execute and submit the application to CalRecycle for any and all CalRecycle Rubberized Pavement or Tire-Derived Aggregate grants for which the City of Morro Bay is eligible for a period of five (5) years from the date of adoption of Resolution No. 82-19, and**
2. **To act as the City's representative in administration of the grant, including but not limited to, applications, agreements, and amendments that are necessary to implement and secure payment of CalRecycle grants to the City; if the application is successful.**

A-5 ADOPT RESOLUTION NO. 85-19 APPROVING FISCAL YEAR 2018/19 FOURTH QUARTER YEAR-END BUDGET ADJUSTMENTS; (FINANCE)

RECOMMENDATION: Staff recommends that the City Council adopt Resolution No. 85-19 approving Fiscal Year 2018/19 Fourth Quarter Year-End Budget Adjustments.

A-6 APPROVAL OF CITIZENS OVERSIGHT / CITIZENS FINANCE ADVISORY COMMITTEE MEMBER'S REQUEST FOR AN EXCUSED ABSENCE; (CITY CLERK)

RECOMMENDATION: Staff recommends the City Council consider and approve the request submitted by Citizens Oversight / Citizens Finance Advisory Committee (CFAC) Member, Lois Johnson, to excuse her absence from the October 2019, Regular Citizens Oversight / Citizens Finance Advisory Committee meeting.

A-7 CONCEPTUAL APPROVAL OF A PILOT BUILDING LEASE AGREEMENT WITH THE PADDLEBOARD COMPANY (KEN AND SANDI TWIST) AT LEASE SITE 69-70/69W-70W, LOCATED AT 595 EMBARCADERO ROAD (THE OLD MORRO BAY AQUARIUM SITE**);** (HARBOR)

RECOMMENDATION: Staff recommends the City Council conceptually approve a pilot, short-term lease agreement arrangement with the Paddleboard Company at Lease Site 69-70/69W-70W as outlined herein, and direct staff to bring back a proposed lease agreement for final approval (substantively consistent with the conceptual approval).

B. PUBLIC HEARINGS - NONE

C. BUSINESS ITEMS

C-1 REVIEW OF OPTIONS RELATED TO LOCAL TOBACCO AND VAPING REGULATIONS; (CITY MANAGER)

RECOMMENDATION: Staff recommends the City Council receive the status report and provide direction with regard to local smoking regulations and the sale of tobacco and vaping products.

C-2 REVIEW PROGRESS UPDATE FROM CENTRAL COAST AQUARIUM FOR POTENTIAL FUTURE MORRO BAY AQUARIUM; (CITY MANAGER)

RECOMMENDATION: Staff recommend the City Council receive and file the 180-day "Milestone #2" update from Central Coast Aquarium (CCA).

C-3 CONSIDERATION OF VISIT SAN LUIS OBISPO COUNTY TOURISM MARKETING DISTRICT (SLOCTMD) RENEWAL WITH RECOMMENDATION; (CITY MANAGER/TOURISM MANAGER)

RECOMMENDATION: Adopt Resolution No. 84-19 granting consent to the San Luis Obispo County Board of Supervisors to renew the SLOCTMD for lodging establishments in Morro Bay for a 10-year period with a 1.5% assessment and authorizing the Mayor to send an accompanying letter to the County and Visit SLO CAL Boards, making recommendations for improving collaborative performance going forward.

C-4 CONSIDERATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) SUPPLEMENTAL ANNUAL REPORT WITH THE INCLUSION OF VACATION RENTALS (VR'S) IN THE EXISTING 3% ANNUAL ASSESSMENT AND CONTINUATION OF THE EXISTING TBID ASSESSMENT FOR FISCAL YEAR 2019/20; ADOPTION OF RESOLUTION NO. 83-19 DECLARING THE INTENT TO CONTINUE THE PROGRAM AND LEVY ASSESSMENTS FOR THE REMAINDER OF FISCAL YEAR 2019/20; AND, SCHEDULING BOTH A PUBLIC MEETING TO CONSIDER LEVYING THE ASSESSMENTS AS WELL AS A PUBLIC HEARING TO CONSIDER PROTESTS TO THE LEVYING OF THE ASSESSMENTS; (CITY MANAGER/TOURISM MANAGER)

RECOMMENDATION:

1. **Council to adopt Resolution No. 83-19 approving the Supplemental Fiscal Year 2019/20 Annual Report for expenditure of funds to be derived from the addition of Vacation Rentals (VR's) and declaring the intent to continue the program and levy assessments for the remainder of Fiscal Year 2019/20, and schedule both a Public Meeting to Consider Levying the Assessments as well as a Public Hearing to Consider Protests to the Levying of the Assessments; and**

2. **Council to approve moving $10,000 from the accumulation fund to the TBID FY 2019-20 Budget for visiting journalists and grants expenses; and**
3. **Council to honor vacation rental contracts put in place prior to VRs being added to the TBID for stays in Morro Bay through June 30, 2020, with all stays thereafter being assessed the 3% TBID assessment regardless of contract execution date.**

C-5 REVIEW OF CITY PARK TRANSIT HUB IMPROVEMENTS STUDY; (PUBLIC WORKS)

RECOMMENDATION: Staff and the Public Works Advisory Board recommend City Council:
Review and accept the Morro Bay City Park Transit Hub Improvements Study:

1. **Select the Existing Site option for vehicle pull in/pull out and passenger shelter area improvements; and**
2. **Direct staff to pursue transportation grants to fully fund the improvements**

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, October 22, 2019 at 5:30 p.m.** at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 805-772-6205 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY, CALIFORNIA DURING NORMAL BUSINESS HOURS.

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

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL CLOSED SESSION MEETING –
SEPTEMBER 24, 2019 – 3:00 P.M.
CITY HALL CONFERENCE ROOM.

AGENDA NO: A-1

MEETING DATE: October 8, 2019

PRESENT:	John Headding	Mayor
	Dawn Addis	Council Member
	Robert Davis	Council Member
	Jeff Heller	Council Member
	Marlys McPherson	Council Member
STAFF:	Scott Collins	City Manager
	Chris Neumeyer	City Attorney
	Scot Graham	Community Development Director
	Eric Endersby	Harbor Director

ESTABLISH QUORUM AND CALL TO ORDER
Mayor Headding called the meeting to order at 3:00 p.m. with all members present.

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

CLOSED SESSION PUBLIC COMMENT – Mayor Headding opened public comment for items on the agenda.

Sandi Twist, The Paddleboard Company, requested the Council allow her to lease space in the aquarium building on a short-term basis to maintain a brick and mortar location as currently required by City policy.

The public comment period was closed.

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

CS-1 <u>CONFERENCE WITH REAL PROPERTY NEGOTIATOR – GOVERNMENT CODE SECTION 54956.8</u>

Property: Chevron Estero Bay (Former Marine Terminal) Property, north and East of the City: APN: 073-075-022, APN's: 073-075-016, 073-084-032, APN's:065-022-008, 073-075-002, 073-076-016
Property Negotiators: Chevron & Cayucos Sanitary District
Agency Negotiators: Scott Collins, City Manager, Scot Graham, Community Development Director and Chris Neumeyer, City Attorney
Under Negotiation: Price and Terms

CS-2 <u>CONFERENCE WITH REAL PROPERTY NEGOTIATOR – GOVERNMENT CODE SECTION 54956.8</u>

Property: Lease Site 69-70/69W-70W, 595 Embarcadero
Property Negotiators: Sandi Twist, The Paddleboard Company
Agency Negotiators: Scott Collins, City Manager, Eric Endersby, Harbor Director, and Chris Neumeyer, City Attorney
Under Negotiation: Price and Terms

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

ADJOURNMENT - The meeting adjourned at 4:02 p.m.

Recorded by:

Dana Swanson
City Clerk

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AGENDA NO: A-2

MEETING DATE: October 8, 2019

A PROCLAMATION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY DECLARING OCTOBER 2019 AS INTIMATE PARTNER VIOLENCE AWARNESS MONTH

CITY COUNCIL
City of Morro Bay, California

WHEREAS, domestic violence is a systematic pattern of abusive behavior to gain power and control through use of physical violence, sexual violence, threats, and/or emotional abuse used by one intimate partner against another; and

WHEREAS, every minute an average of 20 people are physically abused by intimate partners in the United States which equates for 10 million abuse victims annually; and

WHEREAS, approximately 40% of California women experience physical intimate partner violence in their lifetimes while 1 and 3 female murder victims in the United States are killed by intimate partners; and

WHEREAS, children exposed to intimate partner violence in the home experience long-term consequences such as difficulty in school, substance abuse, and serious adult health problems; and

WHEREAS, Stand Strong provided a variety of prevention and direct services to intimate partner violence victims last year, including assisting over 820 clients, providing 2,864 nights of shelter to clients, and responding to 885 crisis calls; and

WHEREAS, intimate partner violence has a significant economic impact as it is estimated 8 million days of work are lost nationwide yearly as the result of intimate partner violence; and

WHEREAS, among families, intimate partner violence is the third leading cause of homelessness; and

WHEREAS, we recognize the survivors and victims of intimate partner violence embody incredible strength and resilience to overcome trauma and abuse to build lives free of violence; and

NOW, THEREFORE, BE IT RESOLVED that the Morro Bay City Council designates October 2019 as Intimate Partner Violence Awareness Month and urges all citizens to observe this month by becoming aware of the tragedy of intimate partner violence, by supporting those who are working toward its end, and by participating in community awareness efforts.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 8th day of October 2019.

____
JOHN HEADDING, Mayor
City of Morro Bay, California

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AGENDA NO:	A-3
MEETING DATE:	October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 1, 2019**

FROM: **Jennifer Callaway, Finance Director**

SUBJECT: **Adoption of Resolution No. 81-19 approving a Revised Utility Leak Review Policy**

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 81-19 rescinding Resolution No. 62-19 approving a revised Leak Review Policy, and re-adopting Utility Payment Arrangement, Approved Payment Types and Change of Primary Account Holder Policies.

BACKGROUND/DISCUSSION

On June 25, 2019, staff brought forward a number of financial policies for Council review and adoption to ensure practices related to Utility Billing are clear and consistently applied to all customers, and also for transparency purposes so the Council and community are aware of the City's utility billing policies. Since the implementation of those policies, staff determined the Leak Review Policy should be revised to require the customer to provide proof and documentation of repairs prior to any billing adjustment. The proposed red-line edits are provided in Exhibit B to Resolution No. 81-19; Exhibits A, C & D remain the same. In order to create a clear record, staff recommends Resolution No. 62-19 be rescinded in its entirety and replaced by proposed Resolution No. 81-19 approving utility billing policies related to Payment Arrangements, Leak Review, Payment Types, and Change of Primary Account Holder Policies.

CONCLUSION

Having clearly defined financial policies that reflect the City's values will serve as the foundation for decision-making in tough fiscal times and will aid in preserving the City's long-term fiscal health and vitality. Staff recommends Council review the proposed minor revision to Exhibit B and adopt Resolution No. 81-19.

ATTACHMENT

1. Resolution No. 81-19
   a. Exhibit A – Payment Arrangement Policy
   b. Exhibit B – Leak Review Policy - ***REVISED***
   c. Exhibit C – Payment Type Policy
   d. Exhibit D – Change of Primary Account Holder Policy

Prepared By: ___JC_____	**Dept Review:** ______
City Manager Review: ___SC_____	**City Attorney Review:** ______

RESOLUTION NO. 81-19

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
RESCINDING RESOLUTION NO. 62-19 AND RE-ESTABLISHING THE CITY
OF MORRO BAY'S ACCOUNTING AND FINANCIAL REPORTING POLICIES
RELATED TO UTILITY PAYMENT ARRANGEMENT, LEAK REVIEW,
APPROVED PAYMENT TYPES, AND CHANGE OF PRIMARY ACCOUNT
HOLDER POLICIES**

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, the City of Morro Bay wishes to establish Financial policies to direct staff and provide transparency to the Council and Community; and

WHEREAS, those policies outline the City's utilities payment arrangement program, leak review procedures, approved forms of payment, and change of primary account holder; and

WHEREAS, on June 25, 2019, the City Council adopted various policies demonstrating the City's commitment to fiscal responsibility and prudent management and is consistent with Government Accounting Standards;

WHEREAS, staff recommends the City Council adopt a revised "Leak Review Policy" requiring a customer provide proof and documentation of repairs prior to consideration of a billing adjustment.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, that Resolution No. 62-19 is hereby rescinded, and the following policies, attached hereto and incorporated herein, are hereby approved:

1. "Payment Arrangement Policy," as set forth in Exhibit A,
2. "Leak Review Policy," as set forth in Exhibit B,
3. "Payment Type Policy," as set forth in Exhibit C, and
4. "Change of Primary Account Holder Policy," as set forth in Exhibit D.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 8^{h} day of October 2019, by the following vote:

AYES:
NOES:
ABSENT:

____
JOHN HEADDING, Mayor

ATTEST:

____
DANA SWANSON, City Clerk

COUNCIL POLICY

Payment Arrangement Policy for Utilities

Policy Statement

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits, and delivery of potable water to a similar number of customers.

The City Council sets legislative financial management policies, as recommended by staff and advisory committees. This Payment Arrangement Policy is designed to resolve an outstanding balance on a Customer's account in a timely manner under qualifying circumstances.

Purpose

The Payment Arrangement Policy for Utilities establishes a mechanism and authority for aiding with an outstanding balance that the Customer is not able to pay with one payment. A payment arrangement may be used once during a twelve-month period.

Definitions

Outstanding Balance – any balance on a utility account that has not been paid by the due date.

Penalty – ten percent (10%) of the unpaid, past-due balance on a utility account, assessed the first day of the month following due date.

Tag Notice – fee charged for the physical posting of shut-off notices at the customer's location.

Shut off due to non-payment – physical turning off the water and locking of the meter by a Technician due to non-payment.

Payment Arrangement

The City bills utility customers monthly for water and sewer services. For any account with an outstanding balance after 60 days is subject to shut off.

- Policy Agreement form (attached) must be requested and signed by the Primary Customer. Once it is received by City Hall it will go in effect.
- The Customer will be required to pay the monthly payment amount in addition to the current monthly charges.
- The number of months of payments are three months, six months and a maximum of nine months. A Payment Arrangement can only be nine months if the outstanding balance is $1000 or over (usually from a leak review or excessive use of water).
- When the signed Policy Agreement form is received, the account will not be penalized or subject to shut off for outstanding balance if payments are received by the due date.

- If payments are not received by the due date, a 10% penalty of the overdue balance will be assessed.
- If a monthly payment is 30 days late, the City shall discontinue the Payment Arrangement at its discretion.
- If a Customer has had a Payment Arrangement discontinued, they will not be eligible for another payment arrangement for a 24-month period.

This policy applies to all customers of the City of Morro Bay who have a utility billing account with the city. The Finance Department is responsible for the administration and enforcement of this policy.

Resolution No. 81~~62~~-19
Exhibit B

COUNCIL POLICY

Leak Review Policy for Utilities

Policy Statement

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits and delivery of potable water to a similar number of customers.

The City Council sets legislative financial management policies, as recommended by staff and advisory committees. Section 2.12.160 of the Municipal Code states that it shall be the duty of the City Manager to, "investigate all complaints in relation to matters concerning the administration of the city government and in regard to the service maintained by public utilities in the city, …" This Leak Review Policy for Utilities ("Policy") provides the City Manager to administer the City's policy in an efficient manner and to take such actions as are necessary to carry out the affairs of the city.

Purpose

The purpose of the Leak Review Policy is to resolve utility customer concerns regarding utility leaks in a fair and timely manner.

Definitions

Leak – A loss of water due to break, malfunction, damage or wear and tear.

Penalty – ten percent (10%) of the unpaid, past-due balance on a utility account, assessed the first day of the month following due date.

Posting of Notices – fee charged for the physical posting of shut-off notices at the customer's location.

Discontinuation of Service – shut and lock off of water due to nonpayment of past due balance.

Leak Review Assessment and Implication

- The Leak review policy will only act when written requests is received from the primary utility customers with regard to water and/or sewer billing matters.
- Once a written receipt is received from the primary customer, and consumption has returned down to normal for at least two reads, the account will be reviewed as soon as practical to address the customer's concern.
- The customer will need to provide proof of repairs. (i.e. invoice from a company used to repair the leak or receipts of materials if the leak was repaired by the customer)
- The leak review process will need to be completed within nine months.
- A customer is limited to 2 reviews in a 5-year period that may be presented to the City on a single address.

  - Example: 1st leak reviewed 2014, customer then has until 2018 to submit 1 more leak letter for review. In 2019 the five-year time frame starts over again.

- The City shall have the authority to make a billing adjustment, in the interest of fairness presented by the customer and the City's utility clerk.

- If an adjustment is made, the following formula is used:

  - An annual average usage is determined for the customer.

  - Any consumption above the annual average for the account in tier 4 is adjusted off.

  - Any consumption above the annual average for the account in tier 3 is adjusted by half.

  - If the leak is determined to be a documented outside leak of a commercial account, the sewer is also adjusted based on the same annual average usage.

- Decisions of the City shall constitute the final administrative review of the matter.

- When a customer requests that his/her billing concern be addressed by the City, no further collection actions (i.e. penalties, posting of notices, discontinuation of service, etc.) shall be taken until the concern is reviewed, and a decision is rendered. The customer will be required to pay that portion of the bill that reasonably would be due and payable, aside from the contested portion.

This policy applies to all customers of the City of Morro Bay who have a utility billing account with the city. The Finance Department is responsible for the administration and enforcement of this policy.

COUNCIL POLICY

Payment Type Policy for Utilities

Policy Statement

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits, and delivery of potable water to a similar number of customers.

The City accepts payment for utility bills in the form of check, cash, credit/debit card, electronic payment or direct payment.

Purpose

The Payment Type Policy for Utilities establishes what payment types are accepted, and how the payment is considered on time. Utility bill payments are due on the last day of the month for current charges.

Definitions

Check – this includes money order, or cashier's check. Payments in check form can be mailed to City Hall, dropped off in the office or in the drop box outside of City Hall. The payment is entered and accounted for on the day it's received. The City will not accept a postdated check due to it not being legal tender. The check will be returned to sender if the check is: postdated, not endorsed to the City of Morro Bay, unsigned or incorrect legal description along with a letter from the City.

Cash – the City does accept USD cash as a form of payment. This form of payment is made at City Hall at the front desk. We do not recommend mailing cash or depositing the cash payment into the drop box but will accept it.

Credit/Debit Card – the City accepts card payments through our website and in City Hall. There is a 3% convenience fee for all card payments. Card payments through the website are entered the following business day from when the payment was made.

Bank Draft/Direct Payment – is established when the Bank Draft form and a voided check or printout from the bank is provided. The bill will be paid on the 21st of every month, or next following business day if the 21st falls on a Holiday or weekend.

Electronic Payment – a Customer's bank deposits payments electronically. These payments are posted as they are received by the City.

Payment Types

Utility customers who do not have their payment turned in by the last day of the month are subject to a 10% penalty on their remaining balance on the account.

If the first day of the month falls on a weekend or holiday, payments received before City Hall opens on the following business day are considered on time. For example: if the 1st falls on a Saturday, and a payment is made before City Hall opens at 8 am on the following Monday, the payment is considered on time.

This policy applies to all customers of the City of Morro Bay who have a utility billing account with the City. The Finance Department is responsible for the administration and enforcement of this policy.

COUNCIL POLICY

Primary Account Holder Change Procedural Policy

Policy Statement

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits and delivery of potable water to a similar number of customers.

The Primary Account Holder Change Procedural Policy ("policy") is designed to set forth procedures to best serve citizen and staff.

Purpose

The Policy is to provide the most efficient customer service to Citizens by setting procedures for the changing of primary account holder in the case of death, or no longer able to make executive decisions.

Primary Account Holder Change Procedure

A primary account holder change shall be requested by the next of kin or executor of Power of Attorney ("POA"). The requesting person must provide the following:

- Verification of identity by either email or in person (acceptable formats provided below):
- Legal photo ID
- A copy of death certificate shown to Utility Clerk stating next of kin or a copy of POA stating executor

Once the documentation is shown, a "Primary Account Holder Change" form (attached) will need to be completed and submitted.

The application fee will be waived.

This policy applies to all customers of the City of Morro Bay who have a utility billing account with the City. The Finance Department is responsible for the administration and enforcement of this policy.

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AGENDA NO:	A-4
MEETING DATE:	October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 2, 2019**

FROM: **Rob Livick, PE/PLS – Public Works Director/City Engineer**
Pamela Newman, Assistant Engineer

SUBJECT: **Adoption of Resolution No. 82-19 authorizing application submittals for California's Department of Resources Recycling and Recovery (CalRecycle) Grants for Rubberized Paving**

RECOMMENDATION

Staff recommends the City Council to adopt Resolution No. 82-19 authorizing the Public Works Director to:

1. Execute and submit the application to CalRecycle for any and all CalRecycle Rubberized Pavement or Tire-Derived Aggregate grants for which the City of Morro Bay is eligible for a period of five (5) years from the date of adoption of Resolution No. 82-19, and
2. To act as the City's representative in administration of the grant, including but not limited to, applications, agreements, and amendments that are necessary to implement and secure payment of CalRecycle grants to the City; if the application is successful.

ALTERNATIVES

There are no alternatives recommended

FISCAL IMPACT

The Council approved FY2019/2020 budget for the Pavement Management Program (PMP) estimated at $762,686. The following table indicates the funding sources for the FY2019/20 PMP:

Funding Source	Estimated Amount
Local Sales Tax (Measure Q)	$517,000
SB1	$185,686
Local Transportation Funds (SLOCOG)	$10,000
CalRecycle Grant	$50,000

The CalRecycle Grant is a funding source designed to compensate the awardee for the additional cost of adding recycled rubber from automobile tires to street treatment materials, usually around 15% of the mix. The City would still be responsible for the cost of the other 85% plus all labor and other costs associated with placing the paving materials.

BACKGROUND/ DISCUSSION

Prepared By:___PN_____	Department Review: __RL______
City Manager Review:___SC_____	City Attorney Review: ___CFN_____

The City's Pavement Management Plan recommends the use of a variety of paving materials and methods in order to improve the City Streets in the most cost-effective manner. One of the recommended methods is a cape seal, which is used to renovate pavements that are distressed but have a solid base. Adding rubberized asphalt to the cape seal increases the flexibility of the new surface which in turn increases the longevity and durability of the treatment. The crumb rubber is derived from California-generated waste tires.

The CalRecycle Rubberized Pavement grant program has been used by the City for several years. The program is designed to provide an incentive for agencies to use California-generated recycled tires in their paving operations.

City policy requires purchasing of recycled goods when fitness and quality are not compromised (Municipal Code 3.08.100)

CONCLUSION

Staff recommends the City Council adopt Resolution No. 82-19 authorizing the Public Works Director to execute and submit the application to CalRecycle for any all CalRecycle grants for which the City of Morro Bay is eligible, and to act as the City's representative in administration of the grant if the application is successful, for a period of five years.

ATTACHMENT

1. Resolution 82-19

RESOLUTION NO. 82-19

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVING SUBMITTAL OF APPLICATION FOR ALL
CALRECYCLE GRANTS FOR WHICH THE CITY OF
MORRO BAY IS ELIGIBLE**

**T H E C I T Y C O U N C I L
City of Morro Bay, California**

WHEREAS, Public Resources Code sections 48000 *et seq.,* through the California Department of Resources Recycling and Recovery (CalRecycle), have established various payment programs (grants) in furtherance of the State of California's (state) efforts to reduce, recycle and reuse solid waste generated in the state thereby preserving landfill capacity and protecting public health and safety and the environment; and

WHEREAS, in furtherance of this authority CalRecycle is required to establish procedures governing the application, awarding, and management of the payment programs (grants); and

WHEREAS, CalRecycle's procedures for administration payment programs require, among other things, an applicant's governing body to declare by resolution certain authorizations related to the administration of the payment programs (grants); and

WHEREAS, use of the rubberized asphalt material subsidized by one or more of the available grants is in conformity with the City's Pavement Management Plan adopted by the City Council in June, 2011; and

WHEREAS, the City's procurement policy provides preference to products that contain post-consumer waste, a goal which is attainable through one or more of the available grants;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morro Bay, California, authorizes the submittal of applications to CalRecycle for any and all payment programs (grants) available from CalRecycle for which the City of Morro Bay is eligible; and

BE IT FURTHER RESOLVED that the Public Works Director or his designee is hereby authorized and empowered to execute in the name of the City of Morro Bay all payment programs (grants) documents necessary for City participation in all CalRecycle grant programs and offerings, including but not limited to, applications, agreements, amendments and requests for payment, necessary to implement the secure payment of CalRecycle grants to the City; and

BE IT FURTHER RESOLVED that this authorization is effective for five (5) years from the date of adoption of this Resolution.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting held on the 8th day of October 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

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AGENDA NO:	A-5
MEETING DATE:	October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 3, 2019**

FROM: **Jennifer Callaway, Finance Director**

SUBJECT: **Adopt Resolution No. 85-19 approving Fiscal Year 2018/19 Fourth Quarter Year-End Budget Adjustments**

RECOMMENDATION

Staff recommends that the City Council adopt Resolution No. 85-19 approving Fiscal Year 2018/19 Fourth Quarter Year-End Budget Adjustments.

DISCUSSION

As staff is preparing year-end entries to close out Fiscal Year 2018/19 books, budget variances were identified. Staff is recommending that the City Council adopt Resolution No. 85-19 authorizing staff to proceed with Fiscal Year 2018/19 Fourth Quarter year-end budget adjustments. With approval of staff's recommendation, the year-end close out process can continue in preparation for the auditor's field work scheduled for the week of October 28, 2019. Due to timing, this report was not presented to the Citizen's Finance Advisory Committee (CFAC) for prior review and comment to Council.

The proposed budget adjustments are generally minor, truing up revenues and expenditures to actual expenses. The proposed adjustments are summarized below:

General Fund Revenues:

- Reimbursement for the School Resource Officer from San Luis Obispo Unified School District - $44,354

General Fund Expenditures:

- Transfer to Economic Development Fund for General Plan Implementation Items - $100,000
- Increased expenses incurred for Copiers and DocuTeam File storage - $28,909
- Increased Electricity Expense - $7,830
- Transfer of FY 17/18 Cash to General Fund Emergency Reserve - $38,194
- Transfer to fund final portion of City works Implementation - $5,000
- Increased Expenses related to professional services in the Clerk's Department - $8,000

Enterprise Fund Expenditures:

- Water Enterprise Fund share of funding for WRF Capital project funding transferred to Balance Sheet (29%) - $1,606,504
- Sewer Enterprise Fund share of funding for WRF Capital project funding transferred to Balance Sheet (71%) - $3,933,164
- Harbor Enterprise Fund Capital Projects Funding - $31,071

Prepared By: JC	**Dept Review:** JC
City Manager Review: ________	**City Attorney Review:** ______

- Harbor Lifeguards Overtime and Benefits Pay - $25,830
- Transfer of Harbor Enterprise Cash to Harbor Accumulation Fund - $25,628
- Harbor Fund Share of Direct Legal Expenses paid for by the General Fund - $24,901

Other Funds Revenues:

- Transfer into Economic Development Fund for General Plan Implementation - $100,000
- Transfer of cash into the General Fund Emergency Reserve - $38,194
- Unbudgeted Rental Income for Market Plaza - $3,000
- Proceeds of sale of Old Sewer Vac and Utility Trucks - $32,301
- Recognize Grant Revenue from SLO County HUD ADA Sidewalk Grant - $299,437
- CA COPs Program SLESF Grant Income Higher than Budgeted - $48,747
- Transfer for Utility Discount - $41,257
- Recognize Castle Wind Offshore Wind Turbines in Community Benefit Fund - $250,000
- Recognize Rental Income for Triangle Lot/Boat Storage Fund - $5,082

Other Funds Expenditures:

- Employee Separation Compensated Absences Payout - $85,362
- AMGEN Co-Sponsorship Expenditures - $32,000
- General Fund Emergency Reserve Loan for Fire Engine Purchase - $242,482
- Remove budget for Parking In-Lieu Angle Parking in Downtown – ($83,700)
- Remove budget for unneeded non-capital asset expense in Transit Fund – ($63,783)
- Increased costs for insurance premiums for property damage - $27,353
- IT portion of City works deployment - $12,582
- Reduced budget for less Labor than anticipated in the North Point Assessment District – ($487)
- Increase costs for contract services in the North Point Assessment District - $711
- Increased costs for North Point Assessment District Disposal Services - $2,351
- Expenses incurred for Wayfinding Signage out of Economic Development Fund - $1,677
- Triangle Lot Labor Expenses incurred for oversight of the rental yard - $3,201
- Triangle Lot Operating Expenses - $1,714

Capital Projects Revenues:

- Water Fund Share of WRF Costs - $435,340
- Decrease Sewer Funds Share of WRF Costs due to Water Funds Contribution – ($435,340)

Capital Projects Expenditures

- Transfer of Funds for Harbor Capital Expenditures - $14,408

CONCLUSION

Staff recommends that the City Council adopt Resolution No. 85-19 approving Fiscal Year 2018/19 Fourth Quarter Year-End Budget adjustments, allowing staff to continue preparing for the annual year-end audit and closure of FY 2018/19 financial records.

ATTACHMENT

1. Resolution No. 85-19 Approving Fiscal Year 2018/19 Fourth Quarter Year-End Budget Adjustments

RESOLUTION NO. 85-19

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, APPROVING FISCAL YEAR 2018/19 FOURTH QUARTER YEAR-END BUDGET ADJUSTMENTS

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, city staff is preparing year-end accounting entries to close out the City's Fiscal Year 2018/19 financial records; and

WHEREAS, in preparing year-end accounting entries staff have identified budget adjustments; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, the operating budgets of the City are amended by the additional revenues and expenditures, as shown on the attached Exhibit A, to finalize Fiscal Year 2018/19 accounting records.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 8th day of October 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
JOHN HEADDING, Mayor

ATTEST:

____
DANA SWANSON, City Clerk

General Fund Revenues				
Fund	Prog	Acct	Description	Adjustment
001	4110	3499	School Resource Officer Reimb from SLOUSD contract 3/28-6/30/19	44,354
			Total General Fund	44,354

General Fund Expenditures				
Fund	Prog	Acct	Description	Adjustment
001	7710	8520	Transfer to Econ Dev Fund amount in Consulting expense Com Dev	100,000
001	7105	6105	Reduce 18/19 amount in Com Dev being moved to Econ Dev	(100,000)
001	3115	6750	Higher than expected expense Ricoh Copiers & Docuteam	28,909
001	7250	6301	Incr Electricity Expense for Solar locations in GF	7,830
001	7710	8520	17/18 YE Trans of GF excess cash to GFER Fund recorded in 18/19	38,194
001	7710	8410	18/19 Transfer to fund Citiworks Implementation CIP carryover	5,000
001	3130	6199	Increased Professional Services in the clerk's office	8,000
			Total General Fund	87,933

Enterprise Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
			Total Other Funds	-

Enterprise Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
311	1111	8712	Water Enterprise Fund Capital Exp on WRF transferred to balance sheet	1,606,504
321	1111	8712	Sewer Enterprise Fund capital Exp on WRF transfer to Balance Sheet	3,933,164
331	1111	8712	Harbor Enterprise Fund capital projects Exp transfer to Balance Sheet	31,071
331	6511	4310	Harbor Lifeguards Overtime Rates due to also working at Community Pool during pay period	17,356
331	6511	4910	Harbor Lifeguards Higher employee benefits due to Overtime Rates paid due to also working at Community Pool during pay period	8,474
331	7710	8410	Transfer of Kiosk Cash to Accum Fund not budgeted	25,628
331	7710	8510	Transfer need to record reimb of Legal Costs paid by GF	24,901
			Total Other Funds	5,647,098

Other Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
907	7710	3810	Transfer In from GF Com Dev Budget 18/19 for Econ Dev	100,000
051	7710	3802	Transfer In from GF 17/18 Excess Cash recorded in 18/19	38,194
052	3510	3730	MB Skateboard Museum Rent - 3 mos in 18/19	3,000
054		3919	Proceeds from Sale of Old Sewer Vac and Utility Trucks	32,301
200	3630	3306	SLO County HUD ADA Sidewalk grant revenue for 17/18 not rec'd until 12/18	299,437
282	4190	3229	CA COPS Program SLESF Grant income higher than budgeted	48,747
315	7710	3801	Higher Transfer Amount for increase in customers eligible for utility disc	41,257
906	1111	3990	Reclassified Payment from Castlewind offshore Wind Turbines to Community Benefit Fund from GF	250,000
925	1111	3730	Rental income for Triangle Lot/Boat Storage Fund new in 18/19	5,082
			Total Other Funds	818,018

Other Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
005		4599	Employee Seperation Compensation Payoff -Other Pay	73,925
005		4910	Employee Compensation Payoff-Employer Paid Benefits	11,437
007	3170	6106	Amgen Co-Sponsorship Expenditures	32,000
051	7710	8410	Loan to GF for remaing portion of New Fire Truck Purchase in 18/19	242,482
299	7710	8501	Parking in-Lieu Angle Parking downtown CIP project delayed in 18/19	(83,700)
301	5265	8711	Duplicated amount to be removed from 18/19 budget	(63,783)
430	4318	6411	Higher than budgeted insurance premium for property damage	27,353
450	7710	8501	Transfer out to fund Citiworks Software Installation costs not anticipated in 18/19	12,582
500	6162	4999	North Point Park lower labor costs in 18/19 than anticipated	(487)
500	6162	6106	North Point Park contract services costs in 18/19 not budgeted for	711
500	6162	6305	North Point Park disposal costs in 18/19	2,351
907	7105	6105	Wayfinding Signage spentout of newly set up fund not known at time of 18/19 budget	1,677
925	1111	4910	Triangle Lot/Boat Yard New in 18/19 -Employer Paid Benefits	462
925	1111	4911	Triangle Lot/Boat Yard New in 18/19-Pension Normal Costs	249
925	1111	4999	Triangle Lot/Boat Yard New in 18/19-Labor Costs Applied	2,490
925	1111	5199	Triangle Lot/Boat Yard New in 18/19-Misc Operating Supplies	45
925	1111	5201	Triangle Lot/Boat Yard New in 18/19-Other Expense	315
925	1111	5501	Triangle Lot/Boat Yard New in 18/19- Grounds Maintenance Supplies	666
925	1111	5504	Triangle Lot/Boat Yard New in 18/19-Machinery/Eq/Supplies	67
925	1111	5530	Triangle Lot/Boat Yard New in 18/19-Small Tools	22
925	1111	6107	Triangle Lot/Boat Yard New in 18/19-Promotion & Adv	599
			Total Other Funds	260,775

Capital Projects Revenues				
Fund	Prog	Acct	Description	Adjustment
921	7710	3802	Incr for transfer in to fund 29% Water Portion of WRF Capital Exp in 18/19	435,340
922	7710	3802	Decr for amount of transfer applicable to Water Fund for 29% WRF Exp	(435,340)
			Total Other Funds	-

Capital Projects Expenditures				
Fund	Prog	Acct	Description	Adjustment
953	7710	8540	Transfer for Harbor Capital Exp Funding in 18/19 frm Accum Fund not included in 18/19 budget	14,408
			Total Other Funds	14,408

Grand Total: Revenues 862,372.76

Grand Total: Expenditures 6,010,213.35

AGENDA NO:	**A-6**
MEETING DATE:	**October 8, 2019**

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 1, 2019**

FROM: **Heather Goodwin, Deputy City Clerk**
Dana Swanson, City Clerk

SUBJECT: **Approval of Citizens Oversight / Citizens Finance Advisory Committee Member's Request for an Excused Absence**

RECOMMENDATION

Staff recommends the City Council consider and approve the request submitted by Citizens Oversight / Citizens Finance Advisory Committee (CFAC) Member, Lois Johnson, to excuse her absence from the October 2019, Regular Citizens Oversight / Citizens Finance Advisory Committee meeting.

ALTERNATIVES

The Council may choose not to excuse Ms. Johnson's absence and direct staff to begin recruitment to fill the resulting 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. That policy, which is included in the current Advisory Bodies Handbook and By-Laws, 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 CFAC Member, Lois Johnson, for Council consideration to excuse her absence from the October 2019 regular meeting. Ms. Johnson's attached letter details her reason for the absence for which staff accepts as reasonable and warrant Council consideration. Ms. Johnson has missed two meetings in July and August of 2019, so without the formal consent of the City Council, a third unexcused absence would constitute absence from twenty-five percent of the regular meetings during a 12-month period resulting in her voluntary withdrawal from the Committee. Ms. Johnson is requesting her October 2019 absence be excused as it her desire to continue to serve the City of Morro Bay community as a member of the Citizens Oversight / Citizens Finance Advisory Committee. Ms. Johnson's term ends January 31, 2023.

Prepared By: __HG_____	Dept Review:_____
City Manager Review: _SC__	City Attorney Review: _CFN____

CONCLUSION

Staff recommends the Council consider approving Ms. Johnson's request for an excused absence from the October 2019 Citizens Oversight / Citizens Finance Advisory Committee regular meeting.

ATTACHMENTS

1. Request for Excused Absence submitted by Ms. Johnson - CFAC
2. Link to Advisory Bodies Handbook and By-Laws

Heather Goodwin

Subject: FW: Absence from CFAC meeting

From: Lois Johnson <lois.johnson2549@gmail.com>
Sent: Monday, September 30, 2019 6:15 PM
To: Dana Swanson <dswanson@morrobayca.gov>
Cc: Barbara Spagnola <bspagnola@morrobayca.gov>
Subject: Absence from CFAC meeting

Hi Dana, I would like to be formally excused from the October CFAC meeting. I am traveling out of the country on a trip scheduled before my appointment. This will be my third absence(one was also pre-scheduled travel and the other unexpected work conflict). I have recently retired and do not foresee any future scheduling conflicts. Thank you!
Lois Johnson

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AGENDA NO: A-7

MEETING DATE: October 8, 2019

Staff Report

TO: Honorable Mayor and City Council **DATE: October 1, 2019**

FROM: Eric Endersby, Harbor Director

SUBJECT: Conceptual Approval of a Pilot Building Lease Agreement with The Paddleboard Company (Ken and Sandi Twist) at Lease Site 69-70/69W-70W, Located at 595 Embarcadero Road (the old Morro Bay Aquarium site)

RECOMMENDATION

Staff recommends the City Council conceptually approve a pilot, short-term lease agreement arrangement with the Paddleboard Company at Lease Site 69-70/69W-70W as outlined herein, and direct staff to bring back a proposed lease agreement for final approval (substantively consistent with the conceptual approval).

ALTERNATIVES

The City Council can elect to not approve the lease agreement as-proposed, and direct staff accordingly.

FISCAL IMPACT

Although no in-depth fiscal analysis has taken place, staff believe, should the concept being presented be approved and enacted, it is largely a financial "wash" for the City, with perhaps some very minimal loss in sales tax revenue with the closing of one stand-up paddle shop presence. That loss, however, would likely be made back up as that demand would probably be met at the other stand-up paddle retail location on the waterfront.

BACKGROUND

Ken and Sandi Twist are the owners/operators of The Paddleboard Company (TPC), a stand-up paddleboard (SUP) shop currently located at 575 Embarcadero on the La Roche lease site owned by Viole LaRoche, LLC. In this capacity they have a retail shop, do rentals off the La Roche dock and offer SUP lessons and SUP yoga. They also operate on a mobile basis with a trailer, taking equipment to pre-booked and walk-up customers, most often at Tidelands Park dock.

Although TPC is a well-established brand in Morro Bay, the retail aspect struggles with the slow winter season and competition from online retailers. Because of this, TPC is closing their retail presence and wish to operate only on a mobile basis.

TPC is one of two such operators in Morro Bay, with Morro Bay Stand-Up Paddleboarding (MBSUP) operating out of Marina Square being the second. Like TPC, MBSUP has a mobile trailer-based operation as well.

Prepared By: ___EE_____	**Dept Review:** ___EE___
City Manager Review: ________	**City Attorney Review:** _CFN_____

Staff are currently working on a license agreement program to enable, among other things, operators such as TPC to operate strictly on a mobile basis with no retail or rental shop presence. Currently such a program does not exist. Staff intend to bring this program to Council for approval sometime this winter or early spring. In addition, it is intended the lease management policy update group and Harbor Advisory Board will also have input and review of this proposed new program before it goes to the Council.

On September 24, 2019, staff sought initial negotiating direction from the City Council for TPC in closed session regarding the aquarium site.

DISCUSSION & CONCLUSION

Until a license agreement program is approved and put in place, staff have sought alternatives to ensure this well-established business is not lost in Morro Bay, and believe the Morro Bay Aquarium site at 595 Embarcadero may be such an alternative for TPC to establish their mobile operation in the form of a rudimentary building lease on a pilot basis, with a storage presence in the rear of the actual site and possibly a fixed video information screen and some marketing materials nearby on the building.

The City Council is being asked to consider approving this pilot arrangement in “concept” form now to offer direction to staff, while staff work on the lease and other details with the Twists. Should the conceptual lease be approved, and staff and the Twists successfully negotiate a lease, it is anticipated the final lease would be brought to Council for approval the second meeting in October or the one meeting in November. Council at that point could approve, deny or modify the proposed lease.

Subsequent to that, should the license agreement program be approved as-anticipated this upcoming winter/spring, it is anticipated TPC would transition into a license agreement.

AGENDA NO: C-1

MEETING DATE: October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 2, 2019**

FROM: **Scott Collins, City Manager**

SUBJECT: **Review of Options Related to Local Tobacco and Vaping Regulations**

RECOMMENDATION

Staff recommends the City Council receive the status report and provide direction with regard to local smoking regulations and the sale of tobacco and vaping products.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

None.

BACKGROUND

This report provides background on several issues related to nicotine/smoking, including public smoking / second hand smoke regulations, the growing use and dangers of vaping and the report presents several programmatic and policy options for City Council consideration designed to curtail the sale of tobacco and vaping products to underaged individuals in Morro Bay.

IMPROVING GRADE FOR OUTDOOR SMOKING REGULATIONS AND OTHER TOBACCO REGULATIONS

The City, like most local governments in California, has taken significant steps to reduce indoor and outdoor smoking where people tend to congregate. That movement occurred in the wake of irrefutable and comprehensive evidence that secondhand smoke causes numerous public health problems. Outdoor smoking also leads to litter, which can damage sensitive environmental habitats and waterways. Thus, the City has banned smoking in both indoor and outdoor public places, including places of employment, public accommodations, and public transit, with limited exceptions for private residences and vehicles and designated smoking areas, as further detailed in Chapter 9.24 of the Morro Bay Municipal Code.

More recently, City Council directed staff to review its smoking ordinance in the wake of the City receiving a grade of “D” for its anti-smoking efforts in late 2018 from the American Lung Association (ALA). The ALA score sheet (Attachment 1) identified several areas in which the City could significantly improve its score. Those include enhancing the City’s multi-family home indoor and outdoor common area smoking policy, pursuing a local tobacco retail license program to help reduce the sale of tobacco to minors, and addressing emerging issues such as vaping. Those policy options are provided in summary form in the “Discussion” section.

Prepared By: __SC___ **Dept Review: ____**

City Manager Review: _SC___ **City Attorney Review: ____**

VAPING/E-CIGARETTE USE SKYROCKETS AMONG TEENAGERS

At the same time the City began exploring options for outdoor smoking and locally regulating the tobacco market, public health concerns about the immediate and long-term harm caused by vaping/e-cigarette use (to be referred to as "vaping" throughout remainder of report) has emerged as a pressing national issue. Over 800 cases of vaping related lung illnesses have been reported in hospitals, health clinics and emergency rooms nationwide, with twelve deaths related to vaping. In response, the U.S. Surgeon General and the California Department of Public Health (CDPH) issued health advisories to educate the public about the imminent health risk posed by vaping any product.

Vaping is inhaling aerosol from an e-cigarette or other vaping device that heats a liquid that can contain nicotine, marijuana (THC), cannabidiol (CBD) or other substances. According to the CDPH, the shapes and sizes of the device vary and include colorful vape pens, modified tank systems, and new pod devices that can look like the USB flash drives for computers, cell phones, credit card holders, and highlighters. These devices are frequently referred to as e-cigarettes, e-cigs, vapes, vape pens, electronic vaporizers, pod mods, or pod systems. The vapor can also contain toxins (including ones that cause cancer) and tiny particles that are harmful when breathed in. Vaping can deliver a significant amount of concentrated nicotine to its user, and the long-term effects of vaping have still yet to be fully explored. This is particularly troubling given the fact that teenage use of vaping products is skyrocketing.

Beyond the potential immediate health risk posed by vaping to all ages, teen use of vaping has exploded in recent years. According to a February 2019 National Institutes of Health report, over 17.6% of 8th graders, 32.3% of 10th graders and 37.3% of 12th graders reported trying vaping last year nationwide. The U.S. Surgeon General reports vaping use is higher among high school aged individuals than adults. Vape products, particularly the flavored variety, are popular among younger users and it is likely that vape product companies purposefully packaged and advertised their products to children in hopes of gaining more lifelong customers. There are over 15,000 flavors available on the market, with youth like flavors such as bubble gum, cotton candy, and fruit punch to name a few.

According to a 2017-2018 *California Healthy Kids Survey (CHKS)* of Morro Bay High School 9th and 11th graders conducted in 2018, of those surveyed, 18% of 9th graders and 22% of 11th graders used vaping products at least once in the past month. Over 60% of students surveyed thought it was fairly easy or very easy for high school students to obtain vaping products. City staff also spoke with school administrators at Morro Bay High School and Los Osos Middle School (LOMS). Use appears to have grown significantly at the high school in the past couple years, following national trends, and vaping with cannabis is becoming more popular among students. At-risk students are especially susceptible to vaping use according to administrators at LOMS, though they said vaping is not widespread among the general student population at this time. Both schools are working hard with students and parents to educate them about the dangers of vaping any product, especially nicotine and cannabis.

Unfortunately, one of the serious health risks associated with teenage use of vaping is the potential for addiction to nicotine. According to Dr. Richard Miech of the University of Michigan who led the NIH study, "vaping is reversing hard-fought declines in the number of adolescents who use nicotine…these results suggest that vaping is leading youth into nicotine use and nicotine addiction, not away from it." As Council and community members know, nicotine addiction leads to numerous hazardous health issues for all ages, such as lung disease, cancer and early death. For youth, nicotine exposure during adolescence can harm the developing brain.

In response to the growing safety concern surrounding vaping, the U.S. Food and Drug Administration (FDA), issued more than 1,300 warning letters and civil money penalty complaints to retailers who illegally sold vaping products to minors during a nationwide undercover operation in September 2019, and ordered vaping companies to cease selling misleading labeled and/or advertised e-liquids resembling kid-friendly food products such as candy and cookies. The top-selling national brands of vaping products must submit plans to the FDA by the end of the year describing how they will address the widespread youth access and use of their products. The FDA has yet to formally review and approve vaping and vape products, which has stated it will complete its review by 2021. It is in the process, however, of finalizing guidance to remove all non-tobacco flavors of e-cigarettes from the market.

In the meantime, many states and local communities across the nation have banned the sale of flavored vaping products that appeal to children and teenagers, and some have taken the step of instituting wholesale bans of vaping products in their communities. City Council may want to consider similar actions. Those options, along with other policies designed to curb the sale of tobacco products to minors and reduce indoor smoking, are discussed below.

DISCUSSION

OPTIONS TO IMPROVE GRADE AND ADDRESS VAPING USE AMONG TEENS:

Summary of Proposed Revisions to Morro Bay's Secondhand Smoke Ordinance
Below is a summary of the proposed changes to be made to Morro Bay's smoking regulations paired with the American Lung Association (ALA) grade criteria.

Revised Municipal Code Chapter 9.24 – Secondhand Smoking Regulations

ALA Criteria: Smokefree housing – (1) non-smoking units in apartments; (2) non-smoking units in condominiums; and (3) non-smoking common areas.

Proposed Changes to Municipal Code:

Definitions – amended to include:

- "Common area," defined in accordance with ALA criteria as "every enclosed area and every unenclosed area of a multi-unit residence that residents of more than one unit are entitled to enter or use," including hallways, lobbies, community rooms, parking garages, etc.
- "Multi-unit residence," defined to include apartment buildings and condominium complexes, among others.

Areas where smoking is prohibited – amended to include:

- Common areas in multi-unit residences.
- All units in multi-unit residences.

Areas where smoking is permitted – amended to include:

- Private residences other than multi-unit residences – revised from *all* private residences.

Required lease terms for multi-unit residences:

- New or existing leases for multi-unit residences must be amended to ban smoking within the residences and provide other residents with ability to enforce ban. If such provisions are not included in a lease, they will be deemed to be included by law.

New Municipal Code Chapter 9.25 – Tobacco Retailer License

ALA Criteria: Reducing Sales of Tobacco Products – (1) requiring tobacco retailers to pay an annual fee that sufficiently covers administration and enforcement efforts, including compliance checks; (2) requiring that all retailers obtain a license to sell tobacco and renew it annually; (3) providing that any violation of a local, state or federal tobacco law is considered a violation of the license; and (4) creating a financial deterrent for violations through fines and penalties as well as suspension and revocation of the license.

Proposed Additions to Municipal Code:

- Requirement that all tobacco retailers, including e-cigarette retailers, obtain a tobacco retailer's license from the City, valid for one year and requiring annual renewal.

- Provision establishing procedure for City to enforce violations of tobacco-related laws.

- License may be revoked if retailer violates local, state, or federal tobacco-related laws.

- Fines may be accessed against retailers for non-compliance.

Morro Bay's ALA Local Grade
If the City's municipal code was amended as described above, the City's grade would change as follows:

Morro Bay's current grade:

A for Smokefree Outdoor Air
F for Smokefree Housing
F for Reducing Sales of Tobacco Products
Overall Grade: **D**

Morro Bay's grade following the new ordinance:

A for Smokefree Outdoor Air
A for Smokefree Housing
A for Reducing Sales of Tobacco Products
Overall Grade: **A**

ALA Bonus Points – Emerging Issues
The ALA also gives bonus points to cities and counties that address emerging issues. There are six areas available, and each one gives an additional 1 point towards the total score. Although Morro Bay could earn an A without the bonus points if the changes proposed above were implemented, the bonus points would serve as additional evidence of the City's commitment to preventing harm from smoking.

The emerging issues are:

- Secondhand Smoke & Electronic Cigarettes – A bonus point is available for a jurisdiction which includes electronic cigarette smoke within its definition of secondhand smoke. (**Morro Bay already qualifies for this bonus point.**)

- Tobacco Retailers & Electronic Cigarettes – A bonus point is available for a jurisdiction which includes electronic cigarettes within its definition of tobacco products in the jurisdiction's tobacco retailer ordinance. (**Morro Bay would qualify for this bonus point if it implements the changes proposed above.**)

- Flavored Tobacco Products – A bonus point is available for a jurisdiction which bans the sale of flavored tobacco products.

- Tobacco Retailer Location Restrictions – A bonus point is available for a jurisdiction which limits the location of tobacco retailers based on proximity to schools or parks, limits proximity of tobacco retailers to one another to avoid high concentration or limits the total number of tobacco retailer licenses which can be issued.

- Sale of Tobacco Products in Pharmacies – A bonus point is available for a jurisdiction which prohibits the sale of tobacco products at pharmacies.

- Minimum Pack Size of Cigars – A bonus point is available for a jurisdiction which prohibits the sale of cigars in individual or small packages.

The municipal code could be amended to achieve all of these bonus points if desired by the City Council.

<u>Summary of Available Vaping Restrictions</u>
If the City Council desires to ban or regulate vaping, the following options are available:

- Permanently ban sale of all e-cigarettes and related products and accessories.

  Temporarily ban sale of all e-cigarettes and related products and accessories until they are approved by the FDA. San Francisco adopted a temporary of this kind in June 2019. (The San Francisco ordinance is attached as Attachment 2.)

- Ban only *flavored* e-cigarette cartridges (e-liquid), on the grounds that these are more likely to be used by minors.

<u>Note</u>: The Municipal Code <u>already</u> includes e-cigarette smoke in the definition of "smoke" for purposes of the secondhand smoking regulations in Chapter 9.24. Furthermore, as proposed, the tobacco retailer's license in Chapter 9.25 would be required for the sale of e-cigarettes.

<u>Summary of San Francisco's New Ordinance</u>
San Francisco recently passed a new ordinance that limits the ability of tobacco retailers to sell certain products which have not been approved by the Federal Food and Drug Administration ("FDA"). In 2008, Congress passed the Family Smoking Prevention and Tobacco Control Act ("Act"). One element of the Act is that any new tobacco products which enter the market following 2007 must be pre-approved by the FDA. Most current electronic cigarettes entered the market following 2007 but have yet to be pre-approved by the FDA. The FDA has given electronic cigarette manufacturers until May 2020 to submit their products for evaluation.

San Francisco's ordinance addresses this extended review period. The ordinance prohibits the sale of new tobacco products or electronic cigarettes until they have been approved by the FDA. This ordinance ties the ban to the FDA's review period, so if the FDA expedites its review process, the ordinance may have a shorter effective regulation period.

The ordinance also bans the sale of flavored tobacco products, without reference to the FDA review process.

JUUL, the leading manufacturer of vaping products, has placed a referendum on the upcoming November 2020 ballot in San Francisco to repeal the vaping product ban and replace it with less restrictive regulations. However, in late September 2019, JUUL representatives announced they will stop supporting the measure to overturn the anti-vaping regulations and will suspend all advertising of its products in the United States[1].

Potential Federal Action on Vaping

According to recent news reports, the FDA is set to release a policy restricting the sale of flavored vaping products in the coming weeks. In late September, JUUL issued a statement saying that they would not push back on a Trump administration plan to pull flavored e-cigarettes from the market until the products gain approval from federal regulators. Consequently, the federal legal landscape regarding flavored vaping products may shift in coming months.[2]

Questions for City Council Discussion

- Would City Council like to pursue changes to the secondhand smoke ordinance, to include restrictions on multi-family units?
- Would City Council like to pursue a local tobacco retail license program?
- Is the City Council interested in regulating sales of vaping/e-cigarette products in Morro Bay?
  If yes, what level of regulation would City Council like to pursue?
    - Ban of flavors?
    - Ban on all vaping/e-cigarette products like San Francisco?
- Are there any other tobacco/vaping regulations City Council would like to pursue?

CONCLUSION

The City has an opportunity, with a few relatively minor policy changes, to significantly boost its grade with the American Lung Association regarding tobacco and secondhand smoke regulations. In addition, with the proliferation of vaping products use and early understanding now available of the dangers associated with vaping, City Council may want to consider regulating the local sales of vaping products. Several policy options are available that can help reduce the sale of tobacco and vaping products to our youth in Morro Bay.

ATTACHMENTS

1. American Lung Association Score Card for SLO County and Cities
2. City and County of San Francisco vaping ban ordinance
3. City of Morro Bay Draft Ordinance

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1 Sources: JUUL Articles entitled "Statement Regarding San Francisco Ballot Initiative" dated September 30, 2019, https://newsroom.juul.com/statement-regarding-san-francisco-ballot-initiative/ and "JJUL Labs Names New Leadership, Outlines Changes to Policy and Marketing Efforts" dated September 25, 2019 https://newsroom.juul.com/juul-labs-names-new-leadership-outlines-changes-to-policy-and-marketing-efforts/

2 Source: JUUL Article entitled " Juul Accepts Proposed Ban on Flavored Vaping Products as ECO Steps Down" dated September 25, 2019 https://www.npr.org/2019/09/25/764201798/juul-will-agree-to-ban-on-flavored-vaping-products-says-its-ceo-is-stepping-down.

ATTACHMENT 1

San Luis Obispo County

	Arroyo Grande	Atascadero	Grover Beach	Morro Bay	Paso Robles	Pismo Beach	San Luis Obispo	San Luis Obispo County Unincorporated
Overall Tobacco Control Grade	**C**	**F**	**C**	**D**	**C**	**F**	**B**	**C**
TOTAL POINTS	**5**	**1**	**5**	**4**	**5**	**1**	**10**	**5**
Smokefree Outdoor Air	**D**	**D**	**D**	**A**	**B**	**D**	**A**	**D**
Dining	0	0	0	4	4	0	2	0
Entryways	0	0	0	4	4	0	4	0
Public Events	0	0	0	3	4	0	4	0
Recreation Areas	4	4	4	4	4	4	4	2
Service Areas	0	0	0	4	0	0	4	0
Sidewalks	0	0	1	1	0	0	1	1
Worksites	0	0	0	1	0	0	1	0
TOTAL POINTS	**4**	**4**	**5**	**21**	**16**	**4**	**20**	**3**
Smokefree Housing	**F**	**F**	**F**	**F**	**C**	**F**	**C**	**F**
Nonsmoking Apartments	0	0	0	0	0	0	0	0
Nonsmoking Condominiums	0	0	0	0	0	0	0	0
Nonsmoking Common Areas	0	0	0	0	4	0	4	0
TOTAL POINTS	**0**	**0**	**0**	**0**	**4**	**0**	**4**	**0**
Reducing Sales of Tobacco Products	**A**	**F**	**A**	**F**	**F**	**F**	**A**	**A**
Tobacco Retailer Licensing	4	0	4	0	0	0	4	4
TOTAL POINTS	**4**	**0**	**4**	**0**	**0**	**0**	**4**	**4**
Emerging Issues Bonus Points								
Emerging Products Definition - *Secondhand Smoke*	0	0	0	1	1	0	1	0
Emerging Products Definition - *Licensing*	1	0	1	0	0	0	1	1
Retailer Location Restrictions	0	0	0	0	0	0	0	0
Sale of Tobacco Products in Pharmacies	0	0	0	0	0	0	0	0
Flavored Tobacco Products	0	0	0	0	0	0	0	0
Minimum Pack Size of Cigars	0	0	0	0	0	0	0	0
TOTAL POINTS	**1**	**0**	**1**	**1**	**1**	**0**	**2**	**1**

[Health Code - Restricting the Sale, Manufacture, and Distribution of Tobacco Products, Including Electronic Cigarettes]

Ordinance amending the Health Code to prohibit the sale by tobacco retail establishments of electronic cigarettes that require, but have not received, an order from the Food and Drug Administration (FDA) approving their marketing; and prohibiting the sale and distribution to any person in San Francisco of flavored tobacco products and electronic cigarettes that require, but have not received, an FDA order approving their marketing.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (*   *   *   *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings.

(a) Despite progress in reducing smoking, tobacco use is still the leading cause of preventable death in the United States. Tobacco kills more than 480,000 people in this country annually – more than AIDS, alcohol, car accidents, illegal drugs, murders, and suicides combined. And beyond this large, impersonal statistic, are countless human beings, whose lives are forever devastated by the irreparable loss of a loved one caused by tobacco use, and the inevitable rupture of family that follows such a loss. And that is to say nothing of the huge financial costs tobacco use places on our health care system, and the constraints on productivity it imposes on our economic system.

(b) Electronic cigarettes (or "e-cigarettes") entered the marketplace around 2007, and since 2014, they have been the most commonly used tobacco product among youth in the United States. The dramatic surge in youth e-cigarette use ("vaping") is no accident. E-cigarettes are frequently marketed in a variety of flavors with obvious appeal to youth, such as gummy bear, cotton candy, and fruit punch. As of 2017, researchers had identified more than 15,500 unique e-cigarette flavors available online. In addition, e-cigarette companies have effectively used marketing strategies, including celebrity endorsements, slick magazine advertisements, social media campaigns, paid influencers, and music sponsorships, to reach youth and young adults. A 2016 study found that 78.2% of middle and high school students—20.5 million youth—had been exposed to e-cigarette advertisements from at least one source, an increase from 68.9% only two years before, in 2014.

(c) According to the Centers for Disease Control and Prevention ("CDC"), the number of middle and high school students who reported being current users of tobacco products increased 36%—from 3.6 million to 4.9 million students—between 2017 and 2018. This dramatic increase, which has erased past progress in reducing youth tobacco use, is directly attributable to a nationwide surge in e-cigarette use by adolescents. There were 1.5 million more youth e-cigarette users in 2018 than 2017, and those who were using e-cigarettes were using them more often. Frequent use of e-cigarettes increased from 20 percent in 2017 to 28 percent in 2018 among current high school e-cigarette users.

(d) The widespread use of e-cigarettes by youth has significant public health consequences. As stated by the Surgeon General, "Most e-cigarettes contain nicotine – the addictive drug in regular cigarettes, cigars, and other tobacco products. Nicotine exposure during adolescence can harm the developing brain – which continues to develop until about age 25. Nicotine exposure during adolescence can impact learning, memory, and attention. Using nicotine in adolescence can also increase risk for future addiction to other drugs. In addition to nicotine, the aerosol that users inhale and exhale from e-cigarettes can potentially expose both themselves and bystanders to other harmful substances, including heavy metals, volatile organic compounds, and ultrafine particles that can be inhaled deeply into the lungs."

(e) And while there is some evidence that the use of e-cigarettes by adults may support smoking cessation under certain circumstances, a 2018 National Academy of Sciences, Engineering, and Medicine report concluded that there was moderate evidence that e-cigarette use in fact *increases* the frequency and intensity of cigarette smoking in the future.

(f) In addition, there is a growing body of research concluding that there are significant health risks associated with electronic cigarette use. For example, daily e-cigarette use is associated with increased odds of a heart attack. And the American Lung Association has warned that the inhalation of harmful chemicals through vaping may cause irreversible lung damage and lung disease.

(g) To reduce the burden of tobacco use, the City and County of San Francisco (the "City") licenses tobacco retail establishments. (Health Code Article 19H). In 2017, to address the appeal of flavored tobacco products to youth, the City enacted Ordinance No. 140-17, prohibiting tobacco retail establishments from selling flavored tobacco products. As a result of the referendum process, the ordinance was placed before the voters, who approved the ordinance in June 2018 (Proposition E) by a majority of 68.39%.

(h) Notwithstanding these efforts, San Francisco's youth still access and use tobacco products. According to the most recent Youth Risk Behavior Survey for which local data are available, in 2017, 16.7% of San Francisco's high school students had tried smoking, 25% had used an electronic cigarette (or "vaped"), and 7.1% reported current e-cigarette use, which is defined as use on at least one day in the past 30 days.

(i) Among San Francisco high school students who reported currently using electronic cigarettes, 13.6% reported that they usually purchased their electronic cigarette products in a store. The remaining 86.4% reported that they obtained them from places other than the City's licensed tobacco retail establishments, including friends, other social sources, and internet e-cigarette vendors.

(j) To protect the public, especially youth, against the health risks created by tobacco products, Congress enacted the Family Smoking Prevention and Tobacco Control Act ("Tobacco Control Act") in 2009. Among other things, the Tobacco Control Act authorized the U.S. Food and Drug Administration ("FDA") to set national standards governing the manufacture of tobacco products, to limit levels of harmful components in tobacco products and to require manufacturers to disclose information and research relating to the products' health effects.

(k) A central requirement of the Tobacco Control Act is premarket review of all new tobacco products. Specifically, every "new tobacco product"—defined to include any tobacco product not on the market in the United States as of February 15, 2007—must be authorized by the FDA for sale in the United States before it may enter the marketplace. A new tobacco product may not be marketed until the FDA has found that the product is: (1) appropriate for the protection of the public health upon review of a premarket tobacco application; (2) substantially equivalent to a grandfathered product; or (3) exempt from substantial equivalence requirements.

(l) In determining whether the marketing of a tobacco product is appropriate for the protection of the public health, the FDA must consider the risks and benefits of the product to the population as a whole, including users and nonusers of the product, and taking into account the increased or decreased likelihood that existing users of tobacco products will stop using tobacco products and the increased or decreased likelihood that those who do not use tobacco products will start using them. Where there is a lack of showing that permitting the sale of a tobacco product would be appropriate for the protection of the public health, the Tobacco Control Act requires that the FDA deny an application for premarket review.

(m) Virtually all electronic cigarettes that are sold today entered the market after 2007, but have not been reviewed by the FDA to determine if they are appropriate for the public health. In 2017, the FDA issued Guidance that purports to give electronic cigarette manufacturers until August 8, 2022 to submit their application for premarket review. The Guidance further purports to allow unapproved products to stay on the market indefinitely, until such time as the FDA complies with its statutory duty to conduct a premarket review to determine whether a new tobacco product poses a risk to public health. In March 2019, the FDA issued draft guidance in which it considered moving the premarket application deadline up by one year for certain flavored e-cigarette products. It is not known when, if ever, this narrow adjustment will become final or will take effect.

(n) By the time e-cigarette manufacturers will be required to submit their premarket review applications, e-cigarettes will have been on the market for fifteen years without any FDA analysis of their safety and alleged benefit. If current trends continue, six million more youth in the United States will begin using e-cigarettes between now and then. Until such time as the FDA fulfills its statutory duty to conduct premarket reviews of new tobacco products, a generation of young people will become addicted to tobacco, resulting in an entirely preventable increase in the burdens and tragedies associated with tobacco use. San Francisco is not content to wait until then before addressing, for its residents, what appears from the evidence to be a major public health crisis that is going unattended.

Section 2. The Health Code is amended by adding new Article 19R, consisting of Sections 19R.1 through 19R.5, to read as follows:

ARTICLE 19R: PROHIBITING THE SALE OF ELECTRONIC CIGARETTES LACKING FOOD AND DRUG ADMINISTRATION PREMARKET APPROVAL

SEC. 19R.1. DEFINITIONS.

For purposes of this Article 19R, the following terms have the following meanings:

"Director" has the meaning set forth in Health Code Section 19H.2.

"Electronic Cigarette" has the meaning set forth in Section 30121 of the California Revenue and Taxation Code, as may be amended from time to time.

"Establishment" has the meaning set forth in Health Code Section 19H.2.

"New Tobacco Product" has the meaning set forth in 21 U.S.C. § 387j(a)(1), as may be amended from time to time.

SEC. 19R.2. SALE OR DISTRIBUTION OF ELECTRONIC CIGARETTES LACKING FOOD AND DRUG ADMINISTRATION PREMARKET ORDER OF APPROVAL PROHIBITED.

The sale or distribution by an Establishment of an Electronic Cigarette is prohibited where the Electronic Cigarette:

(a) Is a New Tobacco Product;

(b) Requires premarket review under 21 U.S.C. § 387j, as may be amended from time to time; and

(c) Does not have a premarket review order under 21 U.S.C. § 387j(c)(1)(A)(i), as may be amended from time to time.

SEC. 19R.3. ADMINISTRATIVE REGULATIONS.

The Director may adopt rules, regulations, or guidelines for the implementation and enforcement of this Article 19R.

SEC. 19R.4. ENFORCEMENT.

The Director may enforce Section 19R.2 under Articles 19 et seq. of the Health Code, including but not limited to Article 19H.

SEC. 19R.5. NO CONFLICT WITH FEDERAL OR STATE LAW.

Nothing in this Article 19R shall be interpreted or applied so as to create any requirement, power, or duty that is preempted by federal or state law.

Section 3. Article 19H of the Health Code is amended by adding new Section 19H.14-3, to read as follows:

SEC. 19H.14-3. CONDUCT VIOLATING HEALTH CODE ARTICLE 19R (PROHIBITING THE SALE OR DISTRIBUTION OF ELECTRONIC CIGARETTES LACKING FOOD AND DRUG ADMINISTRATION PREMARKET ORDER OF APPROVAL).

(a) Upon a decision by the Director that the Permittee or the Permittee's agent or employee has engaged in any conduct that violates Health Code Section 19R.2 (Sale or Distribution of Electronic Cigarettes Lacking Food and Drug Administration Premarket Order of Approval Prohibited), the Director may suspend a Tobacco Sales permit as set forth in Section 19H.19.

(b) The Director shall commence enforcement under this Section 19H.14-3 by serving either a notice of correction under Section 19H.21 or a notice of initial determination under Section 19H.22.

Section 4. The Health Code is hereby amended by adding new Article 19S, consisting of Sections 19S.1 through 19S.6, to read as follows:

ARTICLE 19S. PROHIBITING THE SALE AND DISTRIBUTION OF TOBACCO PRODUCTS IN SAN FRANCISCO

SEC. 19S.1. DEFINITIONS.

For purposes of this Article 19S, the following terms have the following meanings:

"Characterizing Flavor" has the meaning set forth in Health Code Section 19Q.2.

"Cigarette" has the meaning set forth in Health Code Section 19Q.2.

"City" means the City and County of San Francisco.

"Constituent" has the meaning set forth in Health Code Section 19Q.2.

"Director" means the Director of Health, or the Director's designee.

"Distinguishable" has the meaning set forth in Health Code Section 19Q.2.

"Distribute" or "Distribution" means the transfer, by any Person other than a common carrier, of a Tobacco Product at any point from the place of Manufacture or thereafter to the Person who sells the Tobacco Product to an individual for personal consumption.

"Electronic Cigarette" has the meaning set forth in Section 30121 of the California Revenue and Taxation Code, as may be amended from time to time.

"Flavored Tobacco Product" has the meaning set forth in Health Code Section 19Q.2.

"Labeling" has the meaning set forth in Health Code Section 19Q.2.

"New Tobacco Product" has the meaning set forth in 21 U.S.C. § 387j(a)(1), as may be amended from time to time.

"Packaging" has the meaning set forth in Health Code Section 19Q.2.

"Person" has the meaning set forth in Health Code Section 19H.2.

"Sell," "Sale," and "to Sell" mean any transaction where, for any consideration, ownership of a Tobacco Product is transferred from one Person to another, including but not limited to any transfer of title or possession for consideration, exchange, or barter, in any manner or by any means.

"Tobacco Product" has the meaning set forth in Health Code Section 19H.2.

SEC. 19S.2. PROHIBITION ON SALE OR DISTRIBUTION OF TOBACCO PRODUCTS.

(a) No Person shall Sell or Distribute any Flavored Tobacco Product to a Person in San Francisco. There shall be a rebuttable presumption that a Tobacco Product, other than a Cigarette, is a Flavored Tobacco Product if a manufacturer or any of the manufacturer's agents or employees, in the course of their agency or employment, has made a statement or claim directed to consumers or to the public that the Tobacco Product has or produces a Characterizing Flavor, including, but not limited to, text, color, and/or images on the product's Labeling or Packaging that are used to explicitly or implicitly communicate that the Tobacco Product has a Characterizing Flavor.

(b) No Person shall Sell or Distribute an Electronic Cigarette to a Person in San Francisco where the Electronic Cigarette:

(1) Is a New Tobacco Product;

(2) Requires premarket review under 21 U.S.C. § 387j, as may be amended from time to time; and

(3) Does not have a premarket review order under 21 U.S.C. § 387j(c)(1)(A)(i), as may be amended from time to time.

SEC. 19S.3. ADMINISTRATIVE REGULATIONS.

The Director may adopt rules, regulations, or guidelines for the implementation of this Article 19S.

SEC. 19S.4. ENFORCEMENT.

(a) Violations of this Article 19S or of any rule or regulation issued under this Article shall be punishable by administrative fines imposed pursuant to administrative citations. Administrative Code Chapter 100 "Procedures Governing the Imposition of Administrative Fines," as amended from time to

time, shall govern the issuance and enforcement of administrative citations, and collection and review of administrative fines, to enforce this Article and any rule or regulation adopted pursuant to this Article.

(b) The City Attorney may at any time institute civil proceedings for injunctive and monetary relief including civil penalties, against any Person for violations of this Article 19S, without regard to whether the Director has assessed or collected administrative penalties.

(c) At any time, the Director may refer a case to the City Attorney's Office for civil enforcement, but a referral is not required for the City Attorney to bring a civil action under subsection (b).

(d) Any Person that violates any provision of this Article 19S shall be subject to injunctive relief and a civil penalty in an amount not to exceed $1,000 for each violation, which penalty shall be assessed and recovered in a civil action brought in the name of the people of the City and County of San Francisco by the City Attorney in any court of competent jurisdiction. In assessing the amount of the civil penalty, the court shall consider any one or more of the relevant circumstances presented by any of the parties to the case, including but not limited to, the following: the nature and seriousness of the misconduct giving rise to the violation, the number of violations, the persistence of the misconduct, the length of time over which the misconduct occurred, the willfulness of the misconduct, and the defendant's assets, liabilities, and net worth.

(e) The City may recover reasonable attorneys' fees and costs for civil actions brought pursuant to this Section 19S.4.

(f) Remedies under this Section 19S.4 are non-exclusive and cumulative to all other remedies available at law or equity.

SEC. 19S.5. NO CONFLICT WITH FEDERAL OR STATE LAW.

Nothing in this Article 19S shall be interpreted or applied so as to create any requirement, power, or duty that is preempted by federal or state law.

SEC. 19S.6. SEVERABILITY.

If any section, subsection, sentence, clause, phrase, or word of this Article 19S, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the Article. The Board of Supervisors hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this Article or application thereof would be subsequently declared invalid or unconstitutional.

Section 5. Effective and Operative Dates.

(a) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) This ordinance shall become operative six months after the effective date.

Section 6. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The Board of Supervisors declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

Section 7. Undertaking for the General Welfare. In enacting and implementing this ordinance, the City is assuming an undertaking only to promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an obligation for breach of which it is liable in money damages to any person who claims that such breach proximately caused injury.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: ____________________________
ANNE PEARSON
Deputy City Attorney

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ORDINANCE NO. XX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, AMENDING CHAPTER 9.24 (SECOND HAND SMOKING REGULATIONS) OF TITLE 9 (PUBLIC PEACE, MORALS AND WELFARE) OF THE MORRO BAY MUNICIPAL CODE, AND ADDING CHAPTER 9.25 (TOBACCO RETAILER LICENSES) TO TITLE 9, TO UPDATE AND EXPAND THE CITY'S SECONDHAND SMOKING REGULATIONS

WHEREAS, secondhand smoke has been shown to be extremely hazardous to the health and safety of those who are exposed to it; and

WHEREAS, the City of Morro Bay's existing secondhand smoke regulations focus on limiting or eliminating secondhand smoke in public areas; and

WHEREAS, these regulations have not completely eliminated the risks posed by secondhand smoke to the community; and

WHEREAS, the preservation of life and property is an inherent responsibility of local, state, and federal governments.

THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA DOES HEREBY FIND AND ORDAIN AS FOLLOWS:

SECTION 1. SECTION 9.24.010 (PURPOSE) OF CHAPTER 9.24 (SECONDHAND SMOKING REGULATIONS) OF TITLE 9 (PUBLIC PEACE, MORALS AND WELFARE) OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.020 – Purpose.

This chapter is enacted with the specific intent to:

A. Prohibit smoking in certain ~~public~~ places not preempted by California Labor Code Section 6404.5, which provides further smoking regulations;

B. Protect the public health, safety and general welfare by prohibiting smoking in certain public places under circumstances where other persons will be exposed to secondhand smoke;

01181.0001/605141.1

C. Ensure a cleaner and more hygienic environment for the city, its residents, and its natural resources, including its creeks and streams and beaches;

D. Strike a reasonable balance between the needs of persons who smoke and the needs of nonsmokers, including residents and visitors, particularly children, to breathe smoke-free air, recognizing the threat to public health and the environment which smoking causes;

E. Designate the enforcing agency for this chapter and for Labor Code Section 6404.5."

<u>SECTION 2.</u> SECTION 9.24.020 (DEFINITIONS) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.020 – Definitions.

The following words and phrases, as used in this chapter or in any other applicable law regulating smoking, shall have the following meanings:

"Business" means any sole proprietorship, partnership, joint venture, corporation, association or other entity formed for profit-making purposes or that has an employee.

"Cannabis" means all parts of the plant cannabis sativa linnaeus, cannabis indica, or cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.

"City beach" means the sandy area on either side of the mean high tide line from Atascadero Road all the way up to, but not including the parking lot at the Rock. City beach shall also include the area of the Sand Spit that is owned by the city.

"City T-piers" means the municipal piers located North of Beach Street and at Tidelands Park.

"Code compliance officer" means the city code compliance officer or duly authorized designee of the city code compliance officer.

"Common area" means every enclosed area and every unenclosed area of a multi-unit residence that residents of more than one unit are entitled to enter or use, including, without limitation, halls, pathways, lobbies, courtyards, elevators, stairs, community rooms, playgrounds, gym facilities, swimming pools, parking garages, parking lots, grassy or landscaped areas, restrooms, laundry rooms, cooking areas, and eating areas.

~~"Dining area" means any area available to or customarily used by the general public that is designed, established or regularly used for consuming food or drink.~~

"Electronic smoking device" means an electronic device that can be used to deliver an inhaled dose of nicotine, or other substances (including but not limited to cannabis), including any component, part or accessory of such a device, whether or not sold separately. Includes any such device, whether manufactured, distributed, marketed or sold as an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, an electronic hookah, or any other product name or descriptor.

"Employee" means any person who is employed or retained as an independent contractor by any employer as defined in this section; or any person who volunteers his or her services for an employer, association, nonprofit or volunteer entity.

"Employer" means any person, partnership, corporation, association, nonprofit or other entity that employs or retains the service of one or more persons, or supervises volunteers.

"Enclosed" means any covered or partially covered space having more than fifty percent of its perimeter area walled in or otherwise closed to the outside such as, for example, a covered porch with more than two walls; or any space open to the sky (hereinafter "uncovered") having more than seventy-five percent of its perimeter area walled in or otherwise closed to the outside such as, for example, a courtyard.

"Landlord" means any person or agent of a person who owns, manages, or is otherwise legally responsible for a unit in a multi-unit residence, except that "landlord" does not include a tenant who sublets a unit.

"Multi-unit residence" means property containing two or more units, including, but not limited to, apartment buildings, condominium complexes, senior and assisted living facilities, and long-term health care facilities. Multi-unit residences do not include the following:

1. ***A hotel or motel;***

2. ***A mobile home park;***

3. ***A single-family home; and***

4. A single-family home with a detached or attached in-law or second unit.

"Nonprofit entity" means any entity that meets the requirements of California Corporations Code Section 5003 as well as any corporation, unincorporated association or other entity created for charitable, religious, philanthropic, educational, political, social or similar purposes, the net proceeds of which are committed to the promotion of the objectives of the entity and not to private gain. A public agency is not a nonprofit entity within the meaning of this section.

"Place of employment" means any area under the legal or de facto control of an employer, business or nonprofit entity that an employee or the general public may have cause to enter in the normal course of operations, but regardless of the hours of operation, including, for example, indoor and outdoor work areas, vehicles used in employment or for business purposes, taxis, employee lounges, conference and banquet rooms, bingo and gaming facilities, long-term health facilities, warehouses and private residences that are used as childcare or healthcare facilities subject to licensing requirements.

"Playground" means any park or recreational area designed in part to be used by children, that has play or sports equipment installed or has been designated or landscaped for play or sports activities, or any similar facility located on public or private school grounds, or on city property.

"Premises" means a lot or contiguous lots and any improvements thereon such as is usually described in a deed, deed of trust or mortgage, and includes legally separate but contiguous pieces of land that are owned by the same person or are under common control.

"Present" means within a reasonable distance.

"Public place" means any public or private place open to the general public regardless of any fee or age requirement, including, for example, streets, sidewalks, parking lots, parking garages, plazas, bars, restaurants, clubs, stores, stadiums, parks, playgrounds, city beaches, T-Piers, taxis and buses. For the purposes of the provisions of this chapter, a "public place" does not mean a private residence except for residences used as an adult or child care, health care, board and care, or community foster care facility as such terms are defined by the state Health and Safety Code.

"Reasonable distance" means the greatest distance practicable that ensures that occupants of an area in which smoking is prohibited are not exposed to secondhand smoke created by smokers outside the area. This distance shall be a minimum of twenty feet.

"Recreational area" means any public or private area open to the public for recreational purposes whether or not any fee for admission is charged, including without limitation, parks, trails, gardens, sporting facilities, stadiums, beaches, T-piers and playgrounds.

"Restaurant" means any coffee shop, cafeteria, luncheonette, tavern, cocktail lounge, sandwich stand, soda fountain, private and public school cafeteria, eating establishment, ***vending cart,*** boardinghouse or guest house or similar establishment which gives or offers for sale food to the public.

"Secondhand smoke" means smoke that is generated either from the burning end of a lighted tobacco, weed, cannabis or plant product, or from an electronic smoking device; or, smoke that is exhaled by a smoker, after inhaling or ingesting a lit tobacco, weed, cannabis or plant product, or after use of an electronic smoking device.

"Service area" means any area designed to be or regularly used by one or more persons to receive or wait to receive a service, enter a public place or make a transaction whether or not such service includes the exchange of money, including, for example, ATMs, bank teller windows, telephones, ticket lines, bus stops, taxi stands and takeout counters.

"Smoke or smoking" means the carrying or holding of a lighted pipe, cigar, cigarette, or any other lighted smoking product or equipment used to burn any tobacco products, weed, plant, cannabis, or any other combustible substance. Smoking includes emitting or exhaling the fumes of any pipe, cigar, cigarette, or any other lighted smoking equipment, including an electronic smoking device, used for burning any tobacco product, weed, plant, cannabis, or any other combustible substance.

"Sports arena" means an outdoor or nonenclosed sports pavilion, stadium, swimming pool, roller rink, or other similar place where members of the general public assemble either to engage in physical exercise, participate in athletic competition or witness sports events, including the concession stand areas thereof.

"Unenclosed area" means any area which is not enclosed.

"Unit" means a personal dwelling space, even where lacking cooking facilities or private plumbing facilities, and includes any associated exclusive-use enclosed area or unenclosed area, such as, for example, a private balcony, porch, deck, or patio."

SECTION 3. SECTION 9.24.030 (SECONDHAND SMOKE GENERALLY) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.030 – Secondhand smoke generally.

A. For all purposes within the jurisdiction of the city, the nonconsensual exposure to secondhand smoke and the uninvited presence of secondhand smoke on property in violation of this chapter shall constitute a nuisance, as is further described by Title 8 of the Morro Bay Municipal Code.

B. For all purposes within the jurisdiction of the city, no person shall cause secondhand smoke to ~~unreasonably~~ interfere with the reasonable use and enjoyment of another person's private residence."

SECTION 4. **SECTION 9.24.040 (PUBLIC AND OTHER PLACES WERE SMOKING SHALL BE PROHIBITED) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):**

"9.24.040 – Public and other places where smoking shall be prohibited.

Except as otherwise provided by this chapter or by state or federal law, smoking shall be prohibited everywhere in the city, including but not limited to:

A. All public places;

B. Residences used as child care, health care, board and care, or community foster care facility as such terms are defined by state Health and Safety Code;

C. Places of employment, except outdoor construction sites;

D. Enclosed and unenclosed places of hotels, businesses, restaurants, bars and other public accommodations; ~~and~~

E. Any means of public transit including associated waiting areas, and service areas, enclosed or not~~.~~***;***

F. Units in multi-unit residences; and

G. Common areas of multi-unit residences.

The prohibitions stated in subsections (F) and (G) of this Section shall become effective on January 1, 2020."

SECTION 5. **SECTION 9.24.050 (REASONABLE DISTANCE) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):**

"9.24.050 – Reasonable distance.

Smoking in unenclosed areas shall be prohibited within a reasonable distance ~~of~~ ***(at least*** twenty feet***)*** from any entrance, opening, crack or vent into an enclosed area where smoking is prohibited, except while actively passing on the way to another destination and so long as smoke does not enter any enclosed area in which smoking is prohibited."

<u>SECTION 6.</u> SECTION 9.24.060 (PLACES WHERE SMOKING MAY BE PERMITTED) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.060 – Places where smoking may be permitted.

Except where prohibited by local, state or federal law, smoking may be permitted in the following locations within the city notwithstanding Section 9.24.040:

A. Private ***residences other than multi-unit residences.*** ~~Residential and Multifamily Properties. This chapter does not preclude private regulation of smoking on private residential and multifamily properties.~~

B. Designated ***smoking areas*** ~~unenclosed areas ("smokers' outposts")~~ provided that all of the following conditions are met:

   1. The area is located a reasonable distance away from any doorway or opening into an enclosed area and any access way to a public place;

   2. The area has a clearly marked perimeter;

   3. The area is posted with one or more conspicuously displayed sign(s) identifying the area as a designated ~~outdoor~~ smoking area pursuant to Section 9.24.~~060~~***090*** of this code;

   4. Smoke is not permitted to enter adjacent areas in which smoking is prohibited by this chapter, other law or by the owner, lessee or licensee of the adjacent property;

   5. Appropriate ash can(s) are placed in the smoking area and are maintained regularly by the owner, operator or manager of the smoking area; and

   6. No consistent complaints of secondhand smoke are filed with the city.

C. Smoking areas at public events which have been approved as part of the special event permit or temporary use permit issued by the city.

D. Inside a private automobile when no minor child is present, except for as prohibited by state law."

<u>SECTION 7.</u> SECTION 9.24.070 (MODIFICATIONS OF DESIGNATED SMOKERS' OUTPOSTS) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.070 – Modifications of designated ***smoking areas*** ~~smokers' outposts~~.

The city reserves the right to prohibit or require modifications to a ***designated smoking area*** ~~smoker's outpost~~ at a certain location if it undermines the purposes of this chapter***, or violates the requirements of Section 9.24.060(A) of this code***."

<u>SECTION 8.</u> SECTION 9.24.080 (ALLOWING, AIDING OR ABETTING SMOKING) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.080 – Allowing, aiding or abetting smoking.

A. No person, employer, business***, landlord*** or nonprofit entity shall knowingly permit smoking in an area under his, her or its legal or de facto control in which smoking is prohibited by this chapter or other law.

B. ~~Except as provided in Section 9.24.050 of this code, no~~ ***No*** person, employer, business***, landlord*** or nonprofit entity shall allow the placement or maintenance of a receptacle for smoking waste in an area under his, her or its legal or de facto control in which smoking is prohibited by this chapter or other law, provided however, that a receptacle may be placed at the entry to a nonsmoking area, along with a "No Smoking" sign, in order to encourage any smokers in violation of this chapter to immediately extinguish and properly dispose of smoking materials.

C. No person shall intimidate, threaten, effect a reprisal or retaliate against another person who seeks to attain compliance with one or more of this chapter's provisions."

<u>SECTION 9.</u> SECTION 9.24.085 (REQUIRED LEASE TERMS FOR ALL NEW AND EXISTING UNITS IN MULTI-UNIT RESIDENCES) IS HEREBY ADDED TO CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE, TO READ AS FOLLOWS:

"9.24.085 – Required lease terms for all new and existing units in multi-unit residences.

A. Every lease or other agreement (collectively, "lease") for the occupancy of a unit in a multi-unit residence, entered into, renewed, or continued month-to- month, effective on or after January 1, 2020, shall include the following:

1. A clause stating that smoking is prohibited in the unit, including exclusive-use areas such as balconies, porches, or patios.

2. A clause providing that it is a material breach of the lease for the tenant, or any other person subject to the control of the tenant or present by invitation or permission of the tenant, including sublessees, to (i) smoke in any common area of the property other than a designated smoking area, (ii) smoke in the unit, or (iii) violate any law regulating smoking anywhere on the property.

3. A clear description of all areas on the property and in the immediate vicinity of the property where smoking is allowed or prohibited.

4. A clause expressly conveying third-party beneficiary status to all occupants of the multi-unit residence as to the smoking provisions of the lease. Such a clause shall provide that any tenant of the multi-unit residence may sue another tenant/owner to enforce the smoking provisions of the lease but that no tenant shall have the right to evict another tenant for a breach of the smoking provisions of the lease.

B. Whether or not a landlord complies with subsection (A), above, the clauses required by that subsection shall be implied and incorporated by law into every lease to which subsection (A) applies and shall become effective as of the earliest possible date on which the landlord could have made the insertions pursuant to subsection (A).

C. This chapter shall not create additional liability for a landlord to any person for a tenant's breach of any smoking provision in a lease for the occupancy of a unit in a multi-unit residence if the landlord has fully complied with this section.

D. Failure to enforce any smoking provision required by this chapter shall not affect the right to enforce such provision in the future, nor shall a waiver of any breach constitute a waiver of any subsequent breach or a waiver of the provision itself."

<u>SECTION 10.</u> SECTION 9.24.086 (NOTICE REQUIREMENTS FOR LANDLORDS AND PROPERTY OWNERS) IS HEREBY ADDED TO CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE, TO READ AS FOLLOWS:

"9.24.086 – Notice requirements for landlords and unit owners.

A. On or before January 1, 2020, every landlord shall provide to the occupants of each unit of a multi-unit residence a written notice of the requirements prohibiting smoking in units and common areas as stated in Section 9.24.040 of this code.

B. Beginning on January 1, 2020, every seller of a unit in a multi-unit residence shall provide prospective buyers with a written notice clearly stating that:

1. Smoking is prohibited in units, including any associated exclusive-use enclosed area or unenclosed area, such as, for example, a private balcony, porch, deck, or patio; and

2. Smoking is prohibited in all common areas, except for specifically designated smoking areas."

SECTION 11. SECTION 9.24.090 (SIGNS) OF CHAPTER 9.24 OF TITLE 9 OF THE MORRO BAY MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS (NEW TEXT IN *BOLD ITALICS* AND DELETED TEXT IN ~~STRIKETHROUGH~~):

"9.24.090 – Signs.

Notwithstanding this provision, the presence or absence of signs shall not be a defense to the violation of any other provision of this chapter.

A. "No Smoking" or "Smoke Free" signs, with letters of not less than one inch in height or the international "No Smoking" symbol (consisting of a pictorial representation of a burning cigarette enclosed in a red circle with a red bar across it) or any alternative signage approved by the ~~public services~~ ***community development*** director must be conspicuously posted ***at each entrance to any place in which smoking is prohibited by this chapter*** by the person, employer, business or nonprofit entity who or which has legal or de facto control of such place ~~at each entrance to a public place in which smoking is prohibited by this chapter or any other place where the public services director reasonably determines that smoking in violation of this chapter has occurred, or is likely to occur~~.

B. Within designated smoking areas, one or more conspicuously displayed sign(s) shall be posted identifying the area as a ***designated smoking area*** ~~smokers' outpost~~ pursuant to Section 9.24.060 of this code as follows: signs with arrows directing the public to the smoking area may be allowed; signs shall be no smaller than three inches high and eight inches long with a pictorial representation of a burning cigarette; signs shall contain "Designated Smoking Area" and shall be posted prominently between five feet and seven feet above the floor or ground; and all signs are subject to approval by the ~~public services~~ ***community development*** director.

C. Every hotel and motel shall have signs posted conspicuously in the registration and lobby areas which state that nonsmoking rooms are maintained and may be available; rooms designated as being nonsmoking shall have signs announcing such restriction conspicuously placed inside the room.

D. No person shall alter, deface, obscure, remove or destroy a sign or placard that this chapter authorizes."

<u>SECTION 12.</u> CHAPTER 9.25 (TOBACCO RETAILER LICENSES) IS HEREBY ADDED TO TITLE 9 OF THE MORRO BAY MUNICIPAL CODE, TO READ AS FOLLOWS:

"**Chapter 9.25 – TOBACCO RETAILER LICENSES**

9.25.010 – Purposes.

It is the intent of the City of Morro Bay, in enacting this chapter, to discourage violations of laws which prohibit or regulate the sale or distribution of tobacco products to minors, but not to expand or reduce the degree to which the acts regulated by state or federal law are criminally proscribed or to alter the penalty provided therefor.

9.25.020 – Definitions.

The following words and phrases, as used in this chapter or in any other applicable law regulating smoking, shall have the following meanings:

"Electronic smoking device" has the meaning given in Section 9.24.020 of this code.

"Enforcement agency" means the Morro Bay police department.

"Hearing officer" means the city employee designated by the city manager to serve in this capacity.

"Licensing agent" means a city employee designated by the city manager to serve in this capacity.

"Person" means any natural person, partnership, cooperative association, private corporation, personal representative, receiver, trustee, assignee, or any other legal entity.

"Proprietor" means a person with an ownership or managerial interest in a business. An ownership interest shall be deemed to exist when a person has a ten percent or greater interest in the stock, assets, or income of a business other than the sole interest of security for debt. A managerial interest shall be deemed to exist when a person can or does have, or can or does share, ultimate control over the day-today operations of a business.

"Tobacco product" means any product containing, made from, or derived from tobacco or nicotine that is intended for human consumption, whether smoked, heated, chewed, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, including but not limited to cigarettes, cigars, pipe tobacco, snuff, chewing tobacco, dipping tobacco, electronic smoking devices or any other preparation of tobacco including Indian cigarettes called "bidis." "Tobacco product" does not include any product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product or for other therapeutic purposes and is marketed and sold solely for such an approved purpose.

"Tobacco retailer" means any person who sells, offers for sale, or does or offers to exchange for any form of consideration tobacco, or tobacco products; "tobacco retailing" shall mean the doing of any of these things.

9.25.030 – Requirement for tobacco retailer license.

A. Beginning on January 1, 2020, it shall be unlawful for any person to act as a tobacco retailer without first obtaining and maintaining a valid tobacco retailer's license pursuant to this chapter for each location at which that activity is to occur.

B. No license will be issued to authorize tobacco retailing at other than a fixed location; itinerant tobacco retailing and tobacco retailing from vehicles are prohibited.

C. No license will be issued to authorize tobacco retailing at any location that is licensed under state law to serve alcoholic beverages for consumption on the premises (e.g., an "on-sale" license issued by the California Department of Alcoholic Beverage Control); tobacco retailing in bars and restaurants serving alcoholic beverages is prohibited.

D. Licenses are valid for one year and each tobacco retailer shall apply for the renewal of his or her tobacco retailer's license prior to its expiration. The conference of a tobacco retailer license does not confer any new rights under any other law and does not exempt any business that otherwise would be subject to the smoke-free work place provisions within the Morro Bay Municipal Code and Labor Code Section 6404.5.

9.25.040 – Application procedure.

A. Application for a tobacco retailer's license shall be submitted to the licensing agent in the name of each proprietor/person proposing to conduct retail tobacco sales and shall be signed by such person or an authorized agent thereof. All applications shall be submitted on a form supplied by the licensing agent and shall contain the following information:

   1. The name, address, and telephone number of the applicant.

   2. The business name, address, and telephone number of each location for which a tobacco retailer's license is sought.

3. Such other information as the licensing agent deems necessary for enforcement of this chapter.

4. Whether or not any proprietor has previously been issued a license pursuant to this chapter that is, or was at any time, suspended or revoked and, if so, the dates of the suspension period or the date of revocation.

9.25.050 – Issuance of license.

Upon the receipt of an application for a tobacco retailer's license, the licensing agent shall issue a license unless substantial record evidence demonstrates one of the following bases for denial:

A. The application is incomplete or inaccurate; or

B. The application seeks authorization for tobacco retailing by a person or at a location for which a suspension is in effect pursuant to Section 9.25.100 of this chapter; or

C. The application seeks authorization for tobacco retailing in an area that is in violation of city zoning pursuant to Title 17 of this code or that is unlawful pursuant to any other local, state, or federal law.

9.25.060 – Display of license.

Each licensee shall prominently display the license in a public place at each location where tobacco retailing occurs.

9.25.070 – Fees for license.

The fee for a tobacco retailer's license shall be established by resolution of the city council. The fee shall be calculated so as to recover the total cost, but no more than the total cost, of license administration and enforcement, including, but not limited to, issuing the license, administering the license program, retailer education, retailer inspection and compliance checks, documentation of violation, and prosecution of violators. The fee for tobacco retailer's license shall be paid to the licensing agent.

9.25.080 – Licenses nontransferable.

A tobacco retailer's license is not transferable to a new location or to another person. If a proprietor to whom a license has been issued changes business location, that proprietor must apply for a new license prior to acting as a tobacco retailer at the new location. If the business is sold, the new owner must apply for a license for that location before acting as a tobacco retailer.

9.25.085 – Noncompliance with tobacco related laws—License violation.

Compliance with all local, state and federal tobacco-related laws shall be a condition of a city tobacco retailer license and it shall be a violation of a license for a licensee or his or her agents or employees to violate any local, state or federal tobacco-related law.

9.25.090 – License compliance monitoring.

Compliance with this chapter shall be monitored by the Morro Bay police department. At least four compliance checks of each tobacco retailer shall be conducted during each twelve-month period. The cost of compliance monitoring shall be incorporated into the license fee.

9.25.100 – Suspension or revocation of license.

A. In addition to any other penalty authorized by law, a tobacco retailer's license may be suspended or revoked if the city finds, after notice to the licensee and opportunity to be heard, that the licensee or his or her agents or employees has violated the conditions of the license imposed pursuant to this chapter, resulting in the following process:

    1. Upon a finding by the city of a first license violation within any five-year period, the license shall be suspended for thirty days.

    2. Upon a finding by the city of a second license violation within any five-year period, the license shall be suspended for ninety days.

    3. Upon a finding by the city of a third license violation within any five-year period, the license shall be suspended for one year.

    4. Upon a finding by the city of a fourth license violation within any five-year period, the license shall be revoked.

B. During a period of license suspension, the tobacco retailer must remove all tobacco products from public view.

C. A tobacco retailer's license application shall be denied or its license revoked if the city finds, after notice and opportunity to be heard, that one of the following conditions exists. The denial or revocation shall be without prejudice to the filing of a new application for a license.

    1. The application is incomplete for failure to provide the information required by Section 9.25.040.

    2. The information contained in the application, including supplemental information, if any, is found to be false in any material respect.

3. The application seeks authorization for a license for tobacco retailing that is unlawful.

9.25.110 – Appeal of suspension and/or revocation.

A decision of the city to revoke or suspend a license is appealable to a hearing officer and must be filed with the hearing officer at least ten working days prior to the commencement date of the license suspension or revocation. An appeal shall stay all proceedings in furtherance of the appealed action. Following appeal, the decision of the hearing officer may be appealed to the city manager or his or her designee. A decision of the city manager or his or her designee shall be the final decision of the city.

9.25.120 – Administrative fine—Penalties—Enforcement.

A. Any violation of the provisions of this chapter by any person is a misdemeanor and is punishable as provided in Chapter 1.16 of this code. Any violation of the provisions of this chapter by any person is also subject to administrative fines as provided in Chapter 1.03 of this code.

B. Each day that a person acts as a tobacco retailer without a valid tobacco retailer's license shall constitute a separate violation of this chapter.

C. Violations of this chapter are hereby declared to be public nuisances.

D. In addition to other remedies provided by this chapter or by other law, any violation of this chapter may be remedied by a civil action brought by the city attorney, including but not limited to administrative or judicial nuisance abatement proceedings, civil or criminal code enforcement proceedings, and suits for injunctive relief.

The remedies provided by this chapter are cumulative and in addition to any other remedies available at law or in equity."

<u>SECTION 13.</u> SEVERABILITY. If any section, subsection, sentence, clause, phrase, or portion of this ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions thereof may be declared invalid or unconstitutional.

<u>SECTION 14.</u> CEQA. The City Council finds that this ordinance is not subject to the California Environmental Quality Act ("CEQA") pursuant to Sections 15060(c)(3) and 15061(b)(3) of the CEQA Guidelines.

<u>SECTION 15.</u> EFFECTIVE DATE. This ordinance shall be in full force and effect thirty (30) days after its passage.

<u>SECTION 16.</u> CERTIFICATION. The City Clerk shall certify to the adoption of this ordinance, and shall cause the same to be posted and codified in the manner required by law.

INTRODUCED at a regular meeting of the City Council held on the ____ day of _______ 2019, by motion of Council Member _____________ and seconded by Council Member ________________.

PASSED AND ADOPTED on the ____ day of _______ 2019, by the following vote:

AYES:
NOES:
ABSENT:

____
JOHN HEADDING, Mayor

ATTEST:

____
DANA SWANSON, City Clerk

APPROVED AS TO FORM:

____
CHRIS F. NEUMEYER, City Attorney

STATE OF CALIFORNIA)
COUNTY OF SAN LUIS OBISPO)
CITY OF MORRO BAY)

I, Dana Swanson, CITY CLERK OF THE CITY OF MORRO BAY, DO HEREBY CERTIFY that the foregoing Ordinance Number ________ was duly adopted by the City Council of the City of Morro Bay at a regular meeting of said Council on the ___ day of _____, 2019, and that it was so adopted by the following vote:

AYES:
NOES:
ABSENT:

____
City Clerk, Dana Swanson

AGENDA NO: C-2

MEETING DATE: October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 1, 2019**

FROM: **Scott Collins, City Manager**

SUBJECT: **Review Progress Update from Central Coast Aquarium for Potential Future Morro Bay Aquarium**

RECOMMENDATION
Staff recommend the City Council receive and file the 180-day "Milestone #2" update from Central Coast Aquarium (CCA).

ALTERNATIVES
None.

FISCAL IMPACT
There is no fiscal impact related to the recommendation.

BACKGROUND
At the March 12, 2019 City Council meeting, Council approved the City of Morro Bay moving forward in a partnership with CCA in pursuing a new Aquarium project on the waterfront, based on the proposal and feasibility study presented by CCA. Included in that approval was a one-year timeline to include four milestones:

1) Concept / Philanthropic Plan presented to Council within 90 days.
2) Business Marketing Plan presented to Council within 180 days.
3) Concept / Philanthropic Plan update presented to Council at 270 days.
4) Final report at the end of one year with regard to further decisions on moving forward.

Also, on March 12, 2019 the Council appointed a sub-committee consisting of Mayor Headding and Councilmember Addis to, in part, participate on a task force to assist the CCA in their philanthropic and other efforts.

At the June 25, 2019 City Council meeting, the Council was presented with the 90-day Milestone #1 report in agenda item C-1. This report included an update on process, design/engineering consultant RRM's proposal for Aquarium architectural concept design, consultant Tenji Aquarium Design's proposal for aquarium exhibit design, and a March 13 to June 18, 2019 project activity report from CCA highlighting accomplishments to date. The Council did not take any formal action on this item.

DISCUSSION
CCA's Milestone #2 documents are included as attachments to this staff report, and include a Morro Bay Project Quarterly Activity Report, Aquarium Update Letter, Draft Morro Bay Aquarium Business

Prepared By: ___SC_____	**Dept Review: ______**
City Manager Review: ________	**City Attorney Review: __CFN____**

and Marketing Plan and Addendum to the Draft Business Plan.

Of primary importance, through fundraising efforts to-date needed for the $38,200 Aquarium Exhibit and Architectural Design Plans, $26,400 is on-hand or pledged, with $11,800 still needed. CCA reports several donor sources are pending, and outreach to donors is ongoing, including possibly a request to the TBID.

Next step after completing fundraising for the Aquarium Exhibit and Architectural Design Plans is pulling together stakeholders to participate in design charrettes that will serve as the conceptual basis for the plans. Once the plans are completed, they will be presented to City Council for review and will ultimately serve as the basis for the aquarium capital campaign.

The next Milestone report is due approximately mid-December, and likely presented at the December 10, 2019 City Council meeting.

ATTACHMENTS

1. Morro Bay Project Quarterly Activity Report, March 13 to October 1, 2019
2. Aquarium Update Letter
3. Draft Morro Bay Aquarium Business and Marketing Plan
4. Addendum to the Draft Business Plan

OUR MISSION

To cultivate a community dedicated to ocean stewardship through education, engagement, and action.

Morro Bay Project Activity Report: March 13 to October 1, 2019

Submitted to City of Morro Bay by Christine Johnson, Executive Director, Central Coast Aquarium

- ✓ **March 13: Central Coast Aquarium (CCA) reached out to City of Morro Bay to set quarterly check-in dates following City Council meeting on March 12.**

- ✓ March 15: CCA made contact with Monterey Bay Aquarium about possible partnership and received a reply that collaboration on a new aquarium in Morro Bay is not likely but a sea otter partnership could be possible in the future.

- ✓ March 21: Article appeared in The Tribune regarding a new Morro Bay Aquarium: https://www.sanluisobispo.com/news/local/article228193859.html

- ✓ March 22: CCA met with Dr. Dean Wendt, CCA Board Member & Dean of Cal Poly's College of Math and Science, to discuss reaching out to marine science faculty to gather information specific to Cal Poly research and teaching that could be incorporated into a new space in Morro Bay.

- ✓ March 23: CCA added info about Morro Bay Project to CCA Website: http://www.centralcoastaquarium.com/index.php/morro-bay-project

- ✓ March 25: CCA received bid for Aquarium Exhibit Concept Plan from Tenji Aquarium Design: $18,000. Bid attached.

- ✓ April 4: CCA met with Community Foundation San Luis Obispo (CFSLO) and the Community Foundation is willing to manage the Morro Bay Aquarium capital campaign donation process as needed. Management includes: receiving donations directly, safeguarding funds, sending acknowledgments to donors, and providing reports. This partnership between CCA/CFSLO ensures transparency and confidence in the donation process for major gifts donors. The process was used for the Cayucos Pier Capital Campaign with success. This partnership will begin after the final fundraising is complete for the Architectural and Exhibit Concept Plan which CCA has the capacity to manage internally as was done successfully for the Economic and Market Feasibility Study fundraising.

- ✓ April 9: CCA received bid for Architectural Concept Design Core and Shell from RRM Design Group: $19,200. Bid attached.

- ✓ Note about Tenji and RRM bids: The combined bids are $38,200, including $1,000 estimated Tenji travel costs from Carmel, CA to Morro Bay. Working in tandem, RRM Design will be the local firm helping with shell and core architectural design while Tenji will use a "rapid design process via a charrette whose goal is to develop pre-design parameters for future development and create a drawing package and narrative that sets the foundation for all future design phases."

- ✓ April 15: Fundraising Update for Architectural and Exhibit Concept Design Plan: $19,300 of the total $38,200 needed has been secured by CCA. Outreach to donors for the Concept Design Plan phase is ongoing.

- ✓ April 10 & April 17: Market Plaza Option**:** CCA was contacted by two of the three interested development teams to discuss the option of the Morro Bay Aquarium project becoming part of the overall development of the Market Plaza project. The developers proposed that the Aquarium would relocate from the waterfront lease site to a site on the eastside of the Embarcadero and become incorporated into the overall Market Plaza project. At this early stage of the project, CCA remains open minded to the Market Plaza option and CCA communicated this to the development teams. The Market Plaza option is only speculative at this point. CCA's Board will have the opportunity to discuss this option and provide input at the CCA Board meeting on May 31.

- ✓ April 16: CCA has partnered with a Morro Bay based business, Rock Harbor Marketing, for a total redesign of CCA's website in anticipation of increased communication to the public about the Morro Bay project.

- ✓ April 16: CCA met with Dr. Nikki Adams, Cal Poly Biological Sciences Professor, and leader of Communicating Ocean Science to Informal Audiences (COSIA) program at Cal Poly, to discuss opportunities with Cal Poly interns and expanding the COSIA opportunities in Morro Bay. For information about the COSIA program, see the link here: http://www.coseeca.net/programs/communicatingoceansciences/cosia/

- ✓ April 19: CCA received very detailed input via a survey created by Dr. Dean Wendt and Dr. Ben Ruttenberg, (Director of Cal Poly's Center for Coastal Marine Sciences--CCMS), asking faculty how an aquarium in Morro Bay could specifically support research, teaching, and outreach for CCMS and Cal Poly. Next step: CCA will work with Cal Poly to collate the faculty input and create a prioritized list of facilities/programs within a new Aquarium that will enhance Cal Poly's marine science program.

- ✓ April 23 to May 31: *PROJECT PAUSE*: CCA and the City of Morro Bay took time to explore the Market Plaza Aquarium opportunity as introduced by two prospective developers. Fundraising for the concept plans was on hold until CCA had clarity on this option from CCA's Board and for the opportunity to be presented to the City.

- ✓ May 31: CCA's Board of Directors confirmed at Board meeting that the waterfront location was CCA's preferred location for a new aquarium as opposed to the Market Plaza option based on a cost benefit analysis of the two sites. Important to note: CCA's Board remains committed to the project as outlined in the January 2019 Market and Economic Feasibility Study. If any of the Feasibility Study's assumptions about lease terms or taking on debt were to be changed, CCA would need to reconsider the project.

- ✓ June 17: Meeting held between the City of Morro Bay Aquarium Subcommittee and CCA Executive Director to inform the City that CCA's preferred location remains the waterfront location and CCA would prefer not pursue the Market Plaza Aquarium option. Based on discussion at the meeting, CCA will restart actively fundraising with the goal of building a new aquarium on the waterfront location. City of Morro Bay will write a letter of support for the project to assist CCA in fundraising.

- ✓ June 22: Met on site in Morro Bay with CCA, City of Morro Bay, Dr. Nikki Adams, Cal Poly Biological Sciences Professor, and Tom Moylan, Cal Poly Pier Facilities Operations Manager, to discuss options for Cal Poly activities in a new Morro Bay Aquarium. Many exciting collaborations are possible due to the waterfront site. Details will be developed during the Concept Study process.

- ✓ **June 25: CCA's First Quarter Update presented at City of Morro Bay City Council Meeting.**

- ✓ June 28: KSBY story about Aquarium project. Link here: https://www.ksby.com/news/local-news/2019/06/28/morro-bay-aquarium-renovation-moves-closer-to-reality

- ✓ July 1: Update conversation with Mike Manchak, CEO of EVC discussing possible outreach for capital campaign donors after the Concept Study is completed.

- ✓ July 16: Meeting with Carol Kiessig, CCA Founder, to discuss possible outreach for capital campaign donors after the Concept Study is completed.

- ✓ July 22: CCA mailed an Outreach letter to all Embarcadero Master Lease Holders.

- ✓ August 23: CCA mailed an Outreach letter to all Morro Bay Hotel owners.

- ✓ August Chamber Outreach: CCA submitted an Outreach letter to the Morro Bay Chamber of Commerce e-Blast to all members.

- ✓ September 14: Catch of the Central Coast CCA's annual Fundraiser and Silver Anniversary Celebration in Avila Beach. Councilmember McPherson attended and represented the City of Morro Bay.

- ✓ September 19: Presentation was made to the Morro Bay Tourism Business Improvement District Board.

- ✓ September 24: Presentation was made to the Morro Bay Chamber of Commerce Board.

- ✓ September 27: Mayor John Headding, Morro Bay Aquarium subcommittee member, attended the CCA Board of Directors Meeting as a guest to discuss Morro Bay Aquarium project.

- ✓ **Fundraising to date for Architectural and Exhibit Concept Design Phase:**
  $26,400 on-hand or pledged. $11,800 balance needed.

- ✓ A fundraising event is planned for October 15 at a private residence in Morro Bay.

- ✓ **October 8: CCA's Second Quarter Update presented at City of Morro Bay City Council Meeting.**

UPDATE: Morro Bay Aquarium Project
As of September 24, 2019

Hello! You are likely aware that the *Morro Bay Aquarium Market and Economic Feasibility Study* was shared with the public on Tuesday, March 12, 2019 at the Morro Bay City Council Meeting. Following Central Coast Aquarium's (CCA) presentation, the **City Council made a unanimous decision to reaffirm moving forward in partnership with the Central Coast Aquarium and Cal Poly into the fundraising stage to develop a new marine science education center with a public aquarium.** The Feasibility Study is available online at www.centralcoastaquarium.com/morro-bay-project.

Phase Two fundraising for is underway to raise the necessary funds—$38,200—for completion of the Architectural and Exhibit Concept Plan. **Currently, CCA has $26,400 donated to fund the Concept Plan Phase. We need to raise the balance of $11,800 and we are nearly there!**

Could you consider a donation at this time to help complete Phase Two?

CCA received bids for the development of a Concept Plan that will include: plans, elevations, isometrics, animal life support schematics and schedules, preliminary tank drawings, building infrastructure requirements, "look and feel" drawings of exhibit space, and cost estimate for the build out. The total amount needed to create these documents is $38,200. Tenji Aquarium Systems, Inc. has submitted the bid for the aquarium design portion ($19,000). RRM Design, Inc. has submitted the bid for the architectural design portion ($19,200).

Thank you to those of you who donated to the Feasibility Study in 2018--your donation was greatly appreciated!

This time, the City has given CCA a one-year timeline to develop philanthropic support for a new aquarium project and we are hoping to complete the Concept Study funding as soon as possible. We would be very grateful for support from the business community. We are confident, based on the Feasibility Study, that a new aquarium in Morro Bay will have a measurable and positive increase on economic development overall.

Donations of any amount are most welcome. $1,000 donations and above will receive permanent, highly visible recognition in a future Morro Bay Aquarium as a ***Visionary Circle Member: Phase Two***. Donations are tax deductible as CCA is a 501c3 nonprofit organization (Central Coast Aquarium Tax ID # 77-0479110).

If you share our vision of a future that includes a new public aquarium and marine science education center on the Embarcadero in Morro Bay, join other visionaries in the community and donate today!

For more information, please contact me at Christine@centralcoastaquarium.com or on my cell at #805-305-3759. A donation form is on the reverse side of this memo for your consideration. Thank you.

DONATION FORM

Central Coast Aquarium in Morro Bay

Please return this form to the Central Coast Aquarium to receive recognition of your donation.

Donor Name: ____

Donation Amount: ____

A donation of $1,000 or higher will receive permanent, highly visible recognition in a future Morro Bay Aquarium as a *Visionary Circle Member: Phase Two*.

Donor recognition to be listed as:

____

Mailing Address: ____

City, State, Zip Code: ____

Email: ____

Phone: ____

Please make your donation to: **Central Coast Aquarium and designate your gift for Morro Bay.**

Checks can be mailed to**: Central Coast Aquarium, PO Box 460, Avila Beach, CA 93424.**

Donations are also accepted **online at www.centralcoastaquarium.com**

Please mail or email the Donation Form back to Central Coast Aquarium at the contact info above.

THANK YOU for your generous donation!

*Your vision for a future Central Coast Aquarium in Morro Bay is greatly appreciated and your donation will be recognized in perpetuity as a **Visionary Circle Member: Phase Two** within any future aquarium in Morro Bay.*

Please contact Christine Johnson, Executive Director, at Christine@centralcoastaquarium.com or #805-305-3759 should you have any questions.

Your donation is tax deductible. Central Coast Aquarium Tax ID # 77-0479110.

Central Coast Aquarium

Morro Bay

DRAFT BUSINESS PLAN

October 1, 2019

IMPORTANT NOTE: This document is a working draft presented upon request to the City of Morro Bay.

This draft is for discussion purposes only.

I. Overview

Central Coast Aquarium Morro Bay Expansion

For 25 years, the Central Coast Aquarium (CCA), located in Avila Beach, has been providing unique hands-on learning opportunities to children and adults in the fields of Marine Biology and Oceanography, as well as local history. The mission of the CCA is to cultivate a community dedicated to ocean stewardship through education, engagement, and action. The Central Coast Aquarium is a 501c3 non-profit organization. Tax ID number is 77-0479110.

CCA's operations have two interconnected priorities: to serve as a marine science education center to students PreK-12, and to operate as a public aquarium. These two focus areas provide hands-on marine science educational opportunities to people of all ages and diverse education programs are offered annually. Over 75 species of marine life, indigenous to the waters off the San Luis Obispo County coast, are found in the Public Exhibit Hall Aquarium in Avila Beach and are responsibly housed in a humane manner and are provided with opportunities for species-specific enrichment.

In the fall of 2013, the City of Morro Bay issued a request for proposals for the complete redevelopment of the Morro Bay Aquarium on waterfront lease sites 69-70/69W-70W. CCA's leadership team decided to respond to this opportunity to expand its mission beyond what was possible at the Avila Beach location.

As a result of that process, the City, CCA and Cal Poly's Center for Coastal Marine Sciences proposed a public-private partnership for the purpose of collaborating on a redevelopment project for a new, state-of-the-art, public aquarium and marine science education research center in Morro Bay. In May 2016, the City approved a Consent of Landowner agreement with the CCA and set compliance dates.

In 2018, the City of Morro Bay extended the compliance dates, and released CCA from the Consent of Landowner contract, on the agreement to allow CCA to fundraise for the economic feasibility study--the first step in the development process. CCA is grateful to the nearly 50 donors who helped to raise the $44,000 needed for the study including $10,000 from the City of Morro Bay economic development funds and $4,000 through a SLO County Community Programs Grant. The balance of $30,000 was raised from private donors in the community.

The Morro Bay Aquarium Market and Economic Feasibility Study was shared with the public on Tuesday, March 12, 2019 as an agenda item during the Morro Bay City Council Meeting. The feasibility study revealed that all non-profit aquariums require funding beyond their earned revenue potential. Yet, a future Morro Bay project has the potential to earn more than the average aquarium's earned revenue given the unique factors to the site in Morro Bay as detailed in the study. The study revealed that this project is not feasible if it carries debt. Therefore, the option of utilizing a USDA Rural Development Community Facilities Guaranteed Loan to finance a new facility, that had been previously discussed, is no longer a viable option.

Following CCA's presentation of the Feasibility Study's results on March 12, 2019, the City Council made a unanimous decision to move forward in partnership with the Central Coast Aquarium and Cal Poly into the fundraising stage to develop a new marine science education center with a public aquarium. The partners have agreed to a one-year timeline to generate philanthropic interest in this project. Support from the City will likely be in the form of land lease support and assistance with the development process. Cal Poly will explore how an aquarium facility, including dock space, in Morro Bay could support teaching and research for Cal Poly's Center for Coastal Marine Sciences.

A draft business plan was requested by the City to be presented at the October 8, 2019 City Council meeting as part of quarterly updates on the project status by the Central Coast Aquarium. This draft business plan utilizes the most up-to-date financial information found in the Market and Economic Feasibility Study presented to the City in March, 2019 as a work product from the firm ConsultEcon. This is a working draft to be used for discussion purposes only.

II. Central Coast Aquarium: History

Avila Beach Location

Central Coast Aquarium's founders, Russ and Carol Kiessig, established the organization as the Port San Luis Marine Institute in 1994 in Avila Beach fueled by Russ' dream to share the wonder of the ocean with local residents, students, and travelers. Officially incorporated as a 501c3 nonprofit organization in 1998, Russ specifically wanted to provide opportunities for local school children to learn about San Luis Obispo County's marine habitats and estuarine environments.

In the beginning, Russ taught out in the open on the Harford Pier in Avila. At that time he was also working on his first draft of a future aquarium facility. Thanks to a partnership with Leonard Cohen, the owner of The Olde Port Inn, Russ began to conduct lectures on ocean life in the restaurant's second floor dining room, but he quickly outgrew the venue.

The vision of building an aquarium and education center under the new name, Avila Beach Sea Life Center, became a reality after the community of Avila Beach received mitigation funds from Union Oil/Unocal in response to underground oil contamination that occurred in Avila over decades but became known as an underground environmental disaster in the early 1990s. These mitigation funds provided for the construction of a brand-new marine science education center and aquarium, located adjacent to Avila Beach Park, on a parcel donated from Unocal which was transferred from San Luis Obispo County to the Avila Beach Community Services District for this purpose and leased to the CCA for $1 per year. Sadly, Russ passed away in 2005 and was not able to see the realization of his decades long vision for a state-of-the-art aquarium and marine science education center in Avila Beach which opened in 2006.

In 2010, the addition of docent-led interpretation of the Aquarium's exhibits of sea animals allowed the organization to open its Exhibit Hall to the public and expand its reach into the community on a gradual basis. The Avila Sea Life Center was rebranded as the Central Coast Aquarium in 2013 to expand its reach countywide as the authority on marine science education for both school groups and the general public in our region.

Beginning in September 2017, CCA revised its Exhibit Hall operation to offer more public access when it opened to the public every day but Monday from 10:00 a.m. to 4:00 p.m. all year long.

Today, the Central Coast Aquarium is a precious community resource with interactive exhibits, outdoor activities, and laboratory lessons for all ages serving over 32,000 visitors and 5,000 school students each year. 25 years later, the Central Coast Aquarium continues to embrace Russ Kiessig's original mission to cultivate a community dedicated to ocean stewardship through education, engagement, and action.

Since its founding, CCA has achieved the following milestones:

- Founded a non-profit marine science education entity
- Developed a Board of Directors to oversee the fiscal management of the non-profit
- Built a marine science facility with classrooms and exhibits with living marine animals for school student visits
- Increased programing and opened the exhibit hall to the public
- Impacted and improved the lives of over 70,000 students/visitors in nearly 25 years
- Partnered with Cal Poly's Center for Coastal Marine Sciences
- Installed microscope lab equipment into the Exhibit Hall for public use
- Successfully implemented a marine science educational public lecture series
- Developed successful student internship programs with Cal Poly, Cuesta College and Alan Hancock College.
- Launch of Surfrider Foundation Blue Water Task Force weekly water testing program
- Host annual beach cleanup along the coast on under the water of the Harford Pier
- Increased public aquarium hours to six days a week
- Increased number annual memberships
- Brought the Ocean Discovery Park patio expansion project to reality
- Selected as the site for a public art project mural by the Avila Beach Community Foundation.
- Entered into a partnership with the City of Morro Bay and Cal Poly's Center for Coastal Marine Sciences to explore the redevelopment of the Morro Bay Aquarium.
- Completed a market and economic feasibility study analyzing a future expansion into Morro Bay following the closure of the Morro Bay Aquarium and moved forward to the Architectural and Exhibit Design Concept Phase.
- Celebrated 25 years of delivering marine science education to school students and the general public.

An executive director, two fulltime staff members and four part-time staff members manage CCA's day-to-day operations with solid experience in nonprofit management, marine science education and aquatic environments. A seven-member volunteer Board of Directors manages fiscal and policy oversight for the organization. Over 80 active volunteers assist operations as docents and aquarists.

Financial Sustainability Avila Beach Location

In the past five years, the Central Coast Aquarium in Avila Beach has worked to stabilize its financial position in a positive direction toward fiscal sustainability so that a project in Morro Bay could be explored by the organization.

To address the fiscal sustainability issue, and to achieve balanced budgets moving forward, several critical decisions were made by CCA's leadership:

<u>September 2017</u>: The Aquarium greatly extended its hours of operation to the general public and is now open to the public six days a week, all year long (closed Mondays).

<u>March 2018</u>: Full time Aquarium Manager position eliminated to reduce overall costs and job responsibilities for the Aquarium Manager are now shared among existing staff.

June 2018: Began new strategy to recruit, train and retain volunteers ultimately to reduce use of part-time Aquarium Coordinators in the Exhibit Hall, at front desk, and with school programs.

June 2018: Soft opening of the new Outdoor Discovery Park patio expansion project to allow for outdoor marine science education programs and for use as an event venue open to the public for rental as a new source of revenue.

Topline projections beginning in 2018 for CCA in AVILA BEACH

	2018 Budget	FY 1	FY 2	FY 3	FY 4	FY 5
Revenue	$475,000.00	$508,250.00	$543,827.50	$581,895.43	$622,628.10	$666,212.07
COGS	$35,500.00	$37,275.00	$39,138.75	$41,095.69	$43,150.47	$45,308.00
Total Expenses	$415,755.00	$436,542.75	$458,369.89	$481,288.38	$505,352.80	$530,620.44
Net Income	**$23,745.00**	**$34,432.25**	**$46,318.86**	**$59,511.36**	**$74,124.83**	**$90,283.64**

Assumes 7% increase in revenue per year

Assumes 5% increase in expenses per year

III. Marine Science Programs & Opportunities

Current Programming in Avila Beach & Morro Bay Opportunities

K-12 Discovery Laboratory: Discovery Lab programs are two parts. First, students receive a private tour of the Aquarium's Exhibit Hall to have an up-close and personal learning experience with specific animal species in our collection including time with touch tanks where examples of marine life in our local intertidal zone are available for touch and close inspection. And, there is an opportunity for a shark encounter with swell sharks where students can touch the sharks to feel their denticles. Second, depending upon the choice of the educator, Discovery Lab experiences may include one of the following lessons: squid dissection, marine mammals, water quality, plankton, sharks and rays, or the rocky intertidal habitat of invertebrates.

Morro Bay Opportunity: Depending upon specific aquarium design factors at the Morro Bay site to be decided in the Concept Design Phase, CCA could develop specific middle school and high school grade level marine science curricula that is delivered only in Morro Bay. Meanwhile, Avila Beach's programs would focus on elementary grade level programs to differentiate Morro Bay from Avila Beach and to build a pathway for students to experience marine science learning at various stages of their development.

K-12 Floating Discovery Laboratory: Floating Laboratory is a unique experience in which students board a boat and go out on San Luis Bay. Following an introduction to the rich cultural and natural history of the area, students help to drop a trawl net into the water and then sort, identify, and count the collected creatures which become a part of our ongoing monitoring dataset. Throughout the trip our students are encouraged to take in the sights and sounds of marine mammals and birds in their natural environment, as well as help to release the catch after the data count. To better understand this marine food web we also collect plankton samples and engage our students in water quality and chemistry testing using oceanographic sampling equipment.

The remainder of this program takes place in classroom at the Aquarium where students view and discuss the species of plankton caught from the boat, emphasizing the role these organisms play in the marine food web. Floating Laboratory is commonly paired with lessons such as: squid dissection, plankton, or rocky intertidal habitat of invertebrates.

Morro Bay Opportunity: With the directly on the waterfront site in Morro Bay and the lower cost per student to access a boat tour in Morro Bay vs. Avila Beach, CCA could develop specific middle school and high school grade level marine science curricula that is delivered only in Morro Bay and that would ensure every student receives an on the water Floating Lab experience including a visit to the Morro Bay Sand Spit---unique programming to Morro Bay. At this time, fewer students experience the Floating Lab in Avila Beach because of the high cost of using a fishing vessel in Avila Beach versus a more reasonable fee for using a bay tour boat in Morro Bay. And, partnerships can be developed between CCA and local Morro Bay tour boats for both school programs and programs for the general public that would, hopefully, increase business for local boat tour companies.

<u>K-12 Biological Monitoring Studies</u>: This program's goal is to actively engage students in real-life scientific investigations and the scientific process while also collecting data that will be used to better understand the marine communities found along our coast. There are several habitat options for this program including Sandy Beach or Rocky Intertidal. Students participating in these programs will learn the sampling methodologies used by scientists to study the habitat of interest and the species found there. The data collected during each monitoring program will be added to our databases and will be made available to the participating classes so that they can explore the patterns in catch. Local scientists also use this data for their own research.

Morro Bay Opportunity: This program is currently also delivered in Morro Bay with certain school groups.

<u>Pre-School Program:</u> Pre-School program is created for three and four-year-old pre-school groups and are kept small to maximize the benefit and experience of our hands on learning environment. We focus on learning through the senses as we explore the sea life in the touch tanks.

Morro Bay Opportunity: This program can be developed for Morro Bay to reach North Coast and North County preschools. Currently, Avila Beach location serves mostly San Luis Obispo and South County preschools.

<u>Tidepools on Tour:</u> This program is made possible through the development of our mobile aquarium tanks. We bring live animals to school sites (and other locations). Our travelling creatures include hermit crabs, spiny California king crabs, graceful crabs, decorator crabs, kelp crabs, sea cucumbers, sea urchins, sea anemones, gumboot chitons, keyhole limpets, sea snails, flatfish, mussels, scallops, and a variety of algae. Additional lessons can be paired with this program including marine mammals, sharks and rays, hermit crab Investigations and water chemistry.

Morro Bay Opportunity: This program is countywide and CCA has two mobile tanks but only one can be used at a time due to several factors. Therefore, one of the mobile tanks can be stationed fulltime in Morro Bay to be utilized easily at various sites within Morro Bay such as Vet's Hall, Community Center, Library, churches, other local businesses and for indoor and outdoor festivals.

<u>Seasonal Camps</u>: Day campers spend the week at the Aquarium engaged in hands-on marine science activities such as exploring marine habitats, interacting with live animals, and participating in discovery labs. Summer, winter and spring camps are designed for children 5 to 14 years.

Morro Bay Opportunity: Currently, CCA receives nearly no campers from North Coast or North County for this Avila Beach program. Morro Bay camp programs would be able to draw from the large numbers of families living on the North Coast (Cambria, Cayucos, Morro Bay, Los Osos) as well as Atascadero.

Shoreline Explorers: This program is open to all but it was specifically designed for homeschooled or independent study students. A monthly Beachcomber's Guide is full of materials and information for marine science activities along our coast. After a month of independent exploration, students can meet at the Aquarium at the end of the month and receive a brief science lesson then pick up the next month's guide.

Morro Bay Opportunity: Targeting North Coast and North County homeschool or independent study students would help expand this program if CCA could use the site in Morro Bay to connect with these families.

Mommies and Guppies: This program is a monthly event designed just for small children and their guardians to explore the Aquarium. Held when the Aquarium is closed to the public, parents and tots enjoy up-close animal encounters with creatures like sea stars and urchins, story time, sing-a-longs, games, and crafts. We have a different educational theme each month, like letters and numbers, and use this unique setting to help make learning fun.

Morro Bay Opportunity: A parallel program could be developed to reach families in North County and North Coast from a Morro Bay site as most attendees in Avila are from San Luis Obispo, Shell Beach, Pismo Beach, Arroyo Grande.

Public Exhibit Hall: In Avila, the first floor Exhibit Hall has 12 exhibits curated with indigenous species of San Luis Obispo County's marine life from giant pacific octopus to sea stars, rock crabs, smooth hound sharks, and lesser-known gumboot chiton. As the ocean spans across nearly three-quarters of the Earth's surface, this small sample of animals represent only a fragment of the oceanic life that depends on the health and cleanliness of our oceans. Specifically focusing on the diversity of our Pacific waters, our exhibits highlight the fascinating adaptations these creatures develop to survive and thrive in the seas, just footsteps away at Avila Bay.

Morro Bay Opportunity: *The following is a preliminary vision for the Public Exhibit Hall for the Morro Bay Aquarium based on input from Scott Reid, Manager of Collections, Monterey Bay Aquarium on a pro bono basis and was used for the Market and Economic Feasibility Study. Refinement of this vision will occur in the Architectural and Exhibit Concept Design Phase.*

> Morro Bay Aquarium Exhibits Overview
> The first floor will be dedicated to experiential education using aquarium tanks that tell the story of the local watershed encompassing eight unique ecological zones in San Luis Obispo County and Morro Bay. Beyond the tanks, visitors can interact with a series of touch tanks filled with local marine life. Located on the second floor are flexible use event spaces, classrooms, an advanced research lab, staff lounge / kitchen, and administrative offices. The second level also has an observation deck / event space that provides a spectacular, panoramic view of Morro Bay.
>
> The series of aquarium tanks that tell the story of the local watershed was directly inspired by the National Estuary Foundation's illustration of the many habitats within the estuary for Morro Bay. The conceptual size of these tanks was based off variations of an initial 4ft x 4ft box placed at different points along the curved interior wall that directly relates to the various habitats of the estuary within the watershed. The overall size of individual tanks is purely conceptual and was based off relative size of marine life used in individual tanks and the specific habitat type that would be constructed. The number and size of tanks is flexible as they simply plug into the freestanding, nonstructural, curved wall that creates the aquarium's unique, organic interior.

Tank size and numbers can be adjusted freely within the space between the curved wall and the circulation path bordering the aquarium system zones. The only thing that must be preserved is the 3ft wide circulation path to all tanks and around aquarium systems.

Pier Piling Tank: This towering, two story tank will be the main focal point and an iconic feature of the interior of the aquarium. The tank concept is supposed to show visitors what is below their feet as they are walking on the boardwalk, docks, and patios over the water on the bay. The tank would showcase how human development directly interfaces with the bay, the resulting effects on the habitat, and the animals/plants that create a unique micro ecosystem around the individual wood pier pilings throughout the bay.

Touch Tank: Neighboring the towering pier piling tank, the touch tank will be the central feature of the first floor of the aquarium. Circulation on the first floor goes around the touch tank. The tank concept revolves around the idea of having aquarium staff located in the middle of the "O" shaped tank, and having a series of tanks embedded in the thickness of the "O" shape, thus allowing visitors to freely interact with the animals in touch tank from multiple vantage points around the "O".

Research Lab: The Cal Poly Research Lab is located on the second floor of the aquarium and is positioned directly above the aquarium system space on the first floor, allowing for ease of getting systems, piping, etc., from the systems on the first floor to possible tanks and equipment located in the lab. At this time, Cal Poly has not specified how the lab will be used, water type of aquarium systems, or tanks they might be utilizing. What is known is that students and professors in the marine science department would use the lab.

Flexible Use / Event Space: When not in use for events, the flexible use space would be used as additional aquarium space for educational exhibits and moveable tanks that could be easily moved to allow the space to easily be set up for aquarium use, or emptied for event use such as weddings or conferences.

Community Service Opportunities: Over 80 volunteers participate as docents in the Exhibit Hall and/or with school programs, assist with animal care and feeding, and help with fundraising and public outreach.

Morro Bay Opportunity: Due to the somewhat 'off the beaten path' location of Avila Beach, CCA struggles to recruit volunteers from nearby communities due to perceived issues with crowds and parking in Avila Beach. Also, there are few fulltime residents in the Avila Beach Village as most are located in the communities in the canyons and on the hillsides surrounding Avila. In contrast, many residents in Morro Bay live close to the Embarcadero and parking would not be a concern due to close proximity of the site as well as abundant free parking close-by for the majority of the year. Volunteers would be likely to come from the North Coast communities as well as Atascadero which is only 12 miles away to participate in this unique volunteer opportunity. Cal Poly students also make up a significant number of volunteers in Avila and the close connection to Cal Poly already helps support CCA's programs and would play an expanded role in Morro Bay due to Cal Poly's closer involvement in the proposed project from the beginning. Lastly, having Morro Bay High School located close by increases the opportunities for high school students to volunteer as well.

Beach Cleanup Partnership with Avila Beach Tourism Alliance: In 2018, grant funding received from Avila Beach Tourism Alliance (ABTA) funded the purchase of buckets and pick-up tools and the Aquarium serves as the coordination location for beach cleanup activities for visitors (but also available for local residents) as organized through the Stewardship Travel Program for ABTA.

Morro Bay Opportunity: A parallel program could be developed by way of partnership for funding submitted to the Morro Bay Tourism Business Improvement District Board based on the success of the program in Avila Beach.

Facility Rental: On-going rental of the second-floor indoor classroom in Avila Beach helps diversify revenue sources. The classroom is used for children's birthday parties, community and corporate meetings, and special events. Room rental may include a private tour of the Aquarium's Exhibit Hall.

Outdoor Classroom Rental: By January 2020, the outdoor classroom will be available for CCA use for educational programs during the weekdays. On the weekends and evenings, the space can be rented out for various events such as rehearsal dinners, memorial events, weddings, corporate events and VIP events in partnership with Avila Beach Golf Resort. The outdoor classroom is a multi-use space the will enhance the ability of CCA to provide quality educational programs as well as diversity its revenue to build sustainability.

Morro Bay Opportunity: As envisioned in the Market and Economic Feasibility Study, the Morro Bay site will be designed to incorporate multi-use space for after-hours facility rentals to diversity revenue. In addition, the Morro Bay location would be well-suited to provide direct, unobstructed views of the estuary and of Morro Rock enhancing any special event held on site.

Success Factors for Morro Bay

Central Coast Aquarium Morro Bay is uniquely qualified to succeed due to the following reasons:

- There is an identified need in San Luis Obispo County to educate our local community as well as our visitors about the marine environment along our 100 miles of coastline. Focusing on the unique ecosystem of the estuary in Morro Bay will increase general respect for marine life in this at-risk environment and will help to ensure protection for both the bay and the ocean in the future.

- Over 800,000 visitors a year come to Morro Bay and a new hands-on, marine science education center and public aquarium exhibit hall is a desirable attraction for visitors to the Embarcadero as well as an outstanding platform to advocate for stewardship of the ocean and the marine life within its waters.

- Morro Bay has long had an aquarium on the waterfront and this type of attraction is part of the history of the City.

- Cal Poly's Center for Coastal Marine Sciences anticipated participation in the project connects Cal Poly's community of students, faculty and alumni with a 'learn by doing' opportunity at the Aquarium. Also, partnership with Cal Poly allows the University to showcase marine science research and teaching to the community at large in San Luis Obispo County and beyond which will have a positive effect on both University programs as well as visitors to the City who are interested in seeing Cal Poly's education in action.

- CCA's management team in Avila Beach has a proven track record of success achieving program and financial goals and operating a safe, clean, humane facility. Those skills would be transferred to the Morro Bay site as current CCA Staff would serve both sites with additional positions being added only as needed after the development phase.

- CCA's school programs meet California Curriculum Science Standards and are popular with educators as can be seen by the repeat visits from schools year over year to Avila Beach.

- Members of the community support and believe in CCA's mission as proven by the longevity of enthusiasm for the Aquarium in Avila for 25 years in both donor support, grant funding and volunteer participation.

- Regarding the Morro Bay site, over $68,000 has been raised by locals, both businesses and private donors, for the Morro Bay project thus far simply to fund various studies and planning documents. This bodes well for support for a future capital campaign.

- Marine science education lessons created specifically for K-12 school programs are purposely created to be a cost-effective, affordable alternative to a visit to the Monterey Bay Aquarium during a time with less funding is available for field trips and the cost of simply transporting students has become a cost burden.

- Key collaborations can be developed to create innovative and impactful programming between CCA in Morro Bay and Morro Bay State Parks, Morro Bay National Estuary Program, Morro Bay Maritime Museum, Sea Otter Savvy, Pacific Wildlife, and Marine Mammal Center.

Management Team: Avila Beach & Morro Bay

CCA's current management team will act as the umbrella management team for the Morro Bay expansion project during the planning and development phases of the project. Management positions will be added as needed in the future to ensure effective functioning of both sites but there are no hiring plans in the short term while the project is in the exploration stage.

Executive Director: Christine Johnson joined the CCA Team in April 2018. Johnson has a diverse set of leadership skills based on her work in higher education, non-profit organizations and through service as an elected city councilmember. She holds a BA in Speech Communications from Penn State University and an MA in Student Affairs in Higher Education from Indiana University of Pennsylvania. She's worked for Peirce College in center city Philadelphia, with the Girl Scouts of the USA in Long Beach, California, and at Stand Strong (formerly known as the Women's Shelter Program of SLO) in San Luis Obispo County. Johnson also has extensive experience in the recruitment, recognition and retention of volunteers as well as a strong community network and good relations with local media.

Johnson's community leadership work included serving as an elected Morro Bay City Councilmember from 2012 to 2016. She is a graduate of Leadership SLO where she currently serves on the Board of Directors for the organization. Also, she is serving as Secretary for the House Corporation Board of the Omicron Mu Chapter of Chi Omega Sorority at Cal Poly, and is a member of the Vestry for St. Peter's by the Sea Episcopal Church in Morro Bay. Past community activity included service as a founding member of San Luis Coastal Education Foundation Board of Directors, past president of the Morro Bay Friends of the Library Board, as well as a former Board Member for Morro Bay 4th, Inc.

Johnson is responsible for the daily management of operations, fund development, finances, and public outreach for the Aquarium. She reports directly to a seven-member volunteer Board of Directors composed of local community members and whose responsibilities include fiscal oversight, governance, and fund raising.

Aside from the Executive Director, the CCA Team is composed of two fulltime staff and four part-time staff with solid experience in marine science education and aquatic environments.

Director of Programs: Travis Norton, has a B.S. in Animal Science with a Minor in Biology from Cal Poly and has been with the Aquarium for five years beginning as a volunteer. He is responsible for facilitating educational programs including school programs, seasonal camps and outreach events. He also manages CCA's gift shop, supervises four Aquarium Coordinators and manages Exhibit Hall/School Program volunteers.

Director of Husbandry: Emily Sampson earned a BS in Zoology from the University of California in Santa Barbara and has been with CCA for three years also beginning as a volunteer. Sampson is responsible for the 24/7 care of over 75 different species of marine animals in our exhibits as well as the management all 'back of the house' Aquarium equipment, water quality systems and the feeding/enrichment of animals. Emily supervises a team of volunteer aquarists to assist in these tasks.

Four part-time Aquarium Coordinators assist with day-to-day operations of the Exhibit Hall, the Gift Shop, the Front Desk, and help as needed with educational programs.

Functional Roles

In order to execute the Central Coast Aquarium's business model in Avila Beach, the Organization implements the following roles that would also include the Morro Bay operation in the future.

Executive Functions

- General management
- Meeting with key constituents in the public and private sector
- Hiring and training staff
- Maintaining the vision of the organization

Administrative Functions

- Bookkeeping and third-party Accounting and Audits
- Legal
- Advertising and Marketing
- Maintain procedural handbooks
- Update and maintain proper human resources procedures
- Volunteer management

Service Functions

- Recruiting and training volunteers
- Scheduling activities for youth

Special Functions

- Annual fundraising events
- Marine and beach cleanups
- Public seminars
- Educational outreach

IV. Market Analysis

Central Coast Aquarium operates as an educational organization focused on marine environments. The Organization offers marine science curriculum to a total population of roughly 595,000 students between the ages of 5 and 18 in six surrounding counties. The following facts and statistics determine the importance of informal educational environments.

Customer Focus

Central Coast Aquarium Avila Beach primarily serves six counties. San Luis Obispo, Santa Barbara, Kings, Kern, Tulare and Monterey Counties. Estimated combined demographics:

- Serves 2,600,489 people
- Average income of $56,000
- Unemployed: 8.43%
- Below Poverty Line: 18.85%
- Median age: 32 years

<u>Customer Focus One: Educators for our PreK-12 Marine Science Education Programs</u>
Central Coast Aquarium's PreK-12 marine science education programs are promoted to educators primarily in the following six counties: San Luis Obispo, Santa Barbara, Kings, Kern, Tulare and Monterey Counties. CCA has built relationships over 25 years of operations with teachers who wish to enhance their science curriculum with hands-on learning experiences at the Central Coast Aquarium. Students travel to CCA's facility in Avila Beach for the programs.

PreK programs have shown growth over the past year and CCA has created curriculum specifically to meet the interests of young children and appeal to PreK teachers.

When schools have limited budgets, CCA offers the Tidepools on Tour program where mobile touch tanks are brought to the school site with a collection of marine animals. Tidepools on Tour are also popular at local libraries, with city recreation programs, with California State Parks, and other youth organization programs.

Morro Bay Opportunity: Depending upon specific aquarium design factors at the Morro Bay site to be decided in the Concept Design Phase, CCA could develop specific middle school and high school grade level marine science curricula that is delivered only in Morro Bay. Meanwhile, Avila Beach's programs would focus on elementary grade level programs to differentiate Morro Bay from Avila Beach and to build a pathway for students to experience marine science learning at various stages of their development. NOTE: Programs are nearly at capacity at the Avila Beach site.

<u>Customer Focus Two: Tourists and the General Public in the Exhibit Hall</u>

CCA's marine animal Exhibit Hall in Avila Beach, on the first floor, was originally developed for hands-on, experiential learning for visiting school students, as many schools' budgets would not allow for the students to go on a more expensive Floating Lab experience on a boat in San Luis Bay. CCA wanted to ensure students who could not go out on the bay had a comparable experience with living marine animals within the walls for the Aquarium. Therefore, an Exhibit Hall was a key component during the development of the current facility.

In 2019, CCA is on-target to welcome 32,000 guests to the small, two room Exhibit Hall. In order for the Exhibit Hall to be engaging to visitors, trained docents (part-time staff or volunteer) are part of the interpretive experience. The average visit is 35 minutes long.

By offering Aquarium memberships, this decreases the overall costs for locals to visit the Aquarium year-round.

An additional revenue source for both customer bases is the gift shop. The gift shop is also open to the public during the business hours of the Aquarium. Members receive discounts on all purchases.

Morro Bay Opportunity: As explained above, a Morro Bay Exhibit Hall would differ from the scale and scope in Avila. Annual Membership programs would be created to allow entry to both facilities if that was desired. A small gift shop to diversify revenue would be part of the Morro Bay site but its footprint would be minimal in order to maximize space for exhibits and learning.

Market Trends

Trends in School Programs

According to California Budget and Policy Center (calbudgetcenter.org), in 2015-16, California ranked 41st among all states in spending per K-12 student after adjusting for differences in the cost of living in each state. California schools spent $10,291 per K-12 student in 2015-16, which is about $1,900 less than the $12,252 per student spent by the nation as a whole. California's spending per student in 2015-16 was about $2,000 higher than it had been in 2012-13, at which point California ranked 50th in the nation.

Based on these statistics, it's clear that California's teachers are being asked to do more with less and each dollar spent for field trips likely comes from PTA fundraising and not from the school district's budget. Teachers must select programs that meet California Curriculum Science Standards to justify the use of funds for field trips. Therefore, CCA must stay competitive with other educational science programs in our region by continuing to offer hands-on marine science that meets California Curriculum Science Standards and is affordable.

Currently, CCA's educational programs meet Next Generation Science Standards by way of our plankton labs, squid dissection, marine mammals, water quality, plankton, sharks and rays, or the rocky intertidal habitat of invertebrates.

To maintain CCA's competitive edge, it's will be necessary to develop new programs that differentiate Morro Bay and Avila Beach K–12 programs that give local educators the flexibility to design classroom learning experiences that stimulate students' interests in science and prepares them for college, careers, and citizenship (nextgenscience.org) whether they are in the elementary grades or the secondary grades.

A student could attend an elementary program in Avila in 3rd grade then visit the Morro Bay Aquarium as part of a high school level science class if the programs are diverse enough to engage students and teachers at various stages of educational development.

Trends in the Public's Visits to Aquariums

Professor Phillip Bell (University of Washington, Seattle) who authored the book, *Learning Science in Informal Environments: People, Places, and Pursuits*, found that informal environments can stimulate science interest, build learners' scientific knowledge and skill, and perhaps, most importantly, help people of all ages learn to be more comfortable and confident in their relationship with science.

The author notes “experiences in informal settings can significantly improve science-learning outcomes for individuals from groups that are historically underrepresented in science, such as women and minorities. Evaluations of museum-based and after-school programs suggest that these programs may also support academic gains for children and youth in these groups.”

Learning experiences across informal environments such as museums, science centers, state parks and aquariums, can also positively influence children’s science learning in school. Those positive benefits include:

- Create positive attitudes toward science
- Likelihood that they will consider science-related occupations
- Engage in lifelong science learning through hobbies and other everyday pursuits

According the National Research Council report, “there is abundant evidence that these programs and settings contribute to people's knowledge and interest in science” (www.nap.edu).

Therefore, to stay competitive with other regional science education centers and encourage public visitation by people of all ages, CCA needs to continually improve the exhibits in our public areas, continue to train docents to deliver high quality interpretation of our exhibits, and use clear and direct everyday language when speaking of marine science and the animals in our care in both Avila Beach and Morro Bay.

Competitors

Many high-quality aquariums, museums and nature centers compete to capture both local residents’ and visitors’ leisure-spending dollars for informal educational experiences (refer to information in Market Trends section).

CCA’s competitors within San Luis Obispo and Northern Santa Barbara County region include: Avila Beach location of CCA, San Luis Obispo Children’s Museum, Paso Robles Children’s Museum, Morro Bay Natural History Museum, Atascadero Zoo, Santa Maria Valley Discovery Museum, and Coastal Discovery Center at San Simeon Bay. Also competing for time, if not as much for money, is the ability of residents and locals to simply spend an inexpensive day at one of the many beaches along the100 miles of coastline in SLO County.

Beyond the San Luis Obispo region, competitors within an easy day trip from Avila Beach include the Monterey Bay Aquarium, Santa Barbara Natural History Museum Sea Center, Santa Barbara Zoo, and Seymor Marine Discovery Center at UC Santa Cruz.

Further afield are various aquariums in San Francisco, Long Beach, Santa Monica, and San Diego. While these facilities are technically competition, CCA’s offerings are on a much smaller scale and offer a much lower price point. Additionally, CCA houses only local, indigenous marine life found off the SLO County coast and does not house marine mammals or sea birds in our Exhibit Hall.

CCA’s competitive advantages in Morro Bay include: estimated Morro Bay admission price ($9.95) with annual memberships to be created for both Avila Beach and Morro Bay sites that allow for unlimited visits for one year; personalized docent interpretation of the exhibits, open six days a week all year long and seven days a week between Memorial Day and Labor Day; incomparable water front site, with Morro Bay views, and live marine animals; the ability to create innovative and collaborative programming with neighboring Morro Bay businesses such as paddle tours, bay cruise tours, walking tours, State Parks programs, Maritime Museum programs, Skateboard Museum programs, to name a few, that are all unique to Morro Bay; school programs visits encourage return visits with students and their families; extensive seasonal camp programs for kids; birthday party venue; free parking.

V. Marketing Plan

The Central Coast Aquarium Brand

The Central Coast Aquarium brand will focus on the Organization's unique value proposition:

- Providing hands-on, experiential marine science educational to children grades K to 12 in two unique settings: Avila Beach for elementary focused programs and Morro Bay for middle school and high school focused programs.
- Providing the local community, and visitors, an up close and personal view of the living animals under the surface of the ocean along the 100 miles of coastline of San Luis Obispo County at both Avila Beach and Morro Bay locations.
- Serving as the authority on marine science education in San Luis Obispo County.

Promotions Strategy

Central Coast Aquarium promotes itself to the community in order to reach students, aquarium visitors and potential donors. CCA's promotions strategy to reach these individuals includes:

Advertising and Earned Media
Central Coast Aquarium advertises in local newspapers and community calendars in a cost-effective way based on the budget funds available. The organization regularly sponsors community events in order to gain awareness focusing on social media marketing opportunities as much as possible to keep costs low.

However, the Executive Director has solid contacts with local media and has worked to leverage contacts to gain earned media for Aquarium events and activities. Successful examples include stories carried by KSBY-TV, The SLO Tribune, New Times, the former Simply Clear Marketing publications, Avila Beach Life, KZOZ, K-Jug Radio, The Coast Radio, KVEC Radio including Dave Congalton Show and First Look with Andy Morris.

Enhancing all of these stories is the placement of them also on the various social media platforms associated with each entity. This is an important part of the Aquarium's success and CCA will continue to send out press releases and to contact media directly about events and activities at the Aquarium.

Social Media and Website
Central Coast Aquarium has nearly 4,000 followers on Facebook and it is the most used platform. Increasing CCA's profile on Instagram is a goal for 2019. CCA currently has nearly 1,200 followers on Instagram. Specifically, CCA will research using social media as a fundraising platform as well as a communication tool. Current website will be updated with the goal of completing the update by the end of 2019.

Chambers of Commerce Networking
CCA is a current member of the following Chambers of Commerce: Morro Bay, San Luis Obispo, South County, and Santa Maria. Membership in these groups helps CCA utilize the various channels of communication offered by these important civic groups to reach their varied members. Marketing through these groups incudes: submitting info for e-Blasts, buying ad space in newsletters, speaking during business spots at monthly gatherings, and attending mixers to network.

Ongoing Customer Communications
Central Coast Aquarium publishes a monthly email news blast to members and donors. CCA also produces a volunteer newsletter to connect more closely with volunteers.

VI. Financial Forecast

A detailed financial forecast for the Central Coast Aquarium Morro Bay can be found in the Market and Economic Feasibility Plan from the ConsultEcon work product, January 2019, and attached as a separate document to this draft business plan.

Please see the CCA DRAFT Morro Bay Business Plan ADDENDUM:
The Addendum excerpts *Section V, PRELIMINARY ATTENDANCE AND ECONOMIC POTENTIAL* beginning on page V-1 to V-16 of the 2019 Market and Economic Feasibility Plan presented by ConsultEcon to CCA and the City of Morro Bay in March of 2019.

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Section V

PRELIMINARY ATTENDANCE AND ECONOMIC POTENTIAL

Following is an assessment of the preliminary attendance and economic potential of the proposed new Morro Bay Aquarium operated by CCA. This analysis will require refinement as the project moves into later programming, design and implementation phases.

Aquariums' Market Performance

Aquariums are a well-known attraction type that many visitors have visited in the past. There are high expectations by the audience that the experience will be "fresh" and that new reasons to visit will be offered. Thus, many aquariums are expanding and/or renovating, and high-quality changing exhibit programs are essential to aquarium success. Some aquariums have successfully interpreted their unique, local marine or freshwater stories, becoming a "must-see" destination in tourism settings as a visit to the aquarium becomes part of the tourists' experience in learning about the place they are visiting. It is an important finding of our research over the last three decades that aquariums can achieve success in various market contexts given quality program content, competitive pricing, strategic marketing programs and a sustainable operating model.

Aquariums internationally have generally enjoyed a high degree of market success in a variety of market types. The market sizes, product qualities, location, and competition vary among aquariums. In the last 50 years there have been over 30 freestanding aquariums developed in North America. Their success has been predicated on:

- Solid planning and feasibility analysis
- Sound financial/ business plans
- Good, accessible locations and solid markets
- Compelling exhibits

Aquariums are among the most fiscally attractive visitor venues in North America and worldwide as they are:

- Compact
- Exotic
- High impact
- Repeatable
- Appealing to a broad audience mix as "non-threatening" in terms of topic
- Able to combine entertainment and education

New Morro Bay Aquarium Attendance and Operating Assumptions

As a visitor attraction and aquarium, the new Morro Bay Aquarium would operate under the norms of such facilities nationally, adjusted for local conditions. Project assumptions relating to the facility and market for the proposed new Aquarium are as follows:

- The new Morro Bay Aquarium is assumed to operate as a not-for-profit enterprise. A rent assumption of $1 per year is assumed in this analysis similar to other not-for-profit aquariums that are community-based, educational in nature and tourism-supporting. This analysis does not include depreciation, bond or mortgage payments, or management fees – it assumes that capital costs for the new aquarium's development will be fundraised
- The new Morro Bay Aquarium will be well designed and constructed. It will be of a scale in size and in quality to be recognized nationally as a facility of excellence. This operations analysis assumes a high-quality facility with approximately 4,000 square feet both indoor and outdoor areas based on a preliminary concept as outlined by the CCA, and 7,500 gallons of water volume.
- The new Morro Bay Aquarium will include entertaining and educational exhibits and potential Morro Bay boat and kayak experiences. Each year the Aquarium is assumed to offer a new, changing exhibit. Changing exhibits are essential to attracting new visitors and repeat visitation.
- The new Morro Bay Aquarium will be located at the past Morro Bay Aquarium's site at 595 Embarcadero in Morro Bay.
- The new Morro Bay Aquarium will be open year-round, six days a week during non-peak season, and seven days a week during peak season. In addition, special events and facility rentals could occur at the facility when they do not disrupt regular visitation.
- The new Morro Bay Aquarium will be well managed and will have the appropriate staff and management infrastructure to support a project of this nature. It is

assumed to be operated by the CCA. The structure, its exhibits, finishes, mechanical equipment and support systems will be well maintained to minimize insurance risks and unexpected repair and maintenance expenditures. Maintaining the exhibits in excellent condition is essential to customer satisfaction.

- The Morro Bay Aquarium will build a compelling organizational vision, with strong and distinguished advisors and staff, and the project will have a strong base of community support. The facility and site will be used for special events and cultural activities after hours to promote community support and generate additional income. Educational groups will be invited to visit at discounted prices, and will receive a worthwhile and enjoyable educational experience. Community outreach will be a cornerstone of the programming effort.
- The new Morro Bay Aquarium will develop an aggressive marketing program to achieve and maintain attendance and continually attract new visitors. Ticket pricing will be attractive and commensurate with overall visitor experience and value delivered. The project will also be managed to provide dynamic and effective educational programs and dramatic and continually evolving new exhibits.

Preliminary Market and Economic Potential of the New Morro Bay Aquarium

Data in **Tables V-1** through **V-10** present detailed analysis of the preliminary market and economic potential of the new Morro Bay Aquarium. The following presents a summary of the key market / attendance and economic findings.

Attendance Potential and Physical Planning Parameters

- Stable year attendance potential for the new Morro Bay Aquarium ranges from 34,000 to 69,000, with a mid-range of 52,000.
  - 12% of visitors from the Resident Market
  - 88% of visitors from beyond the Resident Market area, or from the visitor/tourist market
- Opening year attendance is assumed at 15% above stable levels.
- High day facility sizing analysis at mid-range attendance potential:
  - Based on average length of stay of 30 to 45 minutes:
    - Visitor parking demand of 8 to 12 spaces
    - Range of public circulation space of 1,100 SF to 1,700 SF
    - Total facility size range of 2,200 SF to 3,400 SF

Revenue Potential

- Adult admission pricing for the new Morro Bay Aquarium is assumed at $9.95 with seniors, children and school groups at discounted rates.
- Couponing and non-peak season discounts assumption of 20%, the achieved per capita is $6.26, or about 63% of the adult admission price.
- Estimated number of 130 memberships assuming 2% of visitors to the new Aquarium are members and an average attendance per membership of 8 visits per year.
- Gross retail sales per capita is assumed at $4 plus an additional 10% “outside” sales from non-Aquarium visitors at the new Aquarium facility and/or internet sales.
- Net educational boat tour revenue to the Aquarium is estimated at $60,000 in a stabilized year.
- Estimated number of facility rentals within the new Aquarium are 52 to include birthday parties and larger, special event celebrations such as corporate parties and weddings; and average net revenue of $20,000 in a stabilized year.
- Miscellaneous revenue is assumed at $1.00 per capita to include potential revenue from camps, kayak tours in Morro Bay, “behind-the-scenes” tours; special programs and events; etc.
- Total earned revenue potential in a stable year in current dollars is estimated at $691,000.

Operating Expenses

- Estimated number of full-time equivalent (FTE) employees for the new Aquarium (including full-time and part-time) is 9, most of which will be located at the new Aquarium facility with CCA’s Executive Director overseeing the operation. Some positions will remain at the existing CCA campus and others will work at both campuses.
- Preliminary operating expenses in a stable year in current dollar are estimated at $813,000 and includes the following:
  - $364,000 in salaries & benefits
  - $120,000 in cost of goods sold (COGS)
  - $290,000 in other expenses
  - Plus 5% for capital reserves, or $39,000

Preliminary Net Operating Income

Data in **Table V-11** presents the preliminary net operating income potential for the new Morro Bay Aquarium in a stable year in current dollars.

The new Morro Bay Aquarium has substantial capacity to generate earned revenue, $691,000 in a stabilized year, mid-range attendance potential. In a stabilized year, the non-earned revenue requirement is approximately $122,000 for breakeven operations. At the same time, this is a complex and labor-intensive operation with exhibits that will have substantial operating costs as well, $813,000 in a stabilized year, mid-range attendance potential. Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Based on the detailed revenue potential and operating expense analyses presented earlier, data in Table V-11 provide combined operating revenue and operating expense estimates for the new Morro Bay Aquarium as part of the CCA operation, based on a mid-range attendance scenario.

In the early years of the project, when attendance is higher than in a stable year, earned revenue is higher than the stabilized year. Over a five-year period there will be some variability in net operating income based on the years' individual circumstances. Different attendance levels would create somewhat different operating profiles and would require different operating plans. The data show that stable year earned revenues represent 85 percent of total needed revenues to support operations in a stable year (not including capital reserves). This operating model, however, assumes that rent would be offered at a discounted rate as a community-based, educational and tourism-supporting project (other than utilities, insurance, and maintenance) which if required would increase operating costs and the amount of contributed, or non-earned, revenues required. Like other not-for-profit aquariums and projects, this analysis assumes no debt service. It is assumed that the capital funds needed for the new Morro Bay Aquarium's development would be fundraised.

The new Morro Bay Aquarium will, and must, be active in generating substantial contributed (non-earned) revenues for the facility. The facility is expected to engage in ongoing fundraising, to establish financial reserves and endowment, and to secure operating grants and government sector support. Virtually all aquariums require contributed revenues, including gifts, grants, and endowments, to supplement earned revenues. Contributed revenues should be targeted at levels higher than contained herein, as these would allow more robust levels of service provision, would create revenues to cover shortfalls in earned revenue that may occur, and could contribute to increasing the financial reserves and endowment the Aquarium should build over time.

Table V-1
Visitation Potential Estimates
New Morro Bay Aquarium

		Market Capture Rates		Attendance Range			
RESIDENT MARKET	**Estimated 2018 Population**	**Low**	**High**	**Low Range Attendance**	**Mid Range Attendance**	**High Range Attendance**	**Percent to Mid Range Total Attendance**
Primary Market Area: City of Morro Bay	10,699	12.0%	24.0%	1,284	1,926	2,568	3.7%
Secondary Market Area: San Luis Obispo County, Less City of Morro Bay	277,201	1.0%	2.0%	2,772	4,158	5,544	8.0%
Total Resident Market	**287,900**	**1.4%**	**2.8%**	**4,056**	**6,084**	**8,112**	**11.8%**
MORRO BAY VISITOR (OR TOURIST) MARKET	**Estimated 2017 Market**	**Low**	**High**	**Low Range Attendance**	**Mid Range Attendance**	**High Range Attendance**	
Overnight Guests	551,500	5.0%	10.0%	27,575	41,363	55,150	79.9%
Day Trip Visitors	286,500	1.0%	2.0%	2,865	4,298	5,730	8.3%
Total Tourist Market	**838,000**	**3.6%**	**7.3%**	**30,440**	**45,660**	**60,880**	**88.2%**
Total Stabilized Visitation Range				34,496	51,744	68,992	100.0%
Rounded Stabilized Visitation 1/				**34,000**	**52,000**	**69,000**	

1/ Rounded to nearest 1,000.
Source: ConsultEcon, Inc.

Table V-2
Early and Stabilized Year Attendance Trends
New Morro Bay Aquarium

			Stable Year 1/ 2/		
	YEAR 1	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Percentage of Stabilized Attendance Potential	115%	110%	100%	100.5%	101.0%
Mid Range Visitation	**59,800**	**57,200**	**52,000**	**52,260**	**52,520**
Low Range Visitation	39,100	37,400	34,000	34,170	34,340
High Range Visitation	79,350	75,900	69,000	69,345	69,690

1/ Year 3 represents a stabilized year of attendance.
2/ Assumes 0.5% growth rate annually after stable Year 3.
Source: ConsultEcon, Inc.

Table V-3
High Day Facility Sizing Parameters in Stabilized Year
New Morro Bay Aquarium

	Low- Range Attendance [1/]	Mid- Range Attendance [1/]		High- Range Attendance [1/]
Annual Visitation	34,000	52,000		69,000
High Month as Percent of Total Annual Attendance	18%	18%		18%
High Month Attendance	6,120	9,360		12,420
High Week at 24% of High Month	1,469	2,246		2,981
High Day at 20% in High Week	294	449		596
Length of Stay / Percent In-house	**30 Minute Stay - 10%**	**30 Minute Stay - 10%**	**45 Minute Stay - 15%**	**30 Minute Stay - 10%**
High in-house population	29	45	67	60
Visitor High Period Parking Demand [2/]	5	8	12	10
Public Space Sizing at 25 SF/Attendee				
Range of Public Circulation Space	734 SF	1,100 SF	1,700 SF	1,490 SF
Facility Sizing [3/]	**2 Times**	**2 Times**	**2 Times**	**2 Times**
Total Facility Size Range	1,469 SF	2,200 SF	3,400 SF	2,981 SF

1/ Early year attendance may be twenty percent higher or more.

2/ Based on 50 percent auto usage during high attendance periods, an average of 3.0 persons per vehicle, plus 5% turnover requirement. Does not include staff or volunteer parking.

3/ Broad planning parameters are used to test facility sizing, estimating that there will be 2x as much back of house and supportive space, as there will be visitor circulation space. Supportive and non-circulation spaces include exhibit footprint, offices, life support systems, storage and so forth. Assumes administrative offices would be off-site.

Source: ConsultEcon, Inc.

Table V-4
Admissions and Membership Analysis in 2018 Dollars
in Mid Range Stabilized Year
New Morro Bay Aquarium

Per Capita Ticket Revenue

		% to Total Attendance	Attendance By Type	Ticket Price	Achieved Per Capita	Achieved Per Cap % to Subtotal
Adult		41.0%	21,320	$9.95	$4.08	52.2%
Senior/Military		16.0%	8,320	$8.95	$1.43	18.3%
Children (3-12)		25.5%	13,260	$7.95	$2.03	25.9%
Student Group		8.0%	4,160	$3.50	$0.28	3.6%
Members		2.0%	1,040	$0.00	$0.00	0.0%
Facility Rentals and Special Events		2.5%	1,300	$0.00	$0.00	0.0%
Other Free/Complimentary [1/]		5.0%	2,600	$0.00	$0.00	0.0%
Subtotal		**100.0%**	**52,000**		**$7.82**	**100.0%**
Coupons & Non-Peak Season Discounts as a percent of achieved per capita ticket revenue	20%				($1.56)	
Total					**$6.26**	

Memberships Estimates	**Total**
No. of Member Attendances	1,040
Average Annual Member Attendances Per Membership	8
Est. Total Memberships	**130**
Membership Revenue	$13,260

Membership Types	**Percent to Total**	**Estimated Number of Memberships**	**Avg. Price By Type**
Individual (Admit 1	10.0%	13	$40
Dual (Admit 2)	15.0%	20	$75
Family / Grandparent (Admit 5)	65.0%	85	$95
Supporter [2/]	10.0%	13	$250
Total	**100.0%**	**131**	**$101.87**
Rounded:		**130**	**$102.00**

1/ Includes complimentary tickets, children under three years old, VIP, corporate membership visits, etc.
2/ There would likely be several categories of supportive memberships with fees ranging from an estimated $250 to $500.
Source: ConsultEcon, Inc.

Table V-5
Attendance and Visitor Spending Assumptions at Mid Range Attendance Potential New Morro Bay Aquarium

% to Total Attendance	YEAR 1	YEAR 2	Stable Year YEAR 3	YEAR 4	YEAR 5
Percentage of Attendance By Type					
Adult	43.0%	42.3%	41.0%	41.0%	41.0%
Senior/Military	16.0%	16.0%	16.0%	16.0%	16.0%
Children (3-12)	25.0%	25.0%	25.5%	25.5%	25.5%
Student Group	7.0%	7.5%	8.0%	8.0%	8.0%
Members	2.0%	2.0%	2.0%	2.0%	2.0%
Facility Rentals and Special Events	2.0%	2.2%	2.5%	2.5%	2.5%
Free/Complimentary	5.0%	5.0%	5.0%	5.0%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Attendance By Type					
Adult	25,714	24,196	21,320	21,427	21,533
Senior/Military	9,568	9,152	8,320	8,362	8,403
Children (3-12)	14,950	14,300	13,260	13,326	13,393
Student Group	4,186	4,290	4,160	4,181	4,202
Members	1,196	1,144	1,040	1,045	1,050
Facility Rentals and Special Events	1,196	1,258	1,300	1,307	1,313
Free/Complimentary	2,990	2,860	2,600	2,613	2,626
Total	**59,800**	**57,200**	**52,000**	**52,260**	**52,520**
Number of Memberships	**150**	**143**	**130**	**131**	**131**
Ticket Prices and Achieved Per Capita Ticket Revenue 1/					
Ticketed / Other Attendance					
Adult	$9.95	$9.95	$10.60	$10.60	$11.30
Senior/Military	$8.95	$8.95	$9.60	$9.60	$10.30
Children (3-12)	$7.95	$7.95	$8.50	$8.50	$9.10
Student Group	$3.50	$3.50	$3.70	$3.70	$4.00
Members	$0.00	$0.00	$0.00	$0.00	$0.00
Facility Rentals and Special Events	$0.00	$0.00	$0.00	$0.00	$0.00
Free/Complimentary	$0.00	$0.00	$0.00	$0.00	$0.00
Per Capita (Non Members)	**$7.94**	**$7.89**	**$8.35**	**$8.35**	**$8.92**
Less Coupons & Discounts	*($1.59)*	*($1.58)*	*($1.67)*	*($1.67)*	*($1.78)*
Net Per Capita Ticket Rev.	**$6.35**	**$6.31**	**$6.68**	**$6.68**	**$7.14**
Average Membership Revenue 1/	**$102.00**	**$102.00**	**$109.14**	**$109.14**	**$116.78**
Per Capita Retail/Food Sales 2/					
Retail Sales Per Capita	$4.00	$4.12	$4.24	$4.37	$4.50
Misc. Sales Per Capita	$1.00	$1.03	$1.06	$1.09	$1.13

NOTE: Year 1 is in 2018 dollars.

1/ Ticket prices and membership prices assumed to increase every other year by 7%. Ticket prices shown are estimates and may not reflect actual ticket prices set due to rounding.

2/ Assumed to increase each year by the rate of inflation.

Source: ConsultEcon, Inc.

Table V-6
Operating Assumptions in Stabilized Year Mid-Range
in 2018 Dollars
New Morro Bay Aquarium

Aquarium Attendance Potential	52,000		
Attendance Growth Factor	0.5%	Every year after stabilized year	
Aquarium Square Footage	4,000		Estimated
Water Volume in Gallons	7,500		Assumption
Inflation	3.0%		Annually
Employees (FTE's)	9.0		
Employees Fringe & Overhead rate	18.0%		As a percent of average salary / Based on CC Aq. Rates & mostly part-time staff
Ticket Prices and Assumptions			
Adult	$9.95		
Senior/Military/Student	$8.95		
Children (3-17)	$7.95		
Student Group	$3.50		
Allowance for coupons & non-peak season discounts	20%	Of ticket sales	
Memberships			
Number of Memberships in Stable Year	130		
Average number of visits per membership	8		
Average Membership Fee	$102		
Ticket & Membership Price Rate of Increase	7%	Every other year	
Retail Sales			
Per Capita Retail Spending	$4.00	Per visitor	
Outside Sales as a % of Visitor Sales	5%		from non-Aquarium visitors, website + events
Cost of Goods Sold	55.0%		
Educational Boat Tours			By Outside Operator
Average Fee Per Person for Tour	$25		Assumes 1 hour & 45 minute tour in Morro Bay
Number of Boat Tours Peak Week	35		
Number of Boat Tours Non-Peak Week	10		
Average Number of Boat Tours Offered Per Year	880		
Average Boat Capacity	20	People	
Maximum Capacity	17,600		
Average Annual Boat Occupancy	70%		
Number of Aquarium Visitors Taking Boat Tour	12,320		
Percent of Total Attendees Purchasing Boat Tour	*24%*		
Percent of Gross Boat Tour Sales to Aquarium	*20%*		
Miscellaneous and Outdoor Programming Revenue	$1.00	Per visitor	Includes Camps, Kayak tours, "Behind the Scenes" tours and other paid programming and upcharges; events; etc.
Facility Rental			
Major Rentals Per Year	2		
Target Attendance in Stable Year	150	75	Avg. attendees per event
Average Net Revenue	$1,750		Per rental to the Aquarium
Minor Rentals Per Year	20		
Target Attendance in Stable Year	500	25	Avg. attendees per event
Average Net Revenue	$500		Per rental
Birthday Parties Per Year	30		
Target Attendance in Stable Year	360	12	Avg. attendees per event
Average Party Revenue	$250	$15	Avg. Net Revenue Per Person (includes ticket price + room rental)
Year 1 Ramp up to full Facility Rental Activity	92%	Year 1	Of Stable Year Rentals Activity
Year 2 Ramp up to full Facility Rental Activity	97%	Year 2	Of Stable Year Rentals Activity
Contributed Revenue Requirement for Breakeven Operations	*Varies per Operating*		Represents potential revenue from grants, gifts, fundraising events, and endowment proceeds.

Source: ConsultEcon, Inc.

Table V-7
Preliminary Earned Revenue Potential Estimate
Stabilized Mid Range Attendance
New Morro Bay Aquarium

			Stable Year			Stable Year Current
Attendance	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**	**Dollar Value**
Total Attendance	59,800	57,200	52,000	52,260	52,520	52,000
Earned Revenues						
Admission Revenue	$379,993	$361,085	$347,173	$348,909	$374,846	$327,244
Membership	15,300	14,586	14,188	14,297	15,298	13,374
Gross Retail	251,160	247,447	231,701	239,845	248,269	218,400
Boat Tour Net Revenue	70,840	69,793	63,448	63,765	64,082	59,806
Facility Rental Net Revenue	19,320	20,328	21,630	22,279	22,947	20,388
Miscellaneous & Outdoor Programming Net Revenue	59,800	58,916	55,167	57,106	59,112	52,000
Total Earned Revenue	**$796,413**	**$772,155**	**$733,306**	**$746,201**	**$784,555**	**$691,212**
Contributed Revenues						
Contributed Revenue Requirement [1/]	**$93,583**	**$114,790**	**$132,339**	**$153,794**	**$155,665**	**$121,944**
Total Revenues	**$889,996**	**$886,945**	**$865,646**	**$899,995**	**$940,220**	**$813,156**

NOTE: Year 1 is in current, 2018 dollars.

1/ Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Source: ConsultEcon, Inc.

Table V-8
Illustrative Personnel Positions and Salaries
New Morro Bay Aquarium

Position	Annual Salaries (FTE)	Part-Time Seasonal (Peak Season) Salaries	Number of Full Time Positions	Number of Part Time Positions	Number of Peak Season Positions	Total Salary Budget
Administration & Finance						
Executive Director	NA		at CCA			NA
Development Assistant / Grant Writer	$45,000			1		22,500
Volunteer / Membership / Facility Rental Coordinator	$38,000			1		19,000
Visitor Services and Education Programs						
Director of Programs	$55,000		1			55,000
Educators / Program Coordinators	$30,000			1		15,000
Camp Counselors / Seasonal Educators (Peak Season)		$5,000			3	15,000
Retail / Admissions						
Store Manager / Buyer/ Concessions Manager	$45,000		1			45,000
Cashiers - Admissions/Retail	$26,000			2		26,000
Cashiers - Admissions/Retail (Peak Season)		$5,000			4	20,000
Animal Husbandry, Exhibits and Facility Operations						
Director of Husbandry	$45,000		1			45,000
Aquarium Coordinators	$28,000			2		28,000
Aquarium Coordinators (Interns)		$6,000			3	18,000
Total			3	7	10	$308,500
Fringe & Benefits (@ 18% of Total Salaries)						$55,530
Total Salaries & Benefits Budget						**$364,030**
Total Full Time Equivalent Positions (FTE'S)						**9.0**

NOTES: Part Time Employees Calculated at 50% FTE, Summer workers at 25% FTE.
Visitor Assistants and Aquarist paid positions can be supplemented by Volunteers.
Source: ConsultEcon.

Table V-9
Illustrative Stabilized Year Operating Expenses in 2018 Dollars
New Morro Bay Aquarium

Project Parameters			**Factors**	
Aquarium Interior Square Footage	4,000			
Gallons of Water	7,500			
Mid-Range Annual Attendance	52,000			
Employees (FTE's)	9.0		See Personnel Schedule	
Detailed Budgetary Analysis	**Amount**	**Factor**	Note	**% to Total**
Salaries (FTE, PTE)	$308,500		See Personnel Schedule	37.9%
Overhead and Benefits [1/]	55,530	18%	Of Salaries	6.8%
Retail Cost of Goods (COGS) Sold	120,120	55%	Of Gross Retail Sales	14.8%
Rent Assumption	1		Based on experience of similar projects	
Professional / Contract Services	36,000	$4,000	Per FTE	4.4%
Administrative Expenses [2/]	54,000	$6,000	Per FTE	6.6%
Development Costs & Events	15,000		Budgeted	1.8%
Telecommunications/ Technology/ Website	15,750	$1,750	Per FTE	1.9%
Education Programs	26,000	$0.50	Per Attendee	3.2%
Printing & Publications	7,800	$0.15	Per Attendee	1.0%
Advertising and Promotion	39,000	$0.75	Per Attendee	4.8%
Aquarium Animal Food [3/]	1,875	$0.25	Per Gallon	0.2%
Aquarium Animal Collections/ Care [3/]	1,875	$0.25	Per Gallon	0.2%
Exhibit Reinvestment / Changing Exhibit	23,400	$0.45	Per Attendee	2.9%
Uniforms	1,125	$125	Per FTE	0.1%
Insurance	9,000	$2.25	Per SF	1.1%
Building, Maintenance, Landscaping & Supplies	12,000	$3.00	Per SF	1.5%
Utilities	32,000	$8.00	Per SF	3.9%
Dept. Misc. & Discretionary	15,180	2%	of Total Operating Costs	1.9%
Subtotal Operating Expenses	**$774,156**			**95.2%**
Capital Reserves	$39,000	5%	of Total Operating Costs	4.8%
Total Operating Expenses	**$813,156**			**100.0%**
Morro Bay Operating Benchmarks				
Operating Expense Per Square Foot	*$203*			
Operating Expense Per Attendee	*$16*			
Operating Expense Per FTE	*$90,351*			

1/ See personnel table.

2/ Includes Dues & Subscriptions, Office Supplies, Professional Travel, Postage & Shipping, Volunteer Costs, Equipment Rental and other Administrative costs.

3/ Animal food and collections care expenses will ultimately depend on the type of the collection and species but are assumed to be local.

Source: ConsultEcon, Inc.

Table V-10
Operating Expenses in Mid Range Attendance Potential Scenario
New Morro Bay Aquarium

Operating Expenses	YEAR 1	YEAR 2	Stable Year YEAR 3	YEAR 4	YEAR 5	Stable Year Current Dollar Value
Personnel Salaries (FTE, PTE)	$308,500	$317,755	$327,288	$337,106	$347,219	$308,500
Benefits (@ 26% of Sal.)	55,530	57,196	58,912	60,679	62,500	55,530
Retail Cost of Goods (COGS) Sold	138,138	136,096	127,435	131,915	136,548	120,120
Rent Assumption	1	1	1	1	1	1
Professional Services	36,000	37,080	38,192	39,338	40,518	36,000
Administrative Expenses	54,000	55,620	57,289	59,007	60,777	54,000
Development Costs & Events	15,000	15,450	15,914	16,391	16,883	15,000
Telecommunications / Website	15,750	16,223	16,709	17,210	17,727	15,750
Education Programs	29,900	29,458	28,411	31,201	35,291	26,000
Printing & Publications	8,970	8,837	8,523	9,360	10,587	7,800
Advertising	44,850	44,187	42,616	46,801	52,937	39,000
Aquarium Animal Food	1,875	1,931	1,989	2,049	2,110	1,875
Aquarium Animal Collections	1,875	1,931	1,989	2,049	2,110	1,875
Exhibit Reinvestment / Changing Exhibit	26,910	26,512	25,570	28,081	31,762	23,400
Uniforms	1,125	1,159	1,194	1,229	1,266	1,125
Insurance	9,000	9,270	9,548	9,835	10,130	9,000
Building Maintenance & Supplies	12,000	12,360	12,731	13,113	13,506	12,000
Utilities	32,000	32,960	33,949	34,967	36,016	32,000
Dept. Misc. & Discretionary	15,828	16,081	16,165	16,807	17,558	15,180
Early Year Factor 1/	40,363	24,603				
Total Operating Expenses	**$847,615**	**$844,710**	**$824,425**	**$857,138**	**$895,447**	**$774,156**
Capital Reserves 2/	$42,381	$42,235	$41,221	$42,857	$44,772	$39,000
Total Operating Costs	**$889,996**	**$886,945**	**$865,646**	**$899,995**	**$940,220**	**$813,156**

NOTE: Year 1 is in current 2018 dollars.

1/ In Years 1 and 2 when attendance is higher than stable year, a factor of +5% and +3%, respectively, have been added to accommodate more than stable year attendance.

2/ Capital Reserves include funds for changing exhibits, equipment replacements and minor capital building improvements.

Source: ConsultEcon, Inc.

Table V-11
Preliminary Net Income Potential Summary
New Morro Bay Aquarium

	YEAR 1	YEAR 2	Stable Year YEAR 3	YEAR 4	YEAR 5	Stable Year	
Attendance	59,800	57,200	52,000	52,260	52,520	52,000	
						Current Dollar Value	**Percent of Expenses**
Earned Revenue	$796,413	$772,155	$733,306	$746,201	$784,555	$691,212	85%
Operating Expenses	$889,996	$886,945	$865,646	$899,995	$940,220	$813,156	100%
Net Income Before Contributed Revenues	($93,583)	($114,790)	($132,339)	($153,794)	($155,665)	($121,944)	-15%
Contributed Revenue Requirement [1/]	$93,583	$114,790	$132,339	$153,794	$155,665	$121,944	15%
Net Income After Contributed Revenue	$0	$0	$0	$0	$0	$0	

NOTE: Year 1 is in 2018 dollars.

1/ Contributed revenue, or "non-earned" revenue, are part of all aquarium operations including the Central Coast Aquarium's operation. Sources and amounts of Contributed Revenue can vary widely and could include grants, corporate sponsorships, annual gifts, gifts-in-kind of goods and services, fundraising events, endowment proceeds, and government support.

Source: ConsultEcon, Inc.

AGENDA NO: **C-3**
MEETING DATE: October 8, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 1, 2019**

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

SUBJECT: **Consideration of Visit San Luis Obispo County Tourism Marketing District (SLOCTMD) Renewal with Recommendation**

RECOMMENDATION
Adopt Resolution No. 84-19 granting consent to the San Luis Obispo County Board of Supervisors to renew the SLOCTMD for lodging establishments in Morro Bay for a 10-year period with a 1.5% assessment and authorizing the Mayor to send an accompanying letter to the County and Visit SLO CAL Boards, making recommendations for improving collaborative performance going forward.

ALTERNATIVES
The following alternatives are provided for the Council's consideration:

1. Take no action, causing the SLOCTMD to sunset on June 30, 2020; or
2. Provide other direction to staff

FISCAL IMPACT
There is no fiscal impact to the City from this action as the SLOCTMD assessment is paid by visitors staying at lodging establishments within the City and remitted directly to Visit SLO CAL. If the SLOCTMD is not renewed, there would be a loss of coordinated regional tourism promotion in Morro Bay and throughout the County. Based on the anticipated year-end results for FY 2018-19, the current SLOCTMD assessment expected to be collected totals approximately $360,212. The proposed 1.5% SLOCTMD assessment is estimated to generate an additional $180,106 in annual tourism assessment in Morro Bay paid by hoteliers. The City would continue to retain an administrative fee of two percent (2%) of the assessment collected from Morro Bay lodging properties to cover costs associated with collection and pass through to the County.

BACKGROUND
The City is served by the local Morro Bay Tourism Business Improvement District (MBTBID) and while those efforts are successful in the mission of increasing lodging occupancy locally, lodging owners have acknowledged there is opportunity for businesses to benefit from Countywide advertising and marketing efforts.

On June 10, 2015, with the consent of all seven municipalities, the San Luis Obispo County Board of Supervisors unanimously approved Visit SLO CAL's proposed San Luis Obispo County Tourism Marketing District (SLOCTMD). Visit SLO CAL is a destination marketing organization with a mission of promoting the County as an attractive travel destination and enhancing its public image as a dynamic place to live and work. Prior to establishment of the SLOCTMD, Visit SLO CAL was

Prepared By: ___DS/SC_____	**Dept Review: ______**
City Manager Review: ________	**City Attorney Review: ______**

funded through business membership and contributions from local agencies, including the City's pro rata share of marketing costs based on the annual Transient Occupancy Tax (TOT) generated in Morro Bay. At that time, the City's contribution was funded through the MBTBID Annual Budget.

The SLOCTMD was approved as a five-year plan from 2015-2020 that established a unified District with the goals of increasing awareness of San Luis Obispo County and its offerings, as well as driving visitor demand, for the benefit of assessed lodging businesses within the SLOCTMD. The establishment of the SLOCTMD placed a 1.0% assessment on short-term lodging stays throughout San Luis Obispo County with funding used to market San Luis Obispo County throughout regional, national, and international feeder markets. Assessed lodging partners, including hotels and motels, vacation rentals, bed & breakfasts, and RV parks, receive Visit SLO CAL marketing benefits. The Management District Plan (Attachment 1) outlines the structure for the SLOCTMD, including the make-up of the Visit SLO CAL Board.

DISCUSSION

Over the last four years, Visit SLO CAL has had a significant positive impact on tourism and economic development in the County (Attachment 2). Among other benefits:

- Tourism spending in San Luis Obispo County has increased by approximately 4.5% per year since the creation of Visit SLO CAL (after accounting for the loss of revenue due to the Highway 1 closure in 2016).
- Visit SLO CAL currently generates over $40 in visitor spending for every dollar invested. Opening new fly markets and investing advertising efforts in those new markets has generated over $50 in visitor spending for every dollar invested.
- The visitor economy in San Luis Obispo County is growing faster than the County's overall economy. Employment and wages in tourism-dependent sectors are increasing at above average rates. Tourism now makes up 9.7% of the countywide GDP compared to 2.5% at the state level.

The Visit SLO CAL website at www.slocal.com includes information about Morro Bay and other cities in the County with Morro Bay's information available at https://www.slocal.com/explore/morro-bay/.

California state law allows the initial term of a Tourism Marketing District to operate for five years before the lodging community has to reaffirm their support and agree to continue the voluntary assessment. The SLOCTMD will reach the end of that initial term on June 30, 2020 and without the consent of all seven cities and the affirmation of the San Luis Obispo County Board of Supervisors the SLOCTMD and Visit SLO CAL will sunset in the next 10 months. The lodging community, in partnership with Visit SLO CAL, is seeking the renewal of the District for a 10-year period and an increased assessment from 1% to 1.5% as shown in the new Management District Plan. This increased assessment would provide an estimated $2 Million in additional revenue for Visit SLO CAL for a total annual budget of $6 Million.

The proposed plan is the result of a strategic planning process undertaken by Visit SLO CAL that explored what the future competitive landscape of tourism will look like and how to best compete for visitors. Visit SLO CAL discussed key findings with lodging investors and local government officials and identified five key areas of priority requiring long-term, strategic investment to keep the SLO CAL destination competitive:

- Increased advertising in Visit SLO CAL's key domestic feeder markets
- Elevation of key sales initiatives and support
- Growth of international markets

- Continued support and expansion of air service development
- Execution of the destination management strategy recommendations that are tourism-related and/or owned by Visit SLO CAL (Attachment 3)

These priorities are designed to benefit current members of the hospitality industry, the overall economy of the region, and the 11.8% increase in lodging inventory currently under construction in the County. As one indicator of the need for this type of investment, an independent entity is projecting a 3.5% decrease in occupancy and 1.7% decrease in RevPAR (revenue per available room) within the County for 2020 based on the 11.8% increase in lodging inventory over the next 18 months. An additional 8% in lodging inventory will be added over the following two (2) years.

At the request of the seven cities and the County, Visit SLO CAL undertook a return on investment (ROI) analysis, to determine the projected payback to the local economy resulting from an additional assessment on lodging establishments, in order to fund activities designed to accomplish each of the five priorities (Attachment 4). Selected results of the ROI study include:

- Even with Visit SLO CAL, San Luis Obispo County funds tourism promotion at a less than half of the average rate for tourism-focused cities and counties throughout the State.
- As incomes continue to rise and the world becomes increasingly interconnected, this trend will likely persist in the future, and the local tourism sector will become an increasingly important driver of the County's economy.
- An increase in assessments of 0.5% is not likely to reduce room rates or demand. A 0.5% increase would place San Luis Obispo County at levels still below competing destinations in terms of hotel taxes and assessments. (It should also be noted that several of those competing destinations are looking to increase their assessments and that competing destinations also have resort and parking fees not levied in San Luis Obispo County.)
- A half-percent increase in the current assessment would generate over $50 million annually in additional visitor spending, if those additional assessment dollars are spent in high-priority areas.
- The projected $50+ million annual increase in visitor spending would represent a very high rate of return.

The SLOCTMD renewal process requires a series of hearings in each community and the County to consider and approve the renewal of the SLOCTMD. The Board of Supervisors has the final decision in renewing the SLOCTMD and Visit SLO CAL including the term length and assessment rate. However, enabling legislation requires that each city in the County consent to the County of San Luis Obispo renewing, operating, and modifying the SLOCTMD covering lodging establishments within their city. The Resolution to grant this consent in Morro Bay is included with this report. Below is the current timeline and status for each jurisdiction's consideration of this renewal:

- Petition Launch – Week of July 29, 2019 *(Completed)*
- Grover Beach City Council – September 16, 2019 *(Approved)*
- Arroyo Grande City Council – September 24, 2019 *(Approved)*
- San Luis Obispo City Council – October 1, 2019 *(Approved)*
- Paso Robles City Council – October 1, 2019 *(Approved)*
- Morro Bay City Council – October 8, 2019
- Atascadero City Council – October 8, 2019
- Pismo Beach City Council – October 15, 2019
- County of San Luis Obispo Board of Supervisors Final Hearing – TBD (January 2020)

The County mailed petitions to all lodging establishments in the seven cities and the unincorporated areas. Approvals are required from establishments generating over 50% of the TOT revenue generated in calendar year 2018, in order for the Board of Supervisors to approve the SLOCTMD renewal. As of the date this report was published, petitions in favor of the assessment have been returned by establishments generating 62% of the TOT revenue in the City of Morro Bay.

On September 19, 2019, Visit SLO CAL made a presentation to the MBTBID Advisory Board and the Board unanimously recommended that the City Council approve the renewal of the SLOCTMD for a 10-year period with an increase in the assessment to 1.5%. A representative from Visit SLO CAL will also be providing a presentation to the Council.

Recommended Improvements for the Future

Much progress has been made during the first five years Visit SLO CAL's existence. Assuming that the Board of Supervisors is likely to approve the renewal, this is an appropriate point to analyze what improvements could be made to Visit SLO CAL's operations and collaboration among key stakeholders to benefit lodging establishments, the hospitality industry, and the community over the ten-year period of renewal.

Discussions with members of the hospitality industry have elicited several ways in which Visit SLO CAL, the cities/county, and the local TBIDs can work collaboratively to further improve performance. Some of the most frequently mentioned and significant recommendations include:

- <u>Relationship development.</u> Refinement and interoperability can be achieved in the respective roles and responsibilities of the three levels of entities (i.e., Visit SLO CAL, the cities, and the local TBIDs), to ensure that all levels are functioning collaboratively and that the voice of each community is fully incorporated into Visit SLO CAL governance/decision-making. The local TBIDs are, in some functional senses, subsidiaries of Visit SLOCAL, just as Visit SLO CAL can serve as a subsidiary of Visit California. The cities/county, on the other hand, are outside that nesting and able to assist and leverage the effectiveness of their local TBID and Visit SLO CAL's efforts. One approach, already scheduled for implementation, is for the County Assistant Chief Administrative Officer and several city managers to meet quarterly with the Visit SLOCAL executive board to address upcoming issues of mutual interest. An additional option would be for Visit SLO CAL and the various TBIDs to meet quarterly to discuss ways that all entities can build upon and reinforce each other's efforts.
- <u>The Visit SLO CAL first-year budget development process</u>. The budget starting July 1, 2020, based on the additional assessment, has not yet been developed. It would be helpful to ensure that process is undertaken in a collaborative, participative manner to overcome any concerns as to the use of the additional half percent. The process could initiate the development of shared goals, against which individual and overall performance can be tracked.
- <u>Developing shared goals at the beginning of each year, and more broadly distributing and acting upon meaningful metrics.</u> Key metrics, such as RevPAR, the outcomes from familiarization tours, visitor counts from each of the major drive and fly market areas, leads generated by follow-up results, marketing dollars expended per market sub-area, etc. are valuable on a county-wide basis, and would also be helpful at the city level. Metrics should address efforts that are undertaken (activity measures) as well as the benefits achieved (outcome measures). Since the TBID and Visit SLO CAL's goals and efforts are interdependent, all of the entities contribute to the accomplishment – or shortfall – in

meeting these goals.

- Course corrections may well be needed during the 10-year renewal term. As a result, a series of periodic and formal check-ins amongst the cities, TBIDs, and Visit SLO CAL would be helpful. This review should include key stakeholders and investors with the intent of addressing the nature and scope of Visit SLO CAL's positive impacts on the respective communities. These may include periodic meetings with and among the jurisdictions, systematic methods for TBID input, an update to the ROI study in 3-5 years, etc.
- Collaborative focus on areas of concern and areas where collective performance can be improved. For example, Visit SLO CAL has noted that only 8% of hotels and other lodging establishments in the County are following up on leads. There are a variety of ways that the lead process can be improved; the TBIDs, for example, could receive the leads as well as devote attention to ensuring they are qualified and followed up.
- Destination management. There remains a significant level of misunderstanding and concern about the purpose and value of the destination management efforts, as well as the distribution of responsibilities. Using the subsequent steps in the destination management process as a way of ensuring participation and collaboration by the cities and local TBIDs will generate numerous benefits and help improve relationships.

CONCLUSION

Having a sustainable and efficient Countywide marketing program focused on regional efforts helps foster collaboration and ensures marketing dollars are spent in the most streamlined manner possible for the County. It also allows the MBTBID to focus its efforts on attracting lodging customers to the City's specific properties and be more effective in increasing lodging stays within the City.

The Board of Supervisors has the final say in whether or not to renew Visit SLO CAL, for what term, and at what assessment rate. At the conclusion of the final Board of Supervisors hearing on SLOCTMD renewal, the Board of Supervisors may reduce the term or reduce the assessment rate for the renewed SLOCTMD. The enabling legislation requires that each city in the County consent to the County of San Luis Obispo renewing, operating, and modifying the SLOCTMD, which shall include their city (Attachment 5). It is extremely likely that most of the other cities in the County will recommend that the Board renew the SLOCTMD and consent to be included in the renewed SLOCTMD.

DOCUMENT LINKS AND ATTACHMENTS

1. Visit SLO CAL Management District Plan
2. Visit SLO CAL Scorecard to Date
3. Visit SLO CAL Destination Management Strategy Recommendations
4. Allocation of Additional Funding
5. Resolution No. 84-19

VISIT SLO CAL
SAN LUIS OBISPO COUNTY CALIFORNIA®

DESTINATION MANAGEMENT STRATEGY RECOMMENDATIONS

1 INDUSTRY ADVANCEMENT & ADVOCACY

- Chief Investment Officer
- Culinary Arts Campus
- Customer Service
- Experience Incubator
- International Tourism
- Paso Robles & SLO Coast Wine
- Sustainable Tourism
- Talent Attraction, Development & Careers
- Tourism Management
- Visit SLO CAL & Funding

2 INFRASTRUCTURE INVESTMENT

- Air Service & Airport Development
- Authentic Communities
- Countywide Trail System
- Ground Transportation
- Morro Bay Waterfront
- San Luis Obispo County Conference Center(s)
- Workforce Housing
- Workforce Transportation

3 EXPERIENCE DEVELOPMENT

- Bike Tourism
- Cannabis Tourism
- Develop & Grow Communities
- Events & Festivals Strategy
- Nightlife, Music & Entertainment
- SAVOR SLO CAL
- Signature Events
- SLO CAL Crafted Brand
- Space Launch Events
- Thematic Routes

RESOLUTION NO. 84-19

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
GRANTING CONSENT TO THE COUNTY OF SAN LUIS OBISPO
TO RENEW THE SAN LUIS OBISPO COUNTY TOURISM MARKETING DISTRICT**

**T H E C I T Y C O U N C I L
City of Morro Bay, California**

WHEREAS, on December 9, 2014, the City Council adopted Resolution No. 82-14 granting consent to the County of San Luis Obispo to form the San Luis Obispo County Tourism Marketing District (SLOCTMD) for a five-year term ending June 30, 2020; and

WHEREAS, the County of San Luis Obispo is beginning the process to renew the San Luis Obispo County Tourism Marketing District (SLOCTMD) pursuant to the Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq., to promote lodging businesses in San Luis Obispo County; including the cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo; and

WHEREAS, Streets and Highways Code section 36620.5 requires the City of Morro Bay to grant consent to the County of San Luis Obispo for the City of Morro Bay to be included in the renewed SLOCTMD; and

WHEREAS, on September 19, 2019, the Morro Bay Tourism Business Improvement District Advisory Board considered the proposal to renew the SLOCTMD and recommended approval.

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

Section 1: The above recitals are true and correct.

Section 2: The City Council consents to the County of San Luis Obispo renewing, operating, and modifying the SLOCTMD, which shall include the City of Morro Bay.

Section 3: The City Clerk is hereby directed to transmit a certified copy of this Resolution to the Clerk of the Board of the County of San Luis Obispo.

Section 4: This Resolution is effective upon its adoption.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 8th day of October 2019 on the following vote:

AYES:
NOES:
ABSENT:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk


VISIT
SLO CAL
SAN LUIS OBISPO COUNTY
CALIFORNIA
TOURISM MARKETING DISTRICT
RENEWAL
DESTINATION MARKETING
ACCREDITED ORGANIZATION
ACCREDITATION PROGRAM
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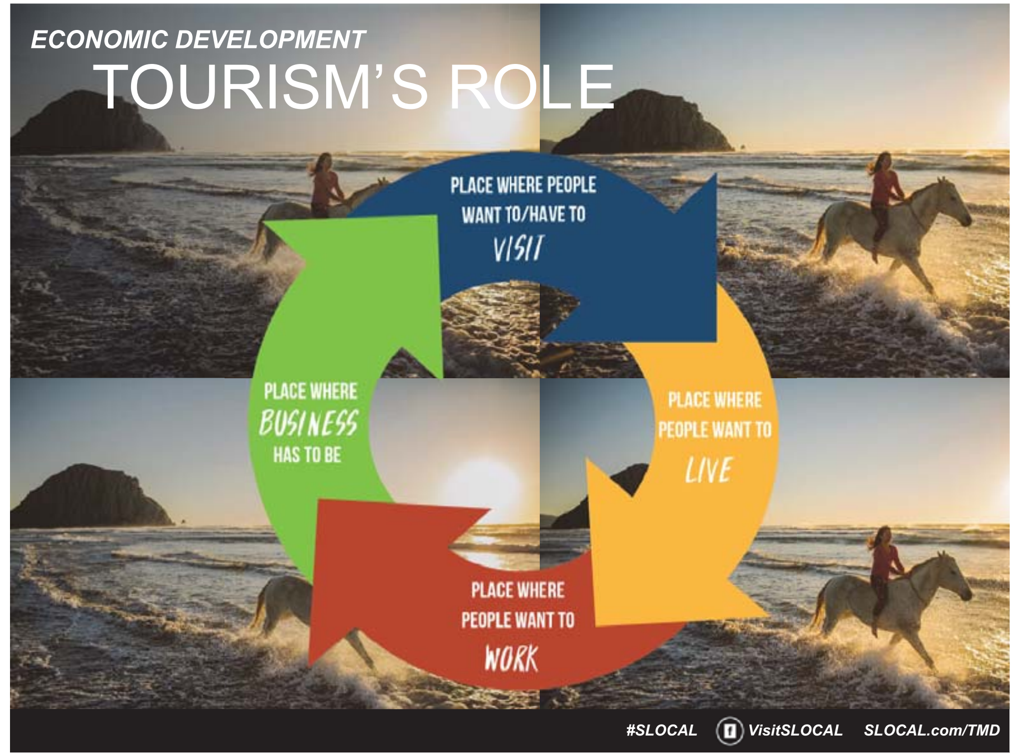
ECONOMIC DEVELOPMENT
TOURISM'S ROLE
PLACE WHERE PEOPLE WANT TO/HAVE TO VISIT
PLACE WHERE PEOPLE WANT TO LIVE
PLACE WHERE PEOPLE WANT TO WORK
PLACE WHERE BUSINESS HAS TO BE
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DESTINATION MARKETING
TOURISM ECOSYSTEM
USA
BRAND USA
CALIFORNIA
VISIT CALIFORNIA
CENTRAL COAST
CCTC
SLO CAL
VISIT SLO CAL
CITY/TOWN
BIDS/CVB
BUSINESS
LODGING, RESTAURANTS, ATTRACTIONS, RETAIL
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DESTINATION MARKETING
KEY ACCOMPLISHMENTS
PAID MEDIA
$3.3M
AD SPEND
MEDIA & TRADE CONNECTIONS
1,962
MEETINGS AND APPOINTMENTS
MEDIA & TRADE HOSTED
473
FAM ATTENDEES
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DESTINATION MARKETING
KEY ACCOMPLISHMENTS
HWY 1 DREAM DRIVE
834M
IMPRESSIONS
GENERATED
MARKET RESEARCH
15
RESEARCH
PROGRAMS
AIR SERVICE
270K
ADDITIONAL
SEATS ADDED
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CHALLENGES & OPPORTUNITIES
LARGE & GROWING MARKETS
SEATTLE 3.9M
SAN FRANCISCO 4.7M
SAN DIEGO 3.1M
PHOENIX 4.8M
DENVER 2.9M
LOS ANGELES 13.3M
PORTLAND 2.8M
DALLAS 7.5M
LAS VEGAS 2.2M
TARGET MARKETS INCLUDE 8 OF THE TOP 25 MSA'S IN U.S.
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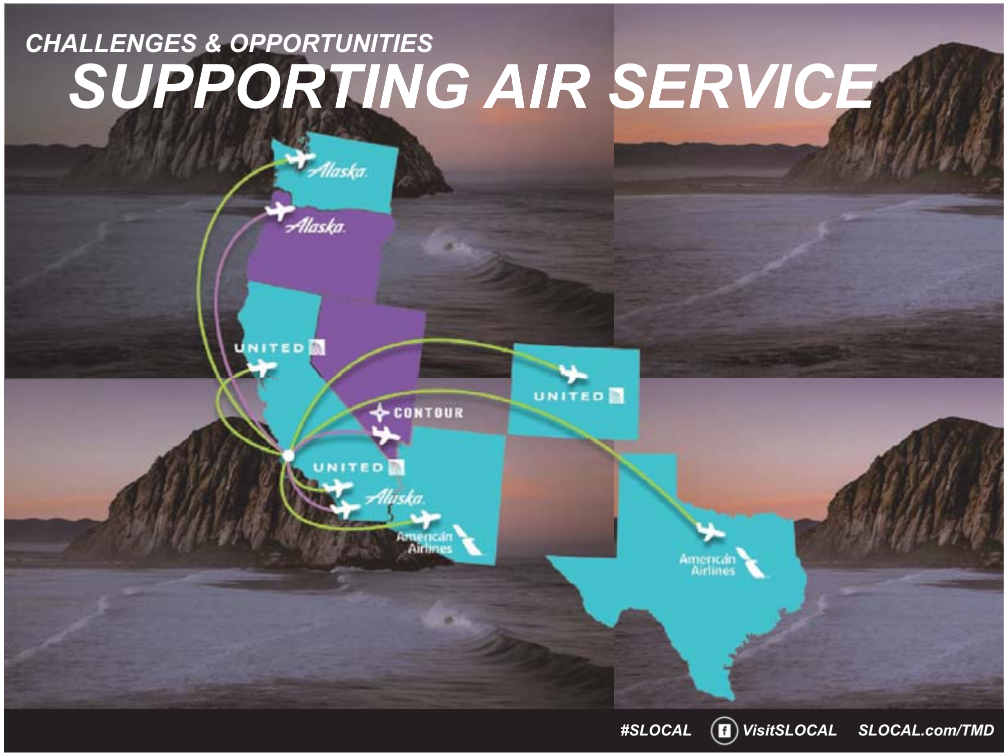
CHALLENGES & OPPORTUNITIES
SUPPORTING AIR SERVICE
Alaska
Alaska
UNITED
CONTOUR
UNITED
UNITED
Alaska
American Airlines
American Airlines
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CHALLENGES & OPPORTUNITIES
DESTINATION MANAGEMENT
STRATEGY FOCUS AREAS
OUTDOOR ACTIVITIES
FOOD & DRINK EXPERIENCES
EVENTS & FESTIVALS
SLO CAL CRAFTED
WORKFORCE DEVELOPMENT
INDUSTRY DEVELOPMENT
PLACEMAKING
SUSTAINABILITY
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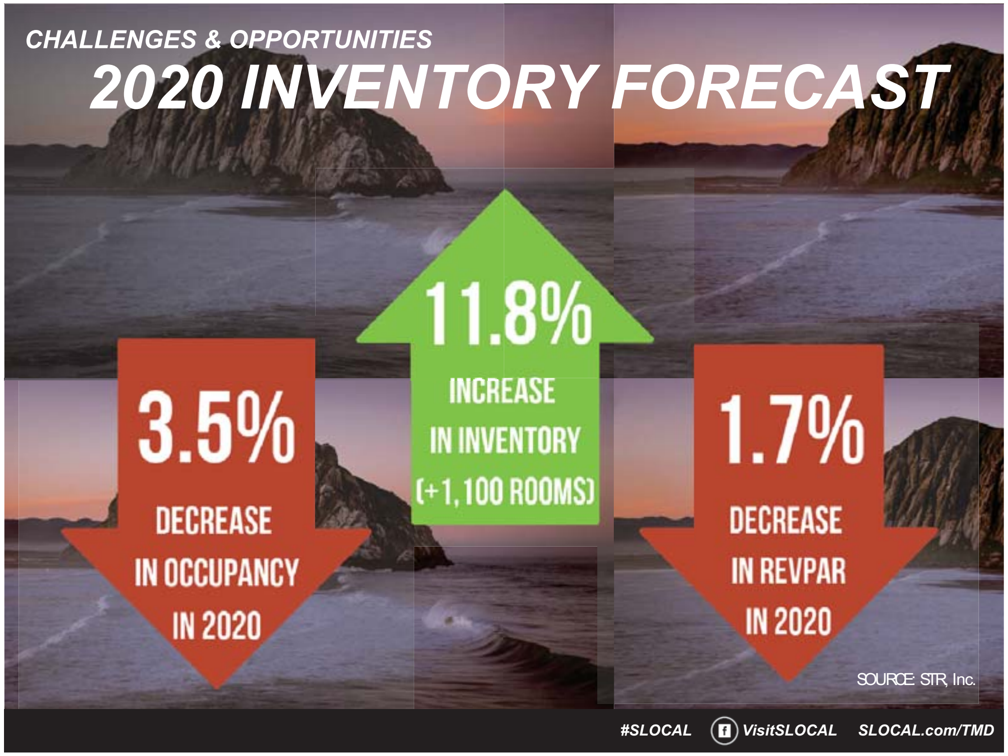
CHALLENGES & OPPORTUNITIES
2020 INVENTORY FORECAST
11.8%
INCREASE
IN INVENTORY
(+1,100 ROOMS)
3.5%
DECREASE
IN OCCUPANCY
IN 2020
1.7%
DECREASE
IN REVPAR
IN 2020
SOURCE: STR, Inc.
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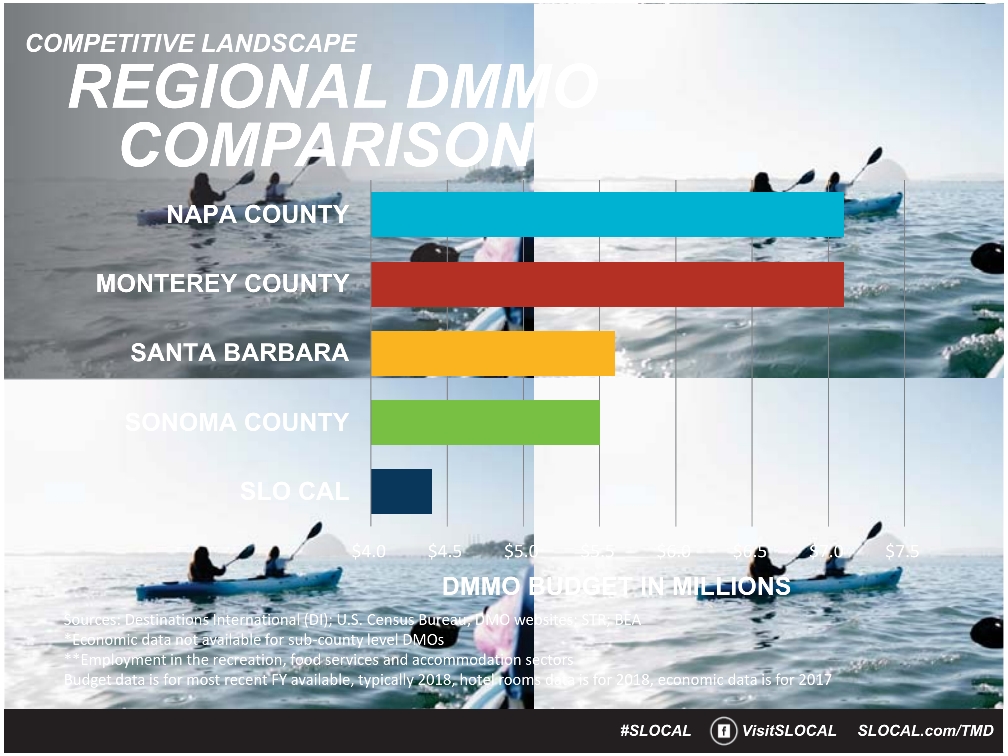
COMPETITIVE LANDSCAPE
REGIONAL DMMO COMPARISON
NAPA COUNTY
MONTEREY COUNTY
SANTA BARBARA
SONOMA COUNTY
SLO CAL
$4.0
$4.5
$5.0
$5.5
$6.0
$6.5
$7.0
$7.5
DMMO BUDGET IN MILLIONS
Sources: Destinations International (DI); U.S. Census Bureau; DMO websites; STR; BEA
*Economic data not available for sub-county level DMOs
**Employment in the recreation, food services and accommodation sectors
Budget data is for most recent FY available, typically 2018, hotel rooms data is for 2018, economic data is for 2017
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COMPETITIVE LANDSCAPE
DMMO BUDGET PER HOTEL ROOM
NAPA COUNTY
SANTA BARBARA
SONOMA COUNTY
AVERAGE
MONTEREY COUNTY
SLO CAL
$400
$900
$1400
Sources: Destinations International (DI); U.S. Census Bureau; DMO websites; STR; BEA
*Economic data not available for sub-county level DMOs
**Employment in the recreation, food services and accommodation sectors
Budget data is for most recent FY available, typically 2018, hotel rooms data is for 2018, economic data is for 2017
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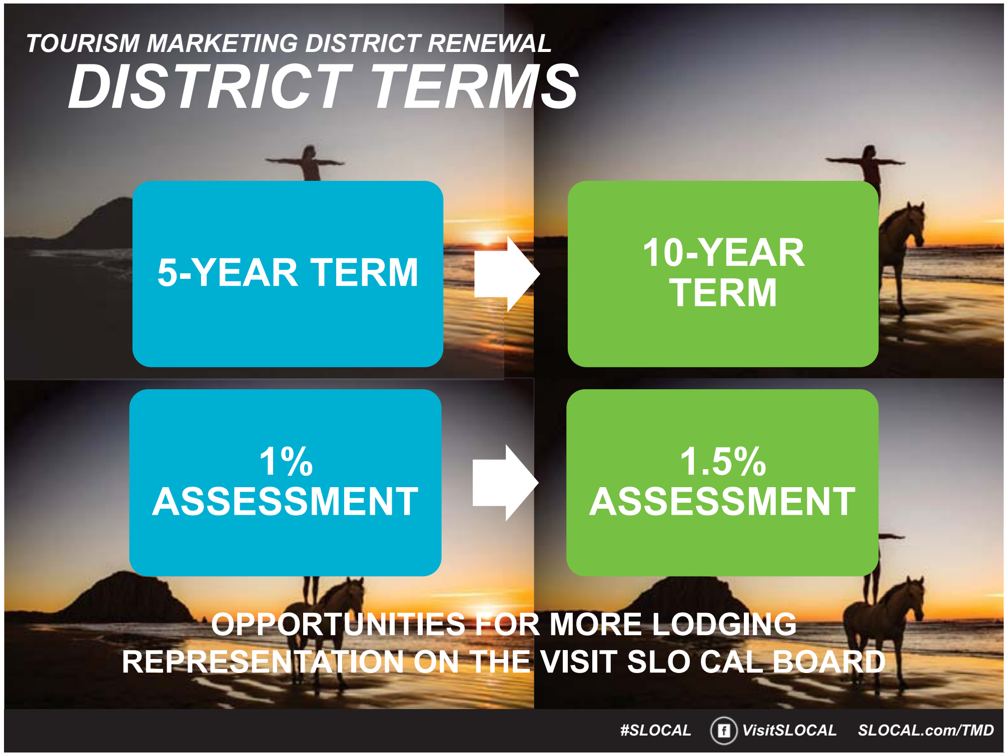

TOURISM MARKETING DISTRICT RENEWAL
DISTRICT TERMS
5-YEAR TERM
10-YEAR TERM
1% ASSESSMENT
1.5% ASSESSMENT
OPPORTUNITIES FOR MORE LODGING REPRESENTATION ON THE VISIT SLO CAL BOARD
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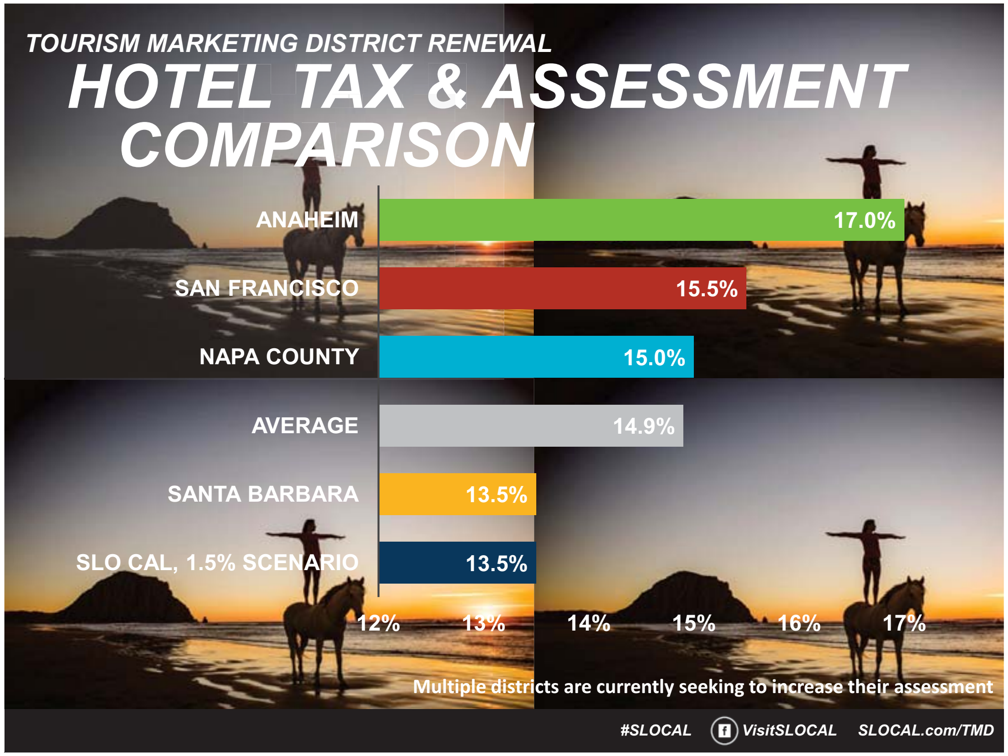
TOURISM MARKETING DISTRICT RENEWAL
HOTEL TAX & ASSESSMENT COMPARISON
ANAHEIM
17.0%
SAN FRANCISCO
15.5%
NAPA COUNTY
15.0%
AVERAGE
14.9%
SANTA BARBARA
13.5%
SLO CAL, 1.5% SCENARIO
13.5%
12%
13%
14%
15%
16%
17%
Multiple districts are currently seeking to increase their assessment
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TOURISM MARKETING DISTRICT RENEWAL
LOCAL HOTEL TAX & ASSESSMENT COMPARISON
ARROYO GRANDE
ATASCADERO
GROVER BEACH
MORRO BAY
PASO ROBLES
PISMO BEACH
SAN LUIS OBISPO
UNINCORPORATED
TOT
TBID/CBID/LBID
TMD
0%
2%
4%
6%
8%
10%
12%
14%
16%
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TOURISM MARKETING DISTRICT RENEWAL
KEY STRATEGIES
ADVERTISING
SALES SUPPORT
INTERNATIONAL
AIR SERVICE
DESTINATION MANAGEMENT STRATEGY
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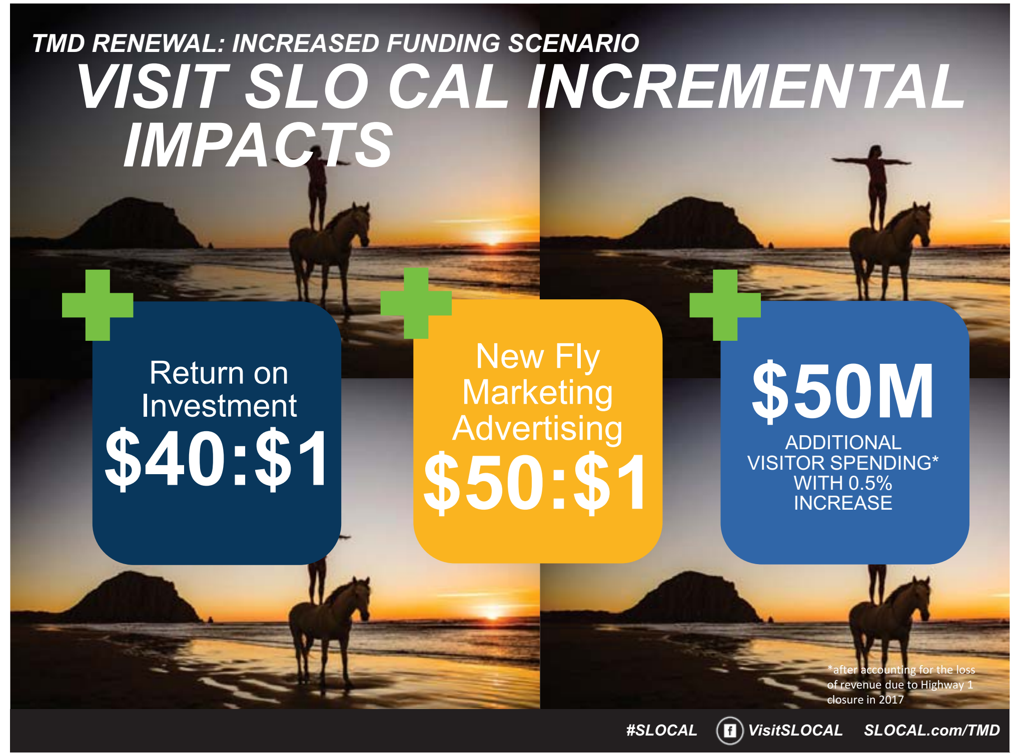
TMD RENEWAL: INCREASED FUNDING SCENARIO
VISIT SLO CAL INCREMENTAL IMPACTS
Return on Investment
$40:$1
New Fly Marketing Advertising
$50:$1
$50M
ADDITIONAL VISITOR SPENDING* WITH 0.5% INCREASE
*after accounting for the loss of revenue due to Highway 1 closure in 2017
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TOURISM MARKETING DISTRICT RENEWAL
MEETING SCHEDULE
SEPTEMBER
5TH – PASO ROBLES ✓
16TH – GROVER BEACH ✓
24TH – ARROYO GRANDE ✓
OCTOBER
1ST – PASO ROBLES ✓
1ST – SAN LUIS OBISPO ✓
8TH – MORRO BAY
8TH – ATASCADERO
15TH – PISMO BEACH
COUNTY BOARD OF SUPERVISORS
HEARING #1: TBD NOV.
HEARING #2: TBD DEC.
HEARING #3 TBD JAN.
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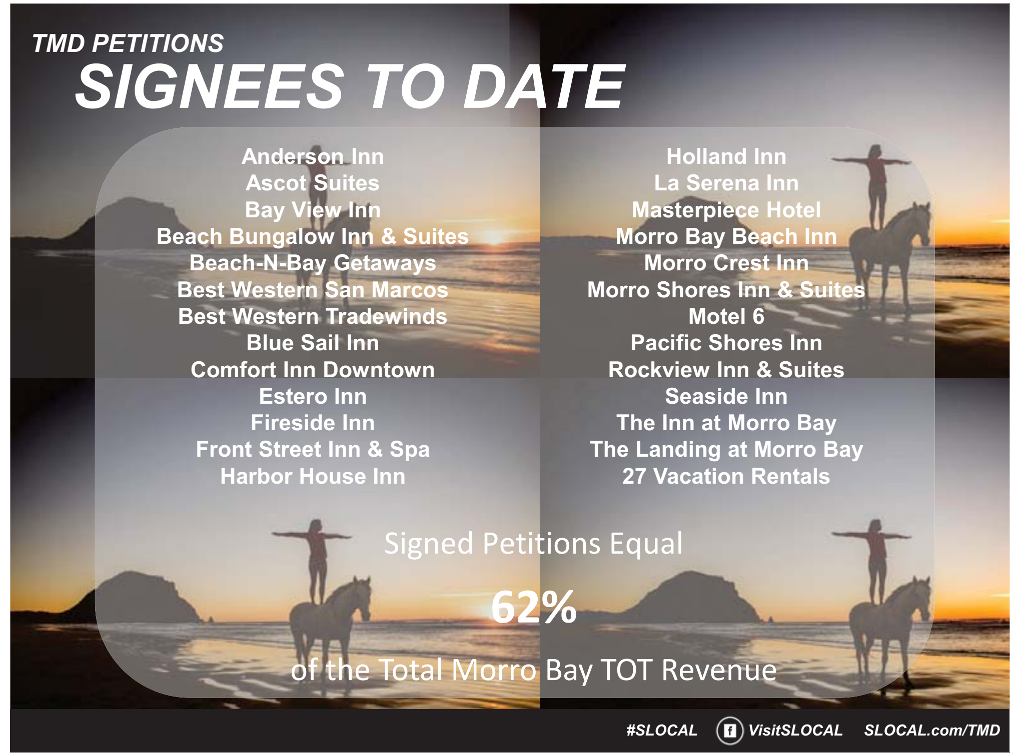
TMD PETITIONS
SIGNEES TO DATE
Anderson Inn
Ascot Suites
Bay View Inn
Beach Bungalow Inn & Suites
Beach-N-Bay Getaways
Best Western San Marcos
Best Western Tradewinds
Blue Sail Inn
Comfort Inn Downtown
Estero Inn
Fireside Inn
Front Street Inn & Spa
Harbor House Inn
Holland Inn
La Serena Inn
Masterpiece Hotel
Morro Bay Beach Inn
Morro Crest Inn
Morro Shores Inn & Suites
Motel 6
Pacific Shores Inn
Rockview Inn & Suites
Seaside Inn
The Inn at Morro Bay
The Landing at Morro Bay
27 Vacation Rentals
Signed Petitions Equal
62%
of the Total Morro Bay TOT Revenue
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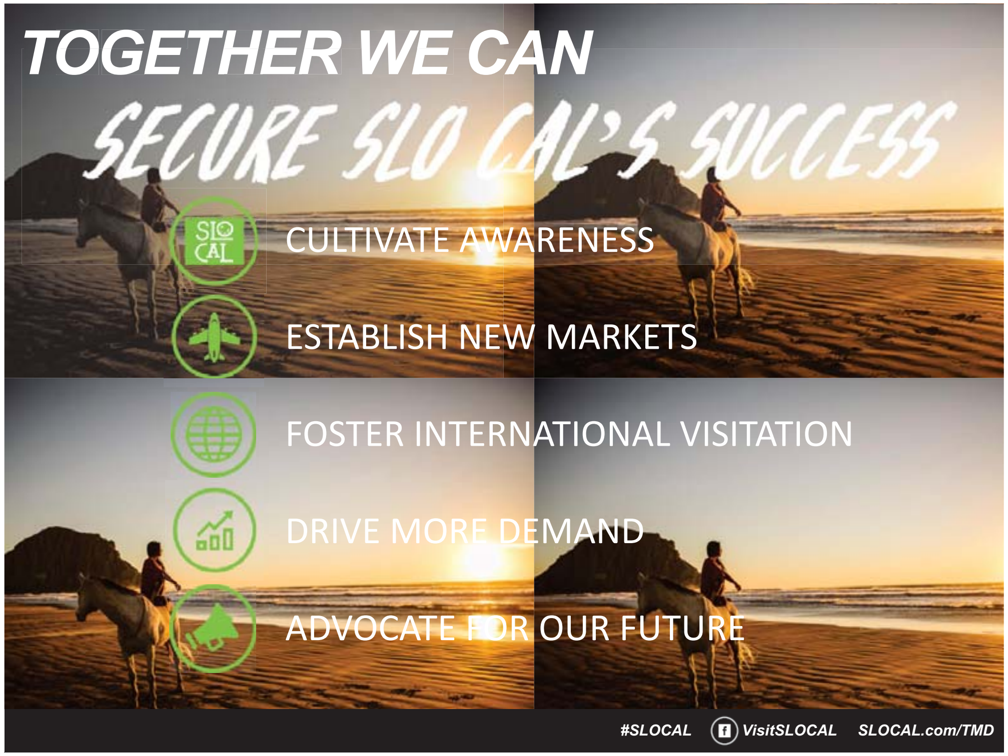
TOGETHER WE CAN
SECURE SLO CAL'S SUCCESS
CULTIVATE AWARENESS
ESTABLISH NEW MARKETS
FOSTER INTERNATIONAL VISITATION
DRIVE MORE DEMAND
ADVOCATE FOR OUR FUTURE
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VISIT
SLO CAL
SAN LUIS OBISPO COUNTY
CALIFORNIA
Thank you!
Chuck Davison, CDME
President & CEO
Chuck@SLOCAL.com
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AGENDA NO: C-4
MEETING DATE: October 08, 2019

Staff Report

TO: **Honorable Mayor and City Council** **DATE: October 1, 2019**

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

SUBJECT: **Consideration of the Morro Bay Tourism Business Improvement District (TBID) Supplemental Annual Report with the inclusion of Vacation Rentals (VR's) in the Existing 3% Annual Assessment and Continuation of the Existing TBID Assessment for Fiscal Year 2019/20; adoption of Resolution No. 83-19 Declaring the Intent to Continue the Program and Levy Assessments for the Remainder of Fiscal Year 2019/20; and, Scheduling both a Public Meeting to Consider Levying the Assessments as well as a Public Hearing to Consider Protests to the Levying of the Assessments**

RECOMMENDATION

1. Council to adopt Resolution No. 83-19 approving the Supplemental Fiscal Year 2019/20 Annual Report for expenditure of funds to be derived from the addition of Vacation Rentals (VR's) and declaring the intent to continue the program and levy assessments for the remainder of Fiscal Year 2019/20, and schedule both a Public Meeting to Consider Levying the Assessments as well as a Public Hearing to Consider Protests to the Levying of the Assessments; and
2. Council to approve moving $10,000 from the accumulation fund to the TBID FY 2019-20 Budget for visiting journalists and grants expenses; and
3. Council to honor vacation rental contracts put in place prior to VRs being added to the TBID for stays in Morro Bay through June 30, 2020, with all stays thereafter being assessed the 3% TBID assessment regardless of contract execution date.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

A 3% TBID assessment on VRs would result in approximately $165,000 per fiscal year. However, with it being estimated that VRs will be added around mid-fiscal year this year, and accounting for City Council's direction to honor contracts executed prior to the VR's being part of the TBID, staff estimates added revenues will be approximately $40,000 for the remainder of FY 2019-20.

Currently, the accumulation fund balance for TBID is above the balance threshold established by City Council Policy. Thus, there are sufficient funds available in the balance to move $10,000 into the FY 2019-20 budget to support additional visiting journalists and grants expenses and still maintain the threshold.

Prepared By: _SC______ **Dept Review: _______**

City Manager Review: ___SC_____ **City Attorney Review: __CFN_______**

BACKGROUND

The Morro Bay Tourism Business Improvement District ("TBID") was established in 2009 by the City Council with Ordinance No. 546. The purpose of the TBID, as described in the Morro Bay Municipal Code Chapter 3.60.030, is to help promote tourism in Morro Bay, the most significant economic driver in the community. The same chapter lists specific authorized uses as follows:

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

Annual Report Requirements

Section 3.60.060 of the MBMC further states that all of the assessments imposed pursuant to this chapter shall be reviewed by the Morro Bay City Council annually, based upon the annual report prepared by the advisory board appointed pursuant to the chapter and California Streets and Highways Code Section 36533. California Streets and Highways Code Section 36533, provided as Attachment 3, requires that the report include information addressing the following six items:

(1) Any proposed changes in the boundaries of the parking and business improvement area or in any benefit zones within the area.
(2) The improvements and activities to be provided for that fiscal year.
(3) An estimate of the cost of providing the improvements and the activities for that fiscal year.
(4) The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of assessment to be levied against his or her business for that fiscal year.
(5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
(6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

The City Council annual report for the assessment for FY2019/20, which was approved on May 28, 2019 and is required by the Parking and Business Improvement Area Law of 1989, can be found at Attachment 2.

DISCUSSION

The TBID Advisory Board ("TBID Board") at its regularly scheduled meeting on September 19, 2019, pursuant to the request of the City Council at its August 27, 2019 regular meeting, considered the addition of VRs to the existing TBID at the existing assessment rate of 3% levied on hotels.

The TBID Board conducted a supplemental review of its Annual Report for FY 2019-20 (required by Section 3.60.060 of the Morro Bay Municipal Code and Streets & Highways Code section 36533 ("Section 36533")), which was initially approved by the TBID Board on May 7, 2019, and then subsequently approved by the City Council on May 28, 2019.

The Annual Report pursuant to Section 36533(a) provides that the TBID Board "shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report." Subsection (b)(1-6) of Section 36533 provides the Annual Report "shall contain" six elements. All six elements were addressed in the prior report submitted to, and approved by, City Council on May 28, 2019. (Attachment 2). Section 36533 also provides in subsection (a) that the TBID Board Annual Report submitted to the

City Council “may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses.”

Pursuant to the request from City Council to add VRs to the TBID, the TBID Board recommended at its September 19, 2019 meeting the Council should approve this Supplemental Annual Report for FY 2019-20. This supplemental report both provides a supplemental recommendation on changes to “the basis and method of levying the assessments, and any changes in the classification of businesses,” and further addresses the effect of those proposed changes through a supplemental recommendation concerning the six required elements of an annual report.

The TBID Board approved submission of the attached supplements (Attachment 1) to the Annual Report for FY 2019-20 (previously submitted on May 22, 2019) for approval or modification by the City Council, and as general recommendations for City Council action, consistent (as required by law) with the Parking and Business Improvement Area Law of 1989.

The City Council is asked to review the TBID Board’s submission at the October 8, 2019 Council meeting.

Upon anticipated approval of the supplements to the annual report, staff recommends the City Council follow the public hearing process pursuant to Section 36524-25 of the Parking and Business Improvement Area Law of 1989 and as consistent with the requirements of Government Code section 54954.6. Both a public meeting and a public hearing are set to consider this matter.

A public hearing for this matter is set for the City Council meeting on November 12, 2019 and has been noticed by mail to all businesses subject to existing and proposed TBID assessments (Attachment 4). At that November 12, 2019 public hearing, the City Council will consider both written and oral protests to inclusion of vacation rental businesses in the TBID. At this public hearing the City Council will determine if written protests are received from the owners of all businesses in the existing and proposed Morro Bay Tourism Business Improvement District which will pay 50 percent or more of the current and proposed assessment. Protests will be considered regarding the addition of vacation rental businesses to the Morro Bay Tourism Business Improvement District (TBID) so as to levy an annual assessment on vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) at the existing TBID rate of 3% of the rent charged by the operator of the vacation rental for all transient occupancies under 30 consecutive days.

A public meeting when the City Council will solicit and allow public testimony on the addition of VRs to the TBID will be held on October 22, 2019, and notice of this public meeting was jointly noticed by mail with the notice of the public hearing set for November 12, 2019 (Attachment 4).

TBID FY19/20 Proposed Budget adjustment for Jan-June 2020

<u>Vacation Rentals TOT Assessment</u>
With the FY 2019-20 budget set to receive an estimated $40,000 additional revenue from adding VRs in early 2020, staff is recommending the following areas of use for these funds:

1) **Digital Media – $17,000.** Outdoor Goals videos that are focused on the aspect of why visitors stay in VR’s will be created. A total of 5, 12 sec videos will be created to be used as part of our digital marketing campaign that will be on several VR websites. Actual digital buys will be determined upon budget approval.

2) **Digital Assets – $7,000.** Creating specific VR content and on-boarding VR's into the morrobay.org platform will be extensive. It will include 1-hero photo to be taken of each property to have a quality and consistent look. Creation of written content for each property will be added into our Simpleview platform. Because each VR listing is not hosted on an individual website but instead is hosted on various VR platforms this requires staff to create this content. Plus, any VR's that are hosted on Airbnb have an additional cost and specific requirements.

3) **On Boarding Platforms – $10,445.** on boarding costs Integrating our booking platform to include all lodging options in the jackrabbit/book direct format will have an additional cost and will take approximately 4-8 weeks to create. This will allow all of our lodging properties to have equal representation on our platform. Because VR's are not hosted on their own websites (for the most part) writing, creating and updating content onto morrobay.org will be extensive. Staff is estimating a total of 125+ hours to be managed by a freelance writer.

4) **Visiting Journalists – $4,000.** Staff recommends allocating funds to start hosting journalists.

<u>Accumulation funds transfer</u>
In addition to the above recommended amendment to the TBID budget, staff is recommending that $10,000 be placed into the current FY 2019-20 budget from the TBID accumulation fund to help offset unfunded events plus increase our visiting journalists' budget by $6000, and $4,000 to be used towards unfunded grants.

The recommended revised budget is provided in Attachment 1.

Honoring Vacation Rental Contracts Executed Prior to Inclusion in TBID
In directing staff to begin the process to include VRs into the TBID, City Council further directed staff to honor the terms in contracts executed between VR owners/managers and their customers prior to the TBID inclusion date (early 2020). This was done because there is an assumed lag time between VR – customer contract execution and the actual time the customer(s) stay in a VR. Council felt it was important to honor those contracts so that VR customers are not billed the 3% assessment when that wasn't part of the terms of their contract with a VR owner/manager. However, staff recommends the City honor those specific terms in contracts executed prior to inclusion in TBID for actual stays through a June 30, 2020 stay. For example, if someone has a contract executed on December 31, 2019, for a stay from June 20 - 22, 2020, those customers would not have to pay a TBID assessment. However, for contracts executed prior to December 31, 2019 that have stays after June 30, 2020, those individuals would be assessed the TBID assessment. July 1, 2020 is the beginning of the next fiscal year and serves as a good breaking point for that change to occur and is helpful in planning for the budget. The TBID Board supported this recommendation at its September 19, 2019 meeting.

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

The use of funds is designed to enhance tourism in the community, which should increase overall Transient Occupancy Tax revenues and directly benefit the community's hotels and vacation rentals, which will see an increase in overnight stays.

ATTACHMENTS

1. MBTBID Advisory Board Supplemental Annual Report for FY 2019-20
2. Resolution No. 41-19 - MBTBID Advisory Board Annual Report for FY 2019-20
3. California Streets and Highway Code Section 36520-36542
4. MBMC Chapter 3.60
5. Joint Notice of Public Meeting and Public Hearing (previously mailed to impacted businesses)
6. Proposed Resolution No. 83-19

ATTACHMENT 1

Morro Bay Business Improvement District
Supplemental Annual Report for FY 2019-20

Presented to the Morro Bay City Council by the Morro Bay Tourism Business Improvement District Advisory Board

The City of Morro Bay's Tourism Business Improvement District Advisory Board ("TBIDAB") at its regularly scheduled meeting on September 19, 2019, pursuant to the request of the City Council at its August 27, 2019 regular meeting, considered the addition of vacation rentals ("VRs") to the existing Morro Bay Tourism Business Improvement District ("TBID") at the existing TBID assessment rate of 3% levied on hotels.

The TBIDAB conducted a supplemental review of its Annual Report for FY 2019-20 (required by Section 3.60.060 of the Morro Bay Municipal Code and Streets & Highways Code section 36533 ("Section 36533")), which was initially approved by the TBIDAB on May 7, 2019, and then subsequently approved by the City Council on May 28, 2019.

The Annual Report pursuant to Section 36533(a) provides that the TBIDAB "shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report." Subsection (b)(1-6) of Section 36533 provides the Annual Report "shall contain" six elements. All six elements were addressed in the prior report submitted on May 28, 2019. Section 36533 also provides in subsection (a) that the TBIDAB Annual Report submitted to the City Council "may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses."

Pursuant to the request from City Council to add VRs to the TBID, the TBIDAB now submits this Supplemental Annual Report for FY 2019-20. This supplemental report both provides a supplemental recommendation on changes to "the basis and method of levying the assessments, and any changes in the classification of businesses," and further addresses the effect of those proposed changes through a supplemental recommendation concerning the six required elements of an annual report.

The TBIDAB submits the following, as supplements to the Annual Report for FY 2019-20 (previously submitted on May 22, 2019) for approval or modification by the City Council, and as general recommendations for City Council action, consistent (as required by law) with the Parking and Business Improvement Area Law of 1989.

A. <u>Proposed Changes to the TBID (Streets & Highways Code §§ 36533(a), 36540)</u>

1. Basis and method of levying assessments under Chapter 3.60 (Tourism Business Improvement Law) of the Morro Bay Municipal Code ("MBMC"), pursuant to the authority of the Parking and Business Improvement Area Law of 1989 ("1989 Law"), shall include the assessment of vacation rental businesses at the existing rate of 3%, as the term "vacation rental" is used in Chapter 5.47 (Short-Term Vacation Rental Permit) of the MBMC.

2. Classification of businesses subject to the existing assessment provided for in Chapter 3.60 of Chapter 3.60 shall expressly include such vacation rental businesses as referenced above.

3. Amend Chapter 3.60 of the MBMC, and take any other necessary action as required by law, to implement the above proposed changes.

B. <u>Six Elements of Annual Report (Streets & Highways Code § 36533(b)(1-6)</u>

1. The Morro Bay Tourism Business Improvement District (MBTBID) Advisory Board did not propose any changes in the Boundaries of the TBID, which were established in MBMC Section 3.60.040 to be the boundaries of the City of Morro Bay.
2. The improvements and activities to be provided for in Fiscal Year FY 2019/20 are those services and activities permitted under Section 3.60.030 of the Morro Bay Municipal Code, which include:

    1. The general promotion of tourism within the district to include costs as specified in the business plant to be adopted annually; and
    2. Implementation of the strategic plan; and
    3. Marketing of Foreign Independent Travelers (FIT), conference, group, and film business that benefits local tourism and the local lodging (hotel/motel/vacation rentals) industry in the district; and
    4. The marketing of the district to the travel industry in order to benefit local tourism and the local lodging industry in the district

    GOALS & OBJECTIVES for FY 2019/20

    1. Continue to implement the Tourism Strategic Plan, adopted by City Council in 2019.
    2. Increase overall occupancy & lodging revenues, especially during midweek and shoulder season through our new destination assets such as the website and implementation of the strategic plan and new branding.
    3. Midweek – be more aggressive through digital media to increase stays plus grow mid-week stays through FIT and group longer stays.
    4. Extend the number of average lodging room nights beyond the current level of 1.8 (this is an increase from 2018/19 at 1.5).
    5. Help incrementally increase the lodging Average Daily Rate (ADR) through the promotion and elevation of the destination.
    6. Bring exposure to Morro Bay as a viable domestic and international destination for individuals and groups which will increase longer stays.
    7. Assist with the development and growth of athletic competitions and events that attract overnight guest and that fit in our strategic plan model.
    8. Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay such as new or upgrade of hotel stock, grow the quality of events to entice a higher level of visitor.
    9. Positively impact transient occupancy tax (TOT) for the City of Morro Bay.

3. An estimate of the cost of providing the improvements and the activities for that fiscal year (as described below with the FY 2019/20 Revised Budget).

FY 2019-20 Approved Budget -

Sources: The FY 2019-20 revised projected actual sources include total sources of $939,644, made up of $863,643 from TBID assessment revenues ($40,000 additional funds by adding vacation rentals), $60,000 from the City's General Fund and $6,000 from advertising revenue, and $10,000 from the TBID Accumulation Fund.

Uses: The FY 2019/20 projected actual expenditures are $939,086, netting no change to the fund balance.

The below budget shows FY 2019/20 revised budget, projected actuals, and the variance of the projected actuals compared to the revised budget.

City of Morro Bay
FY 2019/20 TBID Proposed Budget
Operating Revenues vs. Operating Expenditures

		FY19/20 Approved Budget	FY19/20 Revised Budget
Revenues			
Advertising - Guides and Magazines	$	6,000	$ 6,000
Transient Occupancy Tax (TBID Assessment)		823,644	$823,644
Transient Occupancy Tax (VR Assessment)			40,000
Interest			-
Transfers In - General Fund Contribution		60,000	60,000
Transfer In - Accumulation Fund			10,000
Total Revenues	**$**	**889,644**	**$939,644**
Expenditures			
Salaries & Benefits	$	219,087	219,087
General Office Supplies		3,000	3,000
Forms Printing		500	500
Consulting Services		11,600	11,600
Contractual Services		165,000	165,000
Promotion & Advertising		12,000	12,000
Print Ads		4,500	4,500
Digital Media		272,000	289,000
Out of Home		6,600	6,600
Digital Services		45,000	45,000
Digital Assets		-	7,000
Marketing Consulting		-	4,375
Community Event Support		50,000	54,000
Promotion Media		8,000	8,000
Promotion Other		13,000	20,630
Promotion Visiting Journalist		10,000	20,000
Trade Shows - Space Rent		7,600	7,600
Trade Shows - Trans		500	500
Advertising Sponsorships		13,000	13,000
Professional Development		500	500
Other Professional Services		500	500
Postage		700	700
Utilities (Internet & Cell)		2,000	2,000
Workers Comp Insurance		1,200	1,200
Unemployment Insurance		900	900
Meetings and Conferences		2,000	2,000
Mileage Reimbursement		500	500
Meals & Lodging		4,500	4,500
Travel Expense		2,000	2,000
Association Memberships		1,500	1,500
Total Operating Expenditures	**$**	**857,687**	**$907,692**
Transfer to Accumulation Fund		-	0
Transfer Out		31,394	31,394
Total Operating Expenditures Including	**$**	**889,081**	**$939,086**
Net Operating Revenues over Expenditu	**$**	**563**	**$ 558**

4. The Morro Bay TBID Advisory Board approved a motion to recommend that the 3% Assessment be continued in FY 2019/20. The assessment will continue to apply to hotels, motels and bed and breakfasts (as presently defined in the MBMC) and now

also shall include vacation rentals as the term “vacation rental” is used in Chapter 5.47 (Short-Term Vacation Rental Permit) of the MBMC.

5. The TBID budget for FY 2018/19 is projected to include $0 surplus left over for carryover into FY 2019/20.
6. The TBID FY 2019/20 Budget also includes revenues of $60,000 from the City’s General Fund and $4,000 from advertising revenue.

RESOLUTION NO. 41-19

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

THE CITY COUNCIL
City of Morro Bay, California

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

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

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

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

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

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

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

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

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

WHEREAS, at the public meeting held on May 28, 2019, City Council additionally set the public hearing, for the intent to levy the MBTBID assessment for Fiscal Year 2019/20, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36534 and 36535.

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

1. The above recitations are true and correct, and incorporated herein by reference.

2. The City Council approves the attached Annual Assessment Report and declares its intention to renew the Morro Bay Tourism Business Improvement District for the 2019/20 Fiscal Year, and to levy and collect 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050.

3. The City Council sets the date of the public hearing to adopt a Resolution to reaffirm the MBTBID, and levy and collect the 3% assessments from hoteliers as Tuesday, June 11, 2019. Before or at this public hearing written protests to the continuation of the MBTBID and the levy of the assessment may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060.

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

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

JOHN HEADDING, Mayor

Dana Swanson

DANA SWANSON, City Clerk

City of Morro Bay

FY 19-20 Budget Worksheet

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

FY 19-20 Budget Worksheet

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

City of Morro Bay

FY 19-20 Budget Worksheet

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

FY 19-20 Budget Worksheet

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

California Streets and Highway Code Section 36520-36542

36520. A parking and business improvement area may be established as provided in this chapter.

36521. The city council may establish an area on its own initiative.

36521.5. A county may not form an area within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form an area within the unincorporated territory of a county, without the consent of the board of supervisors of that county. A city may not form an area within the territorial jurisdiction of another city without the consent of the city council of the other city.

36522. Proceedings to establish a parking and business improvement area shall be instituted by the adoption by the city council of a resolution of intention to establish the area. The resolution of intention shall do all of the following:

(a) State that a parking and business improvement area is proposed to be established pursuant to this chapter and describe the boundaries of the territory proposed to be included in the area and the boundaries of each separate benefit zone to be established within the area. The boundaries of the area may be described by reference to a map on file in the office of the clerk, showing the proposed area.

(b) State the name of the proposed area.

(c) State the type or types of improvements and activities proposed to be funded by the levy of assessments on businesses in the area. The resolution of intention shall specify any improvements to be acquired.

(d) State that, except where funds are otherwise available, an assessment will be levied annually to pay for all improvements and activities within the area.

(e) State the proposed method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business.

(f) State whether new businesses will be exempt from the levy of the assessment, pursuant to Section 36531.

(g) Fix a time and place for a public hearing on the establishment of the parking and business improvement area and the levy of assessments, which shall be consistent with the requirements of Section 54954.6 of the Government Code.

(h) State that at the hearing the testimony of all interested persons for or against the establishment of the area, the extent of the area, or the furnishing of specified types of improvements or activities will be heard.

(i) Describe, in summary, the effect of protests made by business owners against the establishment of the area, the extent of the area, and the furnishing of a specified type of improvement or activity, as provided in Section 36524.

36523. Notice of a public hearing held under Section 36524, 36541, 36542, or 36550 shall be given by both of the following:

(a) Publishing the resolution of intention in a newspaper of general circulation in the city once, for at least seven days before the public hearing.

(b) Mailing of a complete copy of the resolution of intention by first-class mail to each business owner in the area within seven days of the city council’s adoption of the resolution of intention.

(c) Notwithstanding subdivision (b), in the case of an area established primarily to promote tourism, a copy of the resolution of intention shall be mailed by first-class mail within seven days of the city council’s adoption of the resolution of intention, to the owner of each business in the area which will be subject to assessment.

36523.5. Notwithstanding Section 36523, prior to adopting any new or increased assessment, the city council shall give notice pursuant to Section 54954.6 of the Government Code in lieu of publishing notice pursuant to subdivision (a) of Section 36523.

36524. (a) At the public hearing, the city council shall hear and consider all protests against the establishment of the area, the extent of the area, or the furnishing of specified types of improvements or activities within the area. A protest may be made orally or in writing by any interested person. Any protest pertaining to the regularity or sufficiency of the proceedings shall be in writing and shall clearly set forth the irregularity or defect to which the objection is made.

(b) Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest and at the public hearing may correct minor defects in the proceedings. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing.

(c) Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with this section shall not be counted in determining a majority protest.

36525. (a) If written protests are received from the owners of businesses in the proposed area which will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than that 50 percent, no further proceedings to create the specified parking and business improvement area or to levy the proposed assessment, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(b) If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those types of improvements or activities shall be eliminated.

36526. (a) At the conclusion of the public hearing to establish the area, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements and activities to be funded with the revenues from the assessments.

(b) At the public hearing, the city council may only make changes in, to, or from, the boundaries of the proposed parking and business improvement area that will exclude territory which will not benefit from the proposed improvements or activities. However, proposed assessments may only be revised by reducing any or all of them.

(c) The city council shall not change the boundaries of the area to include any territory that will not, in its judgment, benefit by the improvement or activity. Any addition of territory to the proposed boundaries of the area may be made only upon notice to the owners of the businesses proposed to be added to the area, as provided in Section 36523, and upon a public hearing on the addition of territory, as provided in Section 36524.

36527. If the city council, following the public hearing, decides to establish the proposed parking and business improvement area, it shall adopt an ordinance to that effect. The ordinance shall contain all of the following:

(a) The number, date of adoption, and title of the resolution of intention.

(b) The time and place where the public hearing was held concerning the establishment of the area.

(c) A determination regarding any protests received at the public hearing.

(d) The description of the boundaries of the area and of each separate benefit zone established within the area.

(e) A statement that a parking and business improvement area has been established and the name of the area.

(f) A statement that the businesses in the area established by the ordinance shall be subject to any amendments to this part.

(g) The description of the method and basis of levying the assessments, with a breakdown by classification of businesses if a classification is used.

(h) A statement that the improvements and activities to be provided in the area will be funded by the levy of the assessments. The revenue from the levy of assessments within an area shall not be used to provide improvements or activities outside the area or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the area.

(i) A finding that the businesses and the property within the business and improvement area will be benefited by the improvements and activities funded by the assessments proposed to be levied. In the case of an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed.

(j) The time and manner of collecting the assessments.

36528. The city council may establish one or more separate benefit zones within the area based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone.

36529. All provisions of this part applicable to the establishment, modification, or disestablishment of a parking and business improvement area apply to the establishment, modification, or disestablishment of benefit zones. The city council shall, to establish, modify, or disestablish a benefit zone, follow the procedure to establish, modify, or disestablish a parking and business improvement area.

36530. The city council shall appoint an advisory board which shall make a recommendation to the city council on the expenditure of revenues derived from the levy of assessments pursuant to this part, on the classification of businesses, as applicable, and on the method and basis of levying the assessments. The city council may designate existing advisory boards or commissions to serve as the advisory board for the area or may create a new advisory board for that purpose. The city council may limit membership of the advisory board to persons paying the assessments under this part. The city council may appoint the advisory board prior to adoption of the resolution of intention to create the area, so that the advisory board may recommend the provisions of the resolution of intention.

36531. The city council may exempt a business recently established in the area from the levy of the assessments, for a period not to exceed one year from the date the business commenced operating in the area. The city council shall state its determination to so exempt new businesses in the resolution of intention to establish the area and shall reaffirm its determination annually in the resolution of intention required to be adopted pursuant to Section 36534.

36532. The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the ordinance establishing the area.

36533. (a) The advisory board shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report. The report may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the parking and business improvement area by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following:

(1) Any proposed changes in the boundaries of the parking and business improvement area or in any benefit zones within the area.

(2) The improvements and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements and the activities for that fiscal year.

(4) The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.

(5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

(6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the advisory board or may modify any particular contained in the report and approve it as modified. The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments.

36534. (a) After the approval of the report, the city council shall adopt a resolution of intention to levy an annual assessment for that fiscal year. The resolution of intention shall do all of the following:

(1) Declare the intention of the city council to change the boundaries of the parking and business improvement area, or in any benefit zone within the area, if the report filed pursuant to Section 36533 proposes a change.

(2) Declare the intention of the city council to levy and collect assessments within the parking and business improvement area for the fiscal year stated in the resolution.

(3) Generally describe the proposed improvements and activities authorized by the ordinance enacted pursuant to Section 36527 and any substantial changes proposed to be made to the improvements and activities.

(4) Refer to the parking and business improvement area by name and indicate the location of the area.

(5) Refer to the report on file with the clerk for a full and detailed description of the improvements and activities to be provided for that fiscal year, the boundaries of the area and any benefit zones within the area, and the proposed assessments to be levied upon the businesses within the area for that fiscal year.

(6) Fix a time and place for a public hearing to be held by the city council on the levy of the proposed assessment for that fiscal year. The public hearing shall be held not less than 10 days after the adoption of the resolution of intention.

(7) State that at the public hearing written and oral protests may be made. The form and manner of protests shall comply with Sections 36524 and 36525.

(b) The clerk shall give notice of the public hearing by causing the resolution of intention to be published once in a newspaper of general circulation in the city not less than seven days before the public hearing.

36535. (a) The city council shall hold the public hearing at the time and in the place specified in the resolution of intention. The public hearing shall be conducted as provided in Sections 36524 and 36525. The city council may continue the public hearing from time to time.

(b) During the course or upon the conclusion of the public hearing, the city council may order changes in any of the matters provided in the report, including changes in the proposed assessments, the proposed improvements and activities to be funded with the revenues derived from the levy of the assessments, and the proposed boundaries of the area and any benefit zones within the area. The city council shall not change the boundaries to include any territory that will not, in its judgment, benefit by the improvement or activity.

(c) At the conclusion of the public hearing, the city council may adopt a resolution confirming the report as originally filed or as changed by it. The adoption of the resolution shall constitute the levy of an assessment for the fiscal year referred to in the report.

(d) Notwithstanding subdivision (c), if the primary purpose of the area is promotion of tourism, the city council may adopt a resolution confirming the report as submitted by the advisory board, or may adopt a resolution continuing the program and assessments as levied in the then current year without change, and that resolution shall constitute the levy of an assessment for the fiscal year referred to in the report. As an alternative, the city council may modify the report and adopt a resolution confirming the report as modified, but in that case the city council may adopt the resolution only after providing notice of the proposed changes as specified in Section 36523 and only after conducting a public hearing on the resolution as provided in Sections 36524 and 36525.

36536. The assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses and property within the parking and business improvement area. The city council may classify businesses for purposes of determining the benefit to a business of the improvements and activities provided pursuant to this part.

36537. The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36535. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36540. In addition to the changes authorized to be made in the annual report filed with the city council pursuant to Section 36533 or at the conclusion of the public hearing on the annual levy of the assessments, the advisory board may, at any time, recommend that the city council modify the boundaries of the area, any benefit zones within the area, the basis and method of levying the assessments, and any improvements or activities to be funded with the revenues derived from the levy of the assessments. Any modification shall be made pursuant to this chapter.

36541. (a) The city council shall modify the basis and method of levying the assessment or the boundaries of the area by adopting an ordinance after holding a public hearing on the proposed modification.
(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be consistent with the requirements of Section 54954.6 of the Government Code. Notice of the public hearing shall be published and shall be mailed to each owner of a business affected by the proposed modification, as provided in Section 36523. The public hearing shall be conducted as provided in Sections 36524 and 36525.

36542. (a) The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. Notice of the public hearing and the proposed modifications shall be published as provided in Section 36523.
(b) The public hearing shall be conducted as provided in Sections 36524 and 36525.

Chapter 3.60 - TOURISM BUSINESS IMPROVEMENT DISTRICT LAW

Sections:

3.60.010 - Title.

This chapter shall be known as the "city of Morro Bay tourism business improvement district law."

(Ord. No. 546, § 3, 4-27-09)

3.60.020 - Definitions.

"City council" means the city council of the city of Morro Bay.

"City advisory board" means the advisory body appointed by the city council, pursuant to this chapter.

"District" means the city of Morro Bay tourism business improvement district (or "MBTBID") created by this chapter and as delineated in Section 3.60.040.

"Hotel" means any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, motel, or bed and breakfast that pays transient occupancy tax. For purposes of this chapter the definition of "hotel" shall not include RV parks and vacation rentals.

"Law" means the Parking and Business Improvement Area Law of 1989, California Streets and Highways Code Sections 36500 et seq., as amended.

"Operator" means the person who is the proprietor of the hotel, whether in the capacity of owner, lessee, sublessee, mortgagee in possession, licensee or any other capacity. Where the operator performs his/her functions through a managing agent of any type or character other than an employee, the managing agent shall also be deemed an operator for the purposes of this chapter and shall have the same duties and liabilities as his/her principal. Compliance with the provisions of this chapter by either the principal or the managing agent shall, however, be considered to be compliance by both.

"Transient" means any person who exercises occupancy or who is entitled to occupancy, by reason of concession, permit, right of access, license, or other agreement for a period of thirty consecutive calendar days or less, counting portions of calendar days as full days.

(Ord. No. 546, § 3, 4-27-09)

3.60.030 - Authorized uses.

This chapter is made and enacted pursuant to the provisions of the Parking and Business Improvement Area Law of 1989 (Sections 36500, et seq., of the Streets and Highways Code) (the "law"). The purpose of forming the district as a business improvement area under the Parking and Business Improvement Area Law of 1989 is to provide revenue to defray the costs of services, activities and programs promoting tourism which will benefit the operators of hotels in the district through the promotion of scenic, recreational, cultural and other attractions in the district as a tourist destination. It is the intent of this chapter to provide a supplemental source of funding for the promotion of tourism in the district. The specific services, activities and programs to be provided by the district are as follows:

A. The general promotion of tourism within the district is to include costs as specified in the business plan to be adopted annually;

B. The marketing of conference, group, and film business that benefits local tourism and the local hotel industry in the district; and

C. The marketing of the district to the travel industry in order to benefit local tourism and the local hotel industry in the district.

(Ord. No. 546, § 3, 4-27-09)

3.60.040 - Boundaries.

The boundaries of the MBTBID shall be the boundaries of the city of Morro Bay.

(Ord. No. 546, § 3, 4-27-09)

3.60.050 - Levy of assessment and exemptions.

The MBTBID shall include all hotel businesses located within the MBTBID boundaries. The assessment to be levied on all hotel businesses within the MBTBID boundaries shall be based upon three percent of the rent charged by the operator per occupied room per night for all transient occupancies. The assessment shall be collected monthly, based on percent of the rent charged by the operator per occupied room per night in revenues for the previous month. New hotel businesses within the boundaries shall not be exempt from the levy of assessment authorized by Section 36531 of the law. Assessments pursuant to the MBTBID shall not be included in gross room rental revenue for purpose of determining the amount of the transient occupancy tax. The value of extended stays of more than thirty consecutive calendar days shall be exempt from the levy of assessment. Any other exclusion shall be based on benefit and the policies and ordinances of the collecting agency.

(Ord. No. 546, § 3, 4-27-09; Ord. No. 562, 9-27-10)

3.60.060 - Annual review of assessment.

All of the assessments imposed pursuant to this chapter shall be reviewed by the Morro Bay city council annually, based upon the annual report prepared by the advisory board appointed pursuant to this chapter and Sections 36530 and 36533 of the law. After approval of the annual report, the Morro Bay city council shall follow the hearing process as outlined in Section 36534 of the law. At the public hearing the Morro Bay city council shall hear and consider all protests. If written protests are received from hotel businesses in the district paying fifty percent or more of the annual assessment, no further proceedings to continue the levy of assessments shall take place. The protests shall be weighted based upon the annual assessment for the prior year by each hotel business.

(Ord. No. 546, § 3, 4-27-09)

3.60.070 - Imposition of assessment.

The Morro Bay city council hereby levies and imposes and orders the collection of an additional assessment to be imposed upon hotel businesses in the district described above, which shall be calculated pursuant to Section 3.60.050 above. Such levy shall begin on June 1, 2009.

(Ord. No. 546, § 3, 4-27-09)

3.60.080 - Use of revenue.

The activities to be provided by the MBTBID will be funded by the levy of the assessments and any voluntary contributions. The total revenue from the levy of assessments and any other voluntary contributions within the MBTBID shall not be used to provide improvements or activities outside the MBTBID or for any purpose other than the purposes specified in the resolution of intention. The proceeds of the hotel business assessment and any other voluntary contributions shall be spent to administer marketing and visitor programs to promote the city of Morro Bay as a tourism visitor destination. All funds shall be expended consistent with the purposes of this section. Funds remaining at the end of any MBTBID term may be used in subsequent years in which MBTBID assessments are levied as long as they are used consistent with the requirements of this section. The Morro Bay city council shall consider recommendations made by the advisory board created by Section 3.60.100 of this chapter as to the use of assessment revenue.

(Ord. No. 546, § 3, 4-27-09)

3.60.090 - Delinquency, penalty and interest.

Any hotel business that fails to remit any assessment imposed by this chaper within the time required shall pay a penalty of ten percent of the assessment amount in addition to the assessment. Any and all remedies available to the city of Morro Bay for non-payment of assessment or taxes shall be applicable in the event of non-payment of an assessment under this chapter. Any penalty and interest fees collected from a hotel business due to delinquency shall go to the city of Morro Bay.

(Ord. No. 546, § 3, 4-27-09)

3.60.100 - Advisory board.

The city council shall appoint an advisory board pursuant to Section 36530 of the California Streets and Highways Code in order to make recommendations to the city council on the expenditure of revenues derived from the levy of assessments, on proposed improvements and activities, and on the method and basis of levy assessments. The city council may, by resolution, adopt bylaws governing the membership and operations of the advisory board.

(Ord. No. 546, § 3, 4-27-09)

3.60.110 - Severability.

If any section, subsection, sentence, clause or phrase of this chapter is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the chapter. The Morro Bay city council hereby declares that it would have passed the ordinance codified in this chapter and each section, subsection, sentence, clause and phrase hereof, irrespective of the fact that any one or more of the sections, subsections, sentences, clauses or phrases hereof be declared invalid or unconstitutional.

(Ord. No. 546, § 3, 4-27-09)

3.60.120 - Modification or disestablishment.

The city of Morro Bay, by ordinance, may modify the provisions of this chapter and may disestablish the district or parts of the district, after adopting a resolution of intention to such effect. Such resolution shall describe the proposed change or changes, or indicate that it is proposed to disestablish the district, and shall state the time and place of a hearing to be held by the Morro Bay city council to consider the proposed action. If the operators of hotels which pay fifty percent or more of the assessments in the district file a petition with the city clerk of the city of Morro Bay requesting the Morro Bay city council to adopt a resolution of intention to modify or disestablish the district, the Morro Bay city council shall adopt such resolution and act upon it as required by law. Signatures on such petition shall be those of a duly authorized representative of the operators of hotels in the district. In the event the resolution proposes to modify any of the provisions of this chapter, including changes in the existing assessments or in the existing boundaries of the district, such proceedings shall terminate if protest is made by the operators of hotels which pay fifty percent or more of the assessments in the district, or in the district as it is proposed to be enlarged.

In the event the resolution proposes disestablishment of the district, the Morro Bay city council shall disestablish the district, unless at such hearing protest against disestablishment is made by the operators of hotels paying fifty percent or more of the assessments in the district.

(Ord. No. 546, § 3, 4-27-09)

3.60.130 - Effective date.

The city clerk of the city of Morro Bay shall certify to the passage of this chapter by the Morro Bay city council and cause it to be posted in three conspicuous places in the city of Morro Bay and it shall take effect on the thirty-first day after it is approved by the Morro Bay city council.

(Ord. No. 546, § 3, 4-27-09)

<u>JOINT NOTICE OF PUBLIC MEETING AND PUBLIC HEARING</u>
ON ADDING VACATION RENTAL BUSINESSES
TO THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT

NOTICE IS HEREBY GIVEN that pursuant to the requirements of California Streets and Highways Code Section 36500, *et seq.*, the City Council of the City of Morro Bay ("City") will hold a **<u>public meeting</u> on Tuesday, October 22, 2019 at 5:30 P.M. in the Morro Bay Veterans Hall located at 209 Surf Street, Morro Bay, California**, on the addition of vacation rentals businesses to the Morro Bay Tourism Business Improvement District. At this public meeting the City Council will solicit and allow public testimony regarding the addition of vacation rental businesses to the Morro Bay Tourism Business Improvement District (TBID) so as to levy an annual assessment on vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) at the existing TBID rate of 3% of the rent charged by the operator of the vacation rental for all transient occupancies. See below for further details and background.

NOTICE IS HEREBY GIVEN that pursuant to the requirements of California Streets and Highways Code Section 36500, *et seq.*, the City Council of the City of Morro Bay will hold a **<u>public hearing</u> on Tuesday, November 12, 2019 at 5:30 P.M. in the Morro Bay Veterans Hall located at 209 Surf Street, Morro Bay, California**, on the addition of vacation rentals businesses to the Morro Bay Tourism Business Improvement District. This public hearing will consider both written and oral protests to inclusion of vacation rental businesses in the TBID. At this public hearing the City Council will determine if written protests are received from the owners of all businesses in the existing and proposed Morro Bay Tourism Business Improvement District which will pay 50 percent or more of the current and proposed assessment, regarding the addition of vacation rental businesses to the Morro Bay Tourism Business Improvement District (TBID) so as to levy an annual assessment on vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) at the existing TBID rate of 3% of the rent charged by the operator of the vacation rental for all transient occupancies. See below for further details and background.

Before or at this public hearing written protests to the proposed addition of vacation rentals to the TBID may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060, and mailed or hand-delivered to the City Clerk as provided below:

City of Morro Bay
Attn: City Clerk
595 Harbor Street
Morro Bay, CA 93442

Streets and Highways Code Section 36524(c) provides: "Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with this section shall not be counted in determining a majority protest."

If written protests are received from the owners of business which will pay 50 percent or more of the existing and proposed assessments to be levied, and protests are not withdrawn so as to reduce the protests to less than that 50 percent, no further proceedings to levy the proposed assessment against vacation rental businesses shall be taken for a period of one year from the date of the finding of a majority protest by the Council.

DETAILS AND BACKGROUND

Requests for additional information about the proposed assessment may be directed to the Morro Bay City Clerk's Office at (805) 772-6205 or at 595 Harbor Street, Morro Bay, CA 93442.

In accordance with the provisions of the Parking and Business Improvement Area Law of 1989 (Section 36500, *et seq.*, of the Streets and Highways Code) (the "1989 Law"), the Morro Bay Tourism Business Improvement District was established in 2009 through the addition of Chapter 3.60 to the Morro Bay Municipal Code (MBMC). Existing TBID boundaries are "the boundaries of the City of Morro Bay," and the TBID includes all hotel businesses with those boundaries, which are assessed three percent of the rent charged by the operator per occupied room per night for all transient occupancies.

As Chapter 3.60 is currently written the definition of “hotel” for purposes of levying TBID assessments does not include vacation rentals. The City Council at its regular meeting held on August 27, 2019 directed City staff to initiate the process of adding vacation rentals to the existing Morro Bay Tourism Business Improvement District at the existing TBID assessment rate of 3% levied on hotels.

The purpose of forming the district as a business improvement area under the Parking and Business Improvement Area Law of 1989 is to provide revenue to defray the costs of services, activities and programs promoting tourism which will benefit the operators of hotels in the district through the promotion of scenic, recreational, cultural and other attractions in the district as a tourist destination. The specific services, activities and programs to be provided by the district are: 1) The general promotion of tourism within the district is to include costs as specified in the business plan to be adopted annually; 2) The marketing of conference, group, and film business that benefits local tourism and the local hotel industry in the district; and 3) The marketing of the district to the travel industry in order to benefit local tourism and the local hotel industry in the district.

The MBTBID Advisory Board (TBIDAB) at its regularly scheduled meeting on September 19, 2019, pursuant to the request of the City Council at its August 27, 2019 regular meeting, considered the addition of vacation rentals to the existing TBID at the existing TBID assessment rate of 3% levied on hotels. The TBIDAB conducted a supplemental review of its Annual Report for FY 2019-20 which provides both a supplemental recommendation on changes to “the basis and method of levying the assessments, and any changes in the classification of business,” and further addresses the effect of those proposed changes through a supplemental recommendation concerning the report. The TBIDAB Supplemental Report provides the following proposed changes to the TBID:

1. Basis and method of levying assessments under Chapter 3.60 (Tourism Business Improvement Law) of the MBMC, pursuant to the authority of the Parking and Business Improvement Area law of 1989, shall include the assessment of vacation rental business at the existing rate of 3%, as the term “vacation rental” is used in Chapter 5.47 (Short-Term Vacation Rental Permit) of the MBMC.
2. Classification of businesses subject to the existing assessment provided for in Chapter 3.60 of the MBMC shall expressly include such vacation rental businesses as referenced above.
3. Amend Chapter 3.60 of the MBMC, and take any other necessary action as required by law, to implement the above proposed changes.

The proposed assessment to be levied on all vacation rentals (which is already levied on hotels) within the TBID boundaries shall be based upon three percent of the rent charged by the operator per occupied room per night for all transient occupancies under 30 consecutive days. The assessment shall be collected monthly, based on percent of the rent charged by the operator per occupied room per night in revenues for the previous month. New vacation rentals (like new hotels) within the boundaries shall not be exempt from the levy of assessment authorized by Section 36531 of the 1989 Law. Assessments pursuant to the TBID shall not be included in gross room rental revenue for purpose of determining the amount of the transient occupancy tax. The value of extended stays of more than thirty consecutive calendar days shall be exempt from the levy of assessment. Any other exclusion shall be based on benefit and the policies and ordinances of the City.

RESOLUTION NO. 83-19

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, DECLARING THE INTENTION TO CONTINUE THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID), CHANGE THE BASIS AND METHOD OF LEVYING MBTBID ASSESSMENTS AND THE CLASSIFICATION OF BUSINESSES SO AS TO ADD VACATION RENTAL BUSINESSES TO THE ANNUAL ASSESSMENT, AND LEVY SUCH ASSESSMENTS FOR THE REMAINDER OF 2019/20 FISCAL YEAR FOR THE MBTBID; AND, SETTING A PUBLIC MEETING DATE FOR TESTIMONY ON THAT ASSESSMENT AND A PUBLIC HEARING DATE TO RECEIVE PROTESTS TO THAT ASSESSMENT

THE CITY COUNCIL
City of Morro Bay, California

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

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

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

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

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

WHEREAS, all other findings of Ordinances 546 and 562 remain unchanged except as provided herein; and

WHEREAS, on May 28, 2019, City Council conducted a public meeting where staff presented the annual assessment report, which provides a full and detailed description of activities to be provided during the FY 2019-20, as provided in the proposed budget for that Fiscal Year, and available for review in the City Clerk's office, and the City Council approved that Annual Assessment Report and declared its intention to renew the Morro Bay Tourism Business Improvement District for the 2019/20 Fiscal Year, and to levy and collect 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050.; and

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

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

WHEREAS, at the public meeting held on May 28, 2019, City Council additionally set a public hearing, for the intent to levy the MBTBID assessment for Fiscal Year 2019/20, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36534 and 36535; and

WHEREAS, that public hearing to adopt a resolution to reaffirm the MBTBID, and levy and collect the 3% assessments from hoteliers, was held on Tuesday, June 11, 2019. Before or at this public hearing written protests to the continuation of the MBTBID and the levy of the assessment were considered, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060, and written protests were not received from hoteliers which pay 50% of more of the proposed continued assessment, and as such the annual assessment was continued for FY 2019-20; and

WHEREAS, on September 19, 2019, at a duly noticed public meeting, the TBID advisory board, formed pursuant to MBMC, section 3.60.100, pursuant to the request of the City Council at its August 27, 2019 regular meeting, considered the addition of vacation rentals ("VRs") to the existing Morro Bay Tourism Business Improvement District ("TBID") at the existing TBID assessment rate of 3% levied on hotels; and

WHEREAS, at that September 19, 2019 meeting, the TBID Board conducted a supplemental review of its Annual Report for FY 2019-20 (required by Section 3.60.060 of the Morro Bay Municipal Code and Streets & Highways Code section 36533 ("Section 36533")), which was initially approved by the TBID Board on May 7, 2019, and then subsequently approved by the City Council on May 28, 2019; and

WHEREAS, The Annual Report pursuant to Streets & Highways Code Section 36533(a) provides that the TBID Board "shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report." Subsection (b)(1-6) of Streets & Highways Code Section 36533 provides the Annual Report "shall contain" six elements. All six elements were addressed in the prior report submitted to, and approved by City Council, on May 28, 2019. Section 36533 also provides in subsection (a) that the TBID Board Annual Report submitted to the City Council "may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses."; and

WHEREAS, pursuant to the request from City Council to add VRs to the TBID, the TBID Board recommended at its September 19, 2019 meeting the Council should approve a Supplemental Annual Report for FY 2019-20. This supplemental report both provides a supplemental recommendation on changes to "the basis and method of levying the assessments, and any changes in the classification of businesses," so as to add VRs to the TBID at the existing assessment rate of 3%, and further addresses the effect of those proposed changes through a supplemental recommendation concerning the six required elements of an annual report.

WHEREAS, on October 8, 2019, City Council conducted a public meeting where staff presented the Supplemental Annual Report for FY 2019-20, attached to this Resolution as Exhibit A and available for review in the City Clerk's office; and

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

WHEREAS, it is the intention of the City Council to continue the levy and collection of 3% assessments from the hoteliers within the TBID for the FY 2019-20, and to levy and collect 3% assessments from vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) within the TBID for the remainder of FY 2019-20 consistent with the effective date of an amendment of Chapter 3.60 (Tourism Business Improvement District Law) of the Morro Bay Municipal Code, so as to add vacation rental businesses to the TBID at the existing assessment rate of 3% and consistent with MBMC section 3.60.050; and

WHEREAS, at the public meeting held on October 8, 2019, City Council additionally set a public meeting date of October 22, 2019 to allow public testimony on, and a public hearing for November 12, 2019 to consider protests to, the intent to levy said MBTBID assessment for Fiscal Year 2019/20, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36524 and 36525 and consistent with Government Code section 54954.6; and.

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

1. The above recitations are true and correct, and incorporated herein by reference.

2. The City Council approves the attached Supplemental Annual Assessment Report and declares its intention to affirm the renewal of the Morro Bay Tourism Business Improvement District for the 2019/20 Fiscal Year, to continue the levy and collection of 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050, and to levy and collect 3% assessments from vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) for the remainder of FY 2019-20 consistent with the effective date of amendment of Chapter 3.60 (Tourism Business Improvement District Law) of the Morro Bay Municipal Code, so as to add vacation rental businesses to the TBID at the existing assessment rate of 3%, calculated in the manner set forth in MBMC, section 3.60.050; and

3. The City Council sets Tuesday, October 22, 2019 as the date of a public meeting on the addition of vacation rentals businesses to the Morro Bay Tourism Business Improvement District. At this public meeting the City Council will solicit and allow public testimony regarding the addition of vacation rental businesses to the Morro Bay Tourism Business Improvement District so as to levy an annual assessment on vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit) of the Morro Bay Municipal Code) at the existing TBID rate of 3% calculated in the manner set forth in MBMC, section 3.60.050; and.

4. The City Council sets Tuesday, November 12, 2019 as the date of the public hearing to adopt a Resolution to reaffirm the MBTBID, and to affirm the renewal of the Morro Bay Tourism Business Improvement District for the 2019/20 Fiscal Year, to continue the levy and collection of 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050, and to levy and collect 3% assessments from vacation rental businesses (as that term is defined in Chapter 5.47 (Short-Term Vacation Rental Permit)

of the Morro Bay Municipal Code) for the remainder of FY 2019-20 consistent with the effective date of amendment of Chapter 3.60 (Tourism Business Improvement District Law) of the Morro Bay Municipal Code so as to add vacation rental businesses to the TBID at the existing assessment rate of 3%, calculated in the manner set forth in MBMC, section 3.60.050; and

5. Before or at the public hearing set for November 12, 2019 written protests to the continuation of the MBTBID and the levy of the continued and proposed assessments may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060, and as provided below.

6. **Protest Procedures are as follows:**

    a. Before or at the public hearing set for November 12, 2019, written protests to the proposed addition of vacation rentals to the TBID may be made by any businesses subject to the existing or proposed assessment, and may be mailed or hand-delivered to the City Clerk as follows:

        City of Morro Bay
        Attn: City Clerk
        595 Harbor Street
        Morro Bay, CA 93442

    b. Streets and Highways Code Section 36524(c) further provides: "Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with this section shall not be counted in determining a majority protest."

7. If written protests are received from the owners of business which will pay 50 percent or more of the existing and proposed assessments to be levied, and protests are not withdrawn so as to reduce the protests to less than that 50 percent, no further proceedings to levy the proposed assessment against vacation rental businesses shall be taken for a period of one year from the date of the finding of a majority protest by the Council.

8. If that protest threshold is not reached, the Council consistent with the requirements of the Parking and Business Improvement Law of 1989 (Streets and Highway Code sections 36500, *et seq.*) may introduce an ordinance to amend Chapter 3.60 (Tourism Business Improvement District Law) of the Morro Bay Municipal Code so as to add vacation rental businesses to the TBID at the existing assessment rate, calculated in the manner set forth in MBMC, section 3.60.050, subject to any temporary exemption authorized by City Council to honor certain executed contracts.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 8th day of October, 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOHN HEADDING, Mayor

DANA SWANSON, City Clerk

Exhibit A

Morro Bay Business Improvement District
Supplemental Annual Report for FY 2019-20

Presented to the Morro Bay City Council by the Morro Bay Tourism Business Improvement District Advisory Board

The City of Morro Bay's Tourism Business Improvement District Advisory Board ("TBIDAB") at its regularly scheduled meeting on September 19, 2019, pursuant to the request of the City Council at its August 27, 2019 regular meeting, considered the addition of vacation rentals ("VRs") to the existing Morro Bay Tourism Business Improvement District ("TBID") at the existing TBID assessment rate of 3% levied on hotels.

The TBIDAB conducted a supplemental review of its Annual Report for FY 2019-20 (required by Section 3.60.060 of the Morro Bay Municipal Code and Streets & Highways Code section 36533 ("Section 36533")), which was initially approved by the TBIDAB on May 7, 2019, and then subsequently approved by the City Council on May 28, 2019.

The Annual Report pursuant to Section 36533(a) provides that the TBIDAB "shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report." Subsection (b)(1-6) of Section 36533 provides the Annual Report "shall contain" six elements. All six elements were addressed in the prior report submitted on May 28, 2019. Section 36533 also provides in subsection (a) that the TBIDAB Annual Report submitted to the City Council "may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses."

Pursuant to the request from City Council to add VRs to the TBID, the TBIDAB now submits this Supplemental Annual Report for FY 2019-20. This supplemental report both provides a supplemental recommendation on changes to "the basis and method of levying the assessments, and any changes in the classification of businesses," and further addresses the effect of those proposed changes through a supplemental recommendation concerning the six required elements of an annual report.

The TBIDAB submits the following, as supplements to the Annual Report for FY 2019-20 (previously submitted on May 22, 2019) for approval or modification by the City Council, and as general recommendations for City Council action, consistent (as required by law) with the Parking and Business Improvement Area Law of 1989.

A. <u>Proposed Changes to the TBID (Streets & Highways Code §§ 36533(a), 36540)</u>

1. Basis and method of levying assessments under Chapter 3.60 (Tourism Business Improvement Law) of the Morro Bay Municipal Code ("MBMC"), pursuant to the authority of the Parking and Business Improvement Area Law of 1989 ("1989 Law"), shall include the assessment of vacation rental businesses at the existing rate of 3%, as the term "vacation rental" is used in Chapter 5.47 (Short-Term Vacation Rental Permit) of the MBMC.

2. Classification of businesses subject to the existing assessment provided for in Chapter 3.60 of Chapter 3.60 shall expressly include such vacation rental businesses as referenced above.

3. Amend Chapter 3.60 of the MBMC, and take any other necessary action as required by law, to implement the above proposed changes.

B. <u>Six Elements of Annual Report (Streets & Highways Code § 36533(b)(1-6)</u>

1. The Morro Bay Tourism Business Improvement District (MBTBID) Advisory Board did not propose any changes in the Boundaries of the TBID, which were established in MBMC Section 3.60.040 to be the boundaries of the City of Morro Bay.
2. The improvements and activities to be provided for in Fiscal Year FY 2019/20 are those services and activities permitted under Section 3.60.030 of the Morro Bay Municipal Code, which include:

    1. The general promotion of tourism within the district to include costs as specified in the business plant to be adopted annually; and
    2. Implementation of the strategic plan; and
    3. Marketing of Foreign Independent Travelers (FIT), conference, group, and film business that benefits local tourism and the local lodging (hotel/motel/vacation rentals) industry in the district; and
    4. The marketing of the district to the travel industry in order to benefit local tourism and the local lodging industry in the district

    GOALS & OBJECTIVES for FY 2019/20

    1. Continue to implement the Tourism Strategic Plan, adopted by City Council in 2019.
    2. Increase overall occupancy & lodging revenues, especially during midweek and shoulder season through our new destination assets such as the website and implementation of the strategic plan and new branding.
    3. Midweek – be more aggressive through digital media to increase stays plus grow mid-week stays through FIT and group longer stays.
    4. Extend the number of average lodging room nights beyond the current level of 1.8 (this is an increase from 2018/19 at 1.5).
    5. Help incrementally increase the lodging Average Daily Rate (ADR) through the promotion and elevation of the destination.
    6. Bring exposure to Morro Bay as a viable domestic and international destination for individuals and groups which will increase longer stays.
    7. Assist with the development and growth of athletic competitions and events that attract overnight guest and that fit in our strategic plan model.
    8. Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay such as new or upgrade of hotel stock, grow the quality of events to entice a higher level of visitor.
    9. Positively impact transient occupancy tax (TOT) for the City of Morro Bay.

3. An estimate of the cost of providing the improvements and the activities for that fiscal year (as described below with the FY 2019/20 Revised Budget).

FY 2019-20 Approved Budget -
Sources: The FY 2019-20 revised projected actual sources include total sources of $939,644, made up of $863,643 from TBID assessment revenues ($40,000 additional funds

by adding vacation rentals), $60,000 from the City's General Fund and $6,000 from advertising revenue, and $10,000 from the TBID Accumulation Fund.

Uses: The FY 2019/20 projected actual expenditures are $939,086, netting no change to the fund balance.

The below budget shows FY 2019/20 revised budget, projected actuals, and the variance of the projected actuals compared to the revised budget.

City of Morro Bay
FY 2019/20 TBID Proposed Budget
Operating Revenues vs. Operating Expenditures

		FY19/20 Approved Budget	FY19/20 Revised Budget
Revenues			
Advertising - Guides and Magazines	$	6,000	$ 6,000
Transient Occupancy Tax (TBID Assessment)		823,644	$823,644
Transient Occupancy Tax (VR Assessment)			40,000
Interest			-
Transfers In - General Fund Contribution		60,000	60,000
Transfer In - Accumulation Fund			10,000
Total Revenues	**$**	**889,644**	**$939,644**
Expenditures			
Salaries & Benefits	$	219,087	219,087
General Office Supplies		3,000	3,000
Forms Printing		500	500
Consulting Services		11,600	11,600
Contractual Services		165,000	165,000
Promotion & Advertising		12,000	12,000
Print Ads		4,500	4,500
Digital Media		272,000	289,000
Out of Home		6,600	6,600
Digital Services		45,000	45,000
Digital Assets		-	7,000
Marketing Consulting		-	4,375
Community Event Support		50,000	54,000
Promotion Media		8,000	8,000
Promotion Other		13,000	20,630
Promotion Visiting Journalist		10,000	20,000
Trade Shows - Space Rent		7,600	7,600
Trade Shows - Trans		500	500
Advertising Sponsorships		13,000	13,000
Professional Development		500	500
Other Professional Services		500	500
Postage		700	700
Utilities (Internet & Cell)		2,000	2,000
Workers Comp Insurance		1,200	1,200
Unemployment Insurance		900	900
Meetings and Conferences		2,000	2,000
Mileage Reimbursement		500	500
Meals & Lodging		4,500	4,500
Travel Expense		2,000	2,000
Association Memberships		1,500	1,500
Total Operating Expenditures	**$**	**857,687**	**$907,692**
Transfer to Accumulation Fund		-	0
Transfer Out		31,394	31,394
Total Operating Expenditures Including	**$**	**889,081**	**$939,086**
Net Operating Revenues over Expenditu	**$**	**563**	**$ 558**

4. The Morro Bay TBID Advisory Board approved a motion to recommend that the 3% Assessment be continued in FY 2019/20. The assessment will continue to apply to hotels, motels and bed and breakfasts (as presently defined in the MBMC) and now

also shall include vacation rentals as the term “vacation rental” is used in Chapter 5.47 (Short-Term Vacation Rental Permit) of the MBMC.

5. The TBID budget for FY 2018/19 is projected to include $0 surplus left over for carryover into FY 2019/20.
6. The TBID FY 2019/20 Budget also includes revenues of $60,000 from the City’s General Fund and $4,000 from advertising revenue.

TBID Annual Report Supplemental - Vacation Rental Inclusion October 8, 2019

1

CONSIDERATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) SUPPLEMENTAL ANNUAL REPORT AND CONTINUATION OF THE TBID ASSESSMENT FOR FY 2019/20 WITH THE INCLUSION OF VACATION RENTALS (VR'S);

2

CONSIDERATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) SUPPLEMENTAL ANNUAL REPORT AND CONTINUATION OF THE TBID ASSESSMENT FOR FY 2019/20 WITH THE INCLUSION OF VACATION RENTALS (VR'S);

Supplemental Fiscal Year 2019-20 Annual Report for expenditure of funds to be derived from the addition of Vacation Rentals (VR's) and recommend City Council continue the 3% TBID Assessment in FY 2019-20.

The supplemental report both provides a supplemental recommendation on changes to the basis and method of levying the assessments, and any changes in the classification of businesses, and further addressing the effect of those proposed changes on the six required elements of the Annual Report

3

Annual Report Requirements Section 3.60.060 of the MBMC states that all of the assessments imposed pursuant to this chapter shall be reviewed by the Morro Bay City Council annually, based upon the annual report prepared by the advisory board appointed pursuant to the chapter and California Streets and Highways Code Section 36533.

California Streets and Highways Code Section 36533, provided as Attachment 3, requires that the report include information addressing the following six items:

1. Any proposed changes in the boundaries of the parking and business improvement area or in any benefit zones within the area.
2. The improvements and activities to be provided for that fiscal year.
3. An estimate of the cost of providing the improvements and the activities for that fiscal year.
4. The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of assessment to be levied against his or her business for that fiscal year.
5. The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
6. The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

4

TBID FY19/20 Proposed Budget adjustment for Jan-June 2020
Vacation Rentals TOT Assessment With the FY 2019-20 budget set to receive an estimated $40,000

1.Digital Media – $17,000. Outdoor Goals videos that are focused on the aspect of why visitors stay in VR's will be created. A total of 5, 12 sec videos will be created to be used as part of our digital marketing campaign that will be on several VR websites. Actual digital buys will be determined upon budget approval.

2. Digital Assets – $7,000.
1-hero photo to be taken of each property to have a quality and consistent look.
Creation of written content for each property will be added into our Simpleview platform. Because each VR listing is not hosted on an individual website but instead is hosted on various VR platforms this requires staff to create this content. Plus, any VR's that are hosted on Airbnb have an additional cost and specific requirements.

3. On Boarding Platforms – $10,445.
Integrating our booking platform to include all lodging options in the jackrabbit/book direct format
Staff is estimating a total of 125+ hours to be managed by a freelance writer.

4.Visiting Journalists – $4,000. Staff recommends allocating funds to start hosting journalists.

5

TBID FY19/20 Proposed Budget adjustment for Jan-June 2020
Vacation Rentals TOT Assessment With the FY 2019-20 budget set to receive an estimated $40,000

Accumulation funds transfer
In addition to the above recommended amendment to the TBID budget, staff is recommending that $10,000 be placed into the current FY 2019-20 budget from the accumulation fund to help offset unfunded events plus increase our visiting journalists' budget by $6,000 and apply $4,000 for grants.

6

Honoring Vacation Rental Contracts Executed Prior to Inclusion in TBID

Staff recommends Council honor those specific terms in contracts executed prior to inclusion in TBID for actual stays through a June 30, 2020 stay. In other words, if someone has a contract executed in December 31, 2019, for a stay from June 20 - 22, 2020, those customers would not have to pay a TBID assessment. However, for contracts executed prior to December 31, 2019 that have stays after June 30, 2020, those individuals would be assessed the TBID assessment.

7

FY 2019/20 TBID Proposed Budget
Operating Revenues vs. Operating Expenditures

		FY19/20 Approved Budget	FY19/20 Revised Budget
Revenues			
Advertising - Guides and Magazines	$	6,000	$ 6,000
Transient Occupancy Tax (TBID Assessment)		823,644	$823,644
Transient Occupancy Tax (VR Assessment)			40,000
Interest			-
Transfers In - General Fund Contribution		60,000	60,000
Transfer In - Accumulation Fund			10,000
Total Revenues	$	889,644	$939,644
Expenditures			
Salaries & Benefits	$	219,087	219,087
General Office Supplies		3,000	3,000
Forms Printing		500	500
Consulting Services		11,600	11,600
Contractual Services		165,000	165,000
Promotion & Advertising		12,000	12,000
Print Ads		4,500	4,500
Digital Media		272,000	289,000
Out of Home		6,600	6,600
Digital Services		45,000	45,000
Digital Assets		-	7,000
Marketing Consulting		-	4,375
Community Event Support		50,000	54,000
Promotion Media		8,000	8,000
Promotion Other		13,000	20,630
Promotion Visiting Journalist		10,000	20,000
Trade Shows - Space Rent		7,600	7,600
Trade Shows - Trans		500	500
Advertising Sponsorships		13,000	13,000
Professional Development		500	500
Other Professional Services		500	500
Postage		700	700
Utilities (Internet & Cell)		2,000	2,000
Workers Comp Insurance		1,200	1,200
Unemployment Insurance		900	900
Meetings and Conferences		2,000	2,000
Mileage Reimbursement		500	500
Meals & Lodging		4,500	4,500
Travel Expense		2,000	2,000
Association Memberships		1,500	1,500
Total Operating Expenditures	$	857,687	$907,692
Transfer to Accumulation Fund		-	0
Transfer Out		31,394	31,394
Total Operating Expenditures Including	$	889,081	$939,086
Net Operating Revenues over Expenditu	$	563	$ 558

8

RECOMMENDATION

1. Council adopt Resolution No. 83-19 approving the Supplemental Fiscal Year 2019-20 Annual Report for expenditure of funds to be derived from the addition of Vacation Rentals (VR's), declaring intent to continue program and levy assessments in remainder of FY2019/20, and schedule public meeting to take input and public hearing to consider protests.

2. Council approve moving $10,000 from the accumulation fund to the TBID FY 2019-20 Budget for visiting journalists and grants expenses; and

3. Council honor vacation rental contracts put in place prior to VRs being added to the TBID for stays in Morro Bay up through June 30, 2020, with all stays thereafter being assessed the 3 percent TBID assessment regardless of contract execution date.

9

Next Steps

- Public input on 10/22/2019 Council meeting
- Public Hearing on 11/12/2019 to consider protests
- VRs included in TBID beginning early 2020.

10

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AGENDA NO: C-5
MEETING DATE: October 8, 2019

Staff Report

TO: Honorable Mayor and City Council **DATE: October 3, 2019**

FROM: Rob Livick, PE/PLS – Public Works Director/City Engineer
Janeen Burlingame, Management Analyst

SUBJECT: Review of City Park Transit Hub Improvements Study

RECOMMENDATION

Staff and the Public Works Advisory Board recommend City Council: Review and accept the Morro Bay City Park Transit Hub Improvements Study:

1. Select the Existing Site option for vehicle pull in/pull out and passenger shelter area improvements; and
2. Direct staff to pursue transportation grants to fully fund the improvements.

FISCAL IMPACT

There is no fiscal impact to the General Fund for the study or recommended improvements. The study was funded with a $30,000 Rural Transit Fund grant the City received in FY18/19. As for a project for transit hub improvements outlined on page 4 of the staff report, there would be no fiscal impact to the General Fund for the $382,629 cost estimate as these improvements would be funded with transportation grants (Rural Transit Fund and/or State of Good Repair), the City's Local Transportation Funds, and the City's State of Good Repair (SGR) transit operator allocation.

BACKGROUND

The City Park transit hub is served by the City's Morro Bay Transit program (which includes the year round deviated fixed route and seasonal Trolley services), as well as the San Luis Obispo Regional Transit Authority (RTA) and San Luis Coastal Unified School District (SLCUSD).

The City was awarded a $30,000 Rural Transit Fund grant to conduct a focused study regarding potential improvements to the City Park transit hub. Staff worked with transportation consultant, LSC Transportation Consultants Inc., to study the existing conditions and identify potential improvements at three locations surrounding City Park (Attachment 1).

DISCUSSION

The study is broken into three parts: 1) review of existing transit services and usage, 2) review of existing deficiencies and recommended improvements, and 3) evaluation of potential sites.

Existing Transit Services and Usage

As noted previously, the facility is used by passengers from Morro Bay Transit and RTA, in addition to being used as a pickup/drop off for students from SLCUSD (see Table 1 from the study below for service usage from all three agencies). This hub is a key connection between local and regional transit services.

Prepared By: _JB___	**Dept Review:** __RL__
City Manager Review:	**City Attorney Review:**

TABLE 1: Summary of Transit Service at Morro Bay Park

Service/Route	Season	Span of Service: From	Span of Service: To	Service Times: Arrive	Service Times: Depart	Daily Bus Arrivals: M	T-Th	F	Sa	Su
Morro Bay Transit										
Fixed-Route/Call-A-Ride	Year-Round	6:25 AM	6:45 PM	:58	:00	12	12	12	8	0
North Morro Bay Trolley	Memorial Day to Oct 7th	11:00 AM	Mon - 5 PM Sun - 6 PM Fri,Sat - 7 PM	Varies -- Every 45 Minutes		8	--	11	11	9
Downtown Trolley	Memorial Day to Oct 7th	11:00 AM	Mon - 5 PM Sun - 6 PM Fri,Sat - 7 PM	Varies -- Every 30 Minutes		12	--	16	16	14
Subtotal: MBT						32	12	39	35	23
RTA										
Route 12 SLO > Los Osos	Year-Round	6:59 AM	8:59 PM	:59	:59	16	16	16	5	5
Route 12 Los Osos > SLO	Year-Round	6:55 AM	9:39 PM	:39	:39	17	17	17	5	5
Route 15	Year-Round	6:43 AM	6:00 PM	:33	:00	5	5	5	5	3
Subtotal: RTA						38	38	38	15	13
San Luis Coastal Unified School District										
Route 1 - Del Mar Elementary School	School Year	Monday Tue-Friday		9:05 AM, 3:04 PM 8:05 AM, 3:04 PM		2	2	2	2	2
Route 2 - Los Osos Middle School	School Year	Monday Tue-Friday		8:24 AM, 3: 27 PM 7:24 AM, 3:27 PM		2	2	2	2	2
Route 6 - Teach Elementary School	School Year	Monday Tue-Friday		8:20 AM, 3:33 PM 7:20 AM, 3:33 PM		2	2	2	2	2
Subtotal: School District						6	6	6	6	6
TOTAL						**76**	**56**	**83**	**56**	**42**

Site Deficiencies and Recommended Improvements

The current bus passenger shelter at City Park was constructed in the early 1980's and has not been significantly updated or improved since its initial construction. The transit hub and passenger amenities have operational and design issues the City would like to improve. While the City Park transit stop functions reasonably well, there are deficiencies identified that could be addressed to improve the transit hub and address ADA issues with the sidewalk and wheelchair loading area.

In addition, there is a mural that was created on the passenger shelter through a project by the Morro Bay Art Association and donated to the City under the Public Art Policy. Any improvements to the transit hub would include a new passenger shelter and staff would like to retain a public art component and the opportunity for some form of public art when the passenger shelter is replaced. The study while identifying space for a public art component, does not specify what type of art (mural, sculptural, etc.). The City would work with the Morro Bay Art Association to identify what type of public art component could be installed in the future when the transit hub improvements are constructed.

The following are deficiencies identified that could be addressed to enhance the transit hub:

- Current site does not provide an adequate place for driver breaks. While there is a nearby public restroom in the park, this does not give drivers a respite from the public or space to take their breaks in private. As a result, drivers take breaks at the Community Center, which can create an inconvenient break in the trip for passengers.

- Current position and design of the shelter restricts the ability of passengers waiting in the shelter to have advance notice of arriving buses, as well as the ability of drivers to have advance notice if passengers are waiting for the bus.
- Passenger seating capacity is inadequate, both inside and outside.
- There is only one location with adequate (8 feet) sidewalk width to load/unload wheelchairs.
- There is no opportunity for real-time traveler information displays.
- Lighting is limited.
- Located on a low-volume street with trees blocking the view from busy Morro Bay Boulevard, the existing site does not provide good visibility of the transit services to non-transit riders so as to alert non-transit users to the available service.
- Current location requires all routes to circle the block to serve the stop.

Based on the review of the existing City Park transit stop condition and transit services using the transit hub, the following improvements were recommended to consider:

- <u>Increase Curb Space</u>: increase curb space to 173 linear feet (accommodate peak vehicle use; allows more independent operation of individual buses for easier pull in/pull out)
- <u>Increase Wheelchair Loading/Unloading Area</u>: increase sidewalk length to 8' in width (ADA compliance; increase flexibility and ease of use)
- <u>Passenger Waiting Space</u>: increase seating capacity inside and outside to accommodate peak use (up to 30 persons; 15 seated inside and 15 seated outside)
- <u>Ticket Vending Machine</u>: provide space for future ticket vending machine for RTA and Regional Passes (currently sold out of the Public Works office only during business hours)
- <u>Bike Racks and Bike Tool Station</u>: provide bike racks with capacity for up to 4 bikes and a bike tool station
- <u>110 Volt Power & Internet Connection</u>: install power and internet connection for real time travel information displays (indicate time when next RTA or Morro Bay Transit bus would arrive)
- <u>Electrical Upgrade</u>: install conduit and an electrical box pedestal for potential future Battery Electric Buses (BEBs) charging capability in anticipation for when all transit systems will be required by the California Air Resources Board's Innovative Clean Transit Rule to start purchasing BEBs if available on the market
- <u>Transit Employee Break Area</u>: provide break area with staff only restroom (current driver breaks are taken at Community Center)
- <u>Public Art Space</u>: provide at least 100 square foot area for public art (sculpture, mural, etc.)
- <u>Maintenance Storage Closet</u>**:** Consolidated Maintenance identified desirability of a small maintenance closet for storing supplies and tools used at the park

Staff forwarded the draft study to the RTA for review and comments. RTA provided some comments that led to the addition of a few improvements to the transit hub that over time would be helpful to have, including capacity for charging electric buses, ticket vending machine, and real time travel information displays.

Some of these improvements identified in the study could be scheduled for a near term project, while others would need to be scheduled for a future project(s) when they are more fully developed and ready to be brought online (example: the RTA will need space in the future for a ticket vending machine) or evaluated further in conjunction with a future parks grant opportunity relating to the playground and restroom areas (transit employee break area).

Recommended Transit Hub Improvements
Staff reviewed the various improvements and have identified those which are recommended to be scheduled for a near term project to improve the vehicle pull in/out and passenger shelter areas:

- Increase curb space for vehicle pull in/out
- Increase wheelchair loading/unloading area
- Replace passenger shelter
- Increase passenger waiting space and benches
- New bike racks and bike tool station
- Real time bus information display
- 110 volt power and internet connection
- Include space for future ticket vending machine
- Electrical upgrade for future BEBs charging capability

Evaluation of Potential Sites
The study evaluated potential sites surrounding City Park and provided a concept design: Existing (north west corner of City park on Harbor Street), Eastern (north east corner on Harbor Street), and Morro Bay Boulevard, noting advantages and disadvantages to each. Cost estimates were developed by the transportation consultant for all improvements it identified. As it is not recommended to implement all these improvements at one time, new cost estimates were developed for the improvements staff identified above for a near term project to begin later this year.

When reviewing the concept designs and site impacts, staff wanted to make sure there would be no major impacts to the existing transit service providers, as well as Art in the Park who is one of the most physically intensive users of the park with its weekend long events happening 3 times a year (Memorial Day, 4th of July, and Labor Day weekends).

In order to identify potential impacts to Art in the Park, staff created a site concept design that incorporated Art in the Park's vendor booth layout over the park to see if there were any booth spaces that would need to be either moved or eliminated based on the site improvements. Staff met with Art in the Park three times to review and discuss the various site options and logistics with their booth spaces.

During these meetings, two other potential locations were discussed (in between the Existing and Eastern site, and to the west of the Existing site in front of the playground). As a result of those discussions, a fourth site option was evaluated by staff to the west of the Existing site.

All four site options with the Art in the Park overlay are included in Attachment 2. Each outlines the advantages and disadvantages for that location, as well as a cost estimate for the transit hub improvements outlined above (does not include transit employee break area or maintenance storage closet).

Site Options Not Being Recommended
The Morro Bay Boulevard and Eastern sites are not being recommended as there are too many disadvantages to them, most notably a loss of revenue to Art in the Park ranging between $7,000-$15,750 due to lost booth spaces resulting from proposed improvements to increase the wheelchair loading/unloading area and increased area for a new passenger shelter, seating, and various amenities (bike racks, bike tool station, ticket vending machine). Over the course of an Art in the Park season (3 events per year), this would total between $21,000-$47,250 in lost revenue. As such, staff and Art in the Park is not supportive of either of these site options for transit hub improvements.

For the Morro Bay Boulevard site, there would be a loss of two parking spaces used by retail shops, higher traffic volume causing delay for bus pull out, traffic back up six times a day if the school district moved their stop to this location, and if the school district continues to stop at the Harbor Street location, the school bus would stop in the driving lane while school kids would have to cross through the parking lane to board and exit the bus.

For the Eastern site, there would be a visual impact at the narrow point of the park that is the gateway to the City from Morro Bay Boulevard and would have an impact on the park as it would extend into in the open grass play area.

The Playground site is not being recommended as well. Art in the Park supports this site location as it would result in no loss of booth space or revenue for their events, and while the group has offered a $2,000 donation to purchase additional playground equipment and proposed a child oriented chalk wall to be provided by Art in the Park, there are disadvantages that would impact the transit operations and would increase expenditures that are not required for the other three site options. With the passenger shelter located at the back end of the vehicle pull in/out area, riders waiting at the shelter would have to walk further to get to the bus than they currently do at the Existing site. With cutting into the playground area for the passenger shelter area/amenities, it would result in additional unknown expenditures to relocate the irrigation mainline and playground structures that are not required by the improvements in the other three site options.

In addition, there is a Proposition 68 Parks and Water Bond Act grant fund opportunity next year that the City will be evaluating potential improvements to the City Park playground and restroom areas over the next year in order to develop a grant application and any loss of current park space in this area could potentially impact the ability to develop a viable project for the Parks grant.

Site Option Being Recommended

The site option being recommended by staff is the Existing location. This location would address ADA deficiencies related to the sidewalk for wheelchair loading/unloading, improve visibility between driver and riders, the neighbors are already used to having transit operations at this location, and it would have the least impact on the overall park as it would be contained within the existing footprint. Additionally, there would be no impact to Art in the Park as there would be no loss of booth spaces and Art in the Park is supportive of this location.

It would be necessary to remove two trees on Harbor Street that currently are causing issues with the breaking and raising the sidewalk and would also need to be removed to address ADA deficiencies for the wheelchair loading/unloading areas. Staff is proposing to replace one and possibly both trees somewhere else in the park with trees that are of a more appropriate type and size to mitigate the removal of the two existing trees.

Cost Estimate and Funding for Transit Improvements

The cost estimate for the transit improvements outlined on page 4 for the Existing site is $382,629.

Full funding for the transit improvements will come from various transit grants (SGR and/or Rural Transit Fund), a portion of the City's State allocated Transportation Development Act Local Transportation Funds, and the City's SGR transit operator apportionment. No General Funds will be used. Staff will apply for the necessary grant funds and it is anticipated full funding would be secured by summer 2020.

Since the cost estimate for the project would be more funding that would be available to apply for in one grant cycle, the City broke the project down into two phases. Phase 1 activities include: pre-development planning/engineering and frontage improvements (permitting, construction plans/specifications, bus turnout, sidewalk, curb/gutter, bus shelter and pads). Phase 2 includes: on-site improvements (passenger shelter, benches, bike amenities, light poles, electrical, landscaping, internet/real time information display, demolition/removal of existing shelter).

In February 2019, the City submitted an application for the FY SGR grant for Phase 1 activities and in June 2019 was awarded a SGR FY19/20 discretionary grant for $193,866. In addition, the City will also contribute $35,000 of LTF as well as its $490 FY SGR operator apportionment towards the project.

The City intends to apply for the remaining $153,273 needed for Phase 2 in the FY20/21 grant funding cycle with applications due in February 2020 and award of grant funding to occur by June 2020. Should the City be successful in obtaining full funding by summer 2020 and as Art in the Park will have events occurring over the 4th of July and Labor Day weekends, staff would not begin construction until the end of September/beginning of October 2020.

PUBLIC WORKS ADVISORY BOARD

Staff presented the Transit Hub study to the Public Works Advisory Board at its August 21, 2019 meeting. The Board discussed the study with staff and heard public comment from representatives from Art in the Park and the Morro Bay Art Association who expressed support of staff's recommendation. There were no issues raised and the Board concurred with staff's recommendation to accept the study, select the Existing site option with selected improvements, and direct staff to pursue transportation grants to fully fund the project.

CONCLUSION

Staff and the Public Works Advisory Board recommend the City Council: Review and accept the Morro Bay City Park Transit Hub Study;

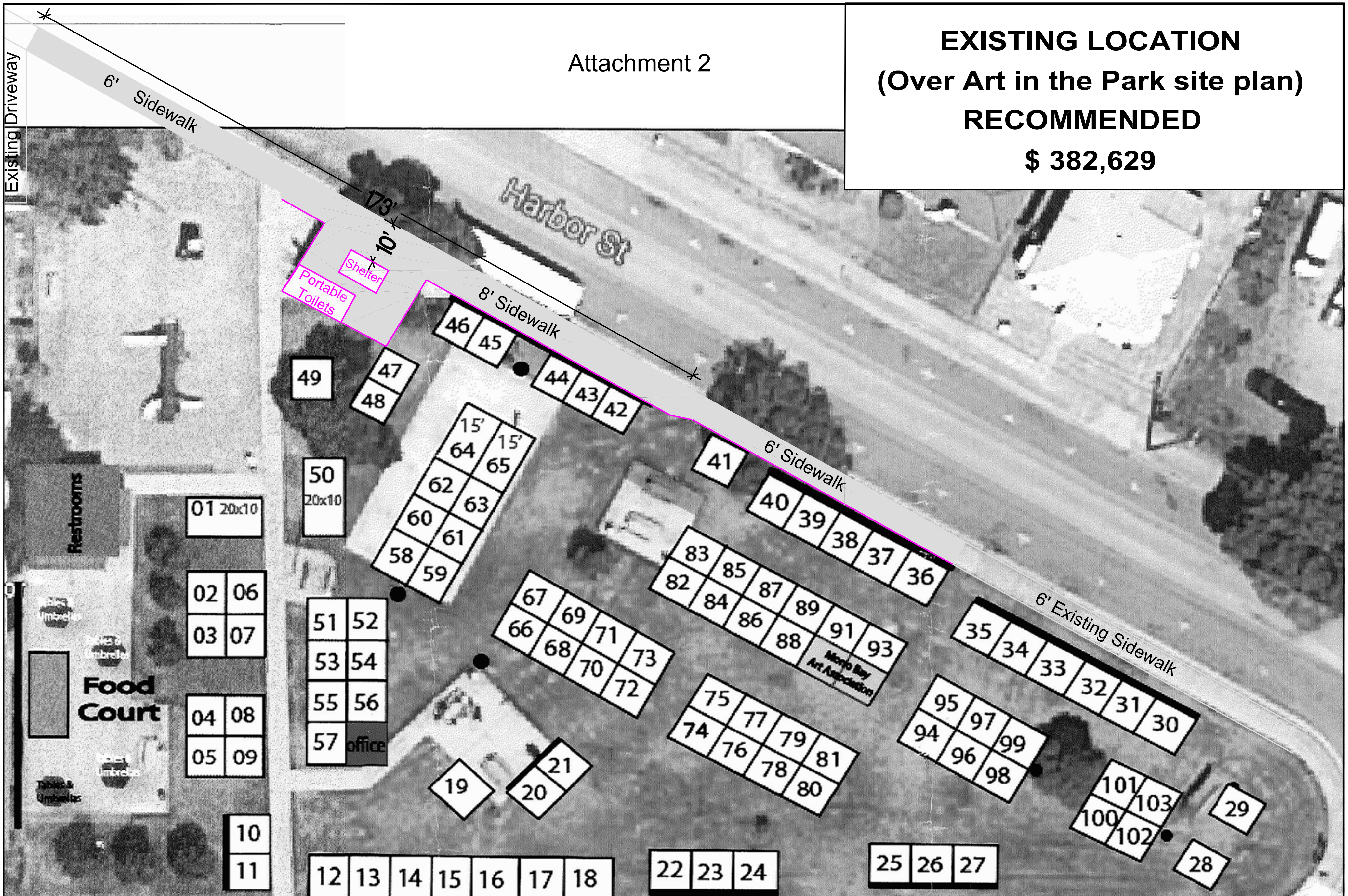
1. Select the Existing Site option for vehicle pull in/pull out and passenger shelter area improvements; and
2. Direct staff to pursue transportation grants to fully fund the improvements.

ATTACHMENTS

1. Link to City Park Transit Hub Improvements Study
2. Site Options with Art in the Park Overlay and Cost Estimates

Attachment 2

EXISTING LOCATION
(Over Art in the Park site plan)
RECOMMENDED
$ 382,629



ADVANTAGES	DISADVANTAGES

ADVANTAGES

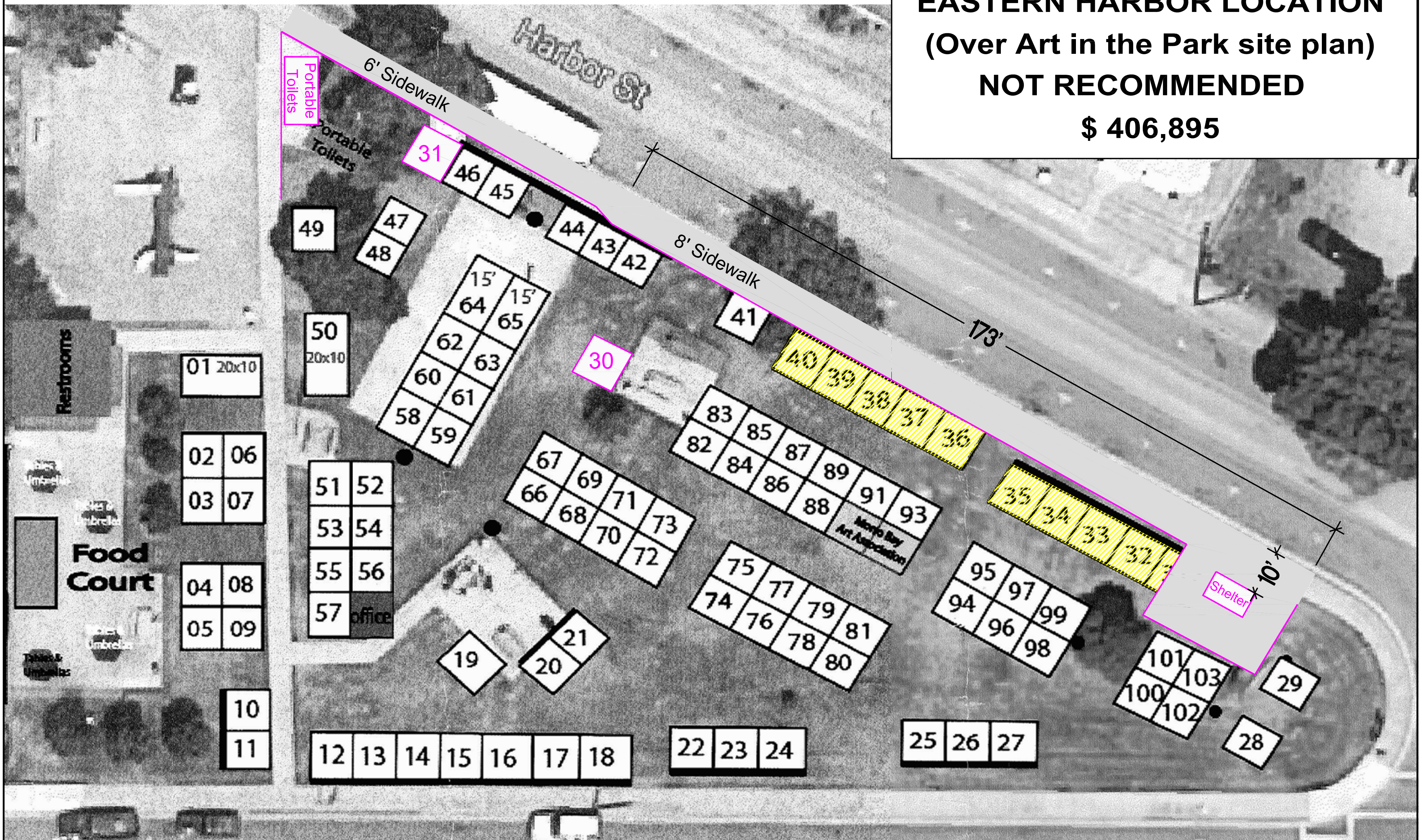
- Addresses ADA deficiencies.
- Improved visibility between driver and riders.
- Contained within existing footprint.
- Least "presence" and impact on overall park.
- Neighbors are use to having transit operations at this location.
- No impact to Art in the Park.
- Supported by Art in the Park.

DISADVANTAGES

- Removal of two trees off Harbor.Possible replacement of one or both trees.
- Transit routes must circle block.
- No additional "on the street" marketing benefits.
- One lost parking space.

Attachment 2

EASTERN HARBOR LOCATION
(Over Art in the Park site plan)
NOT RECOMMENDED
$ 406,895



ADVANTAGES

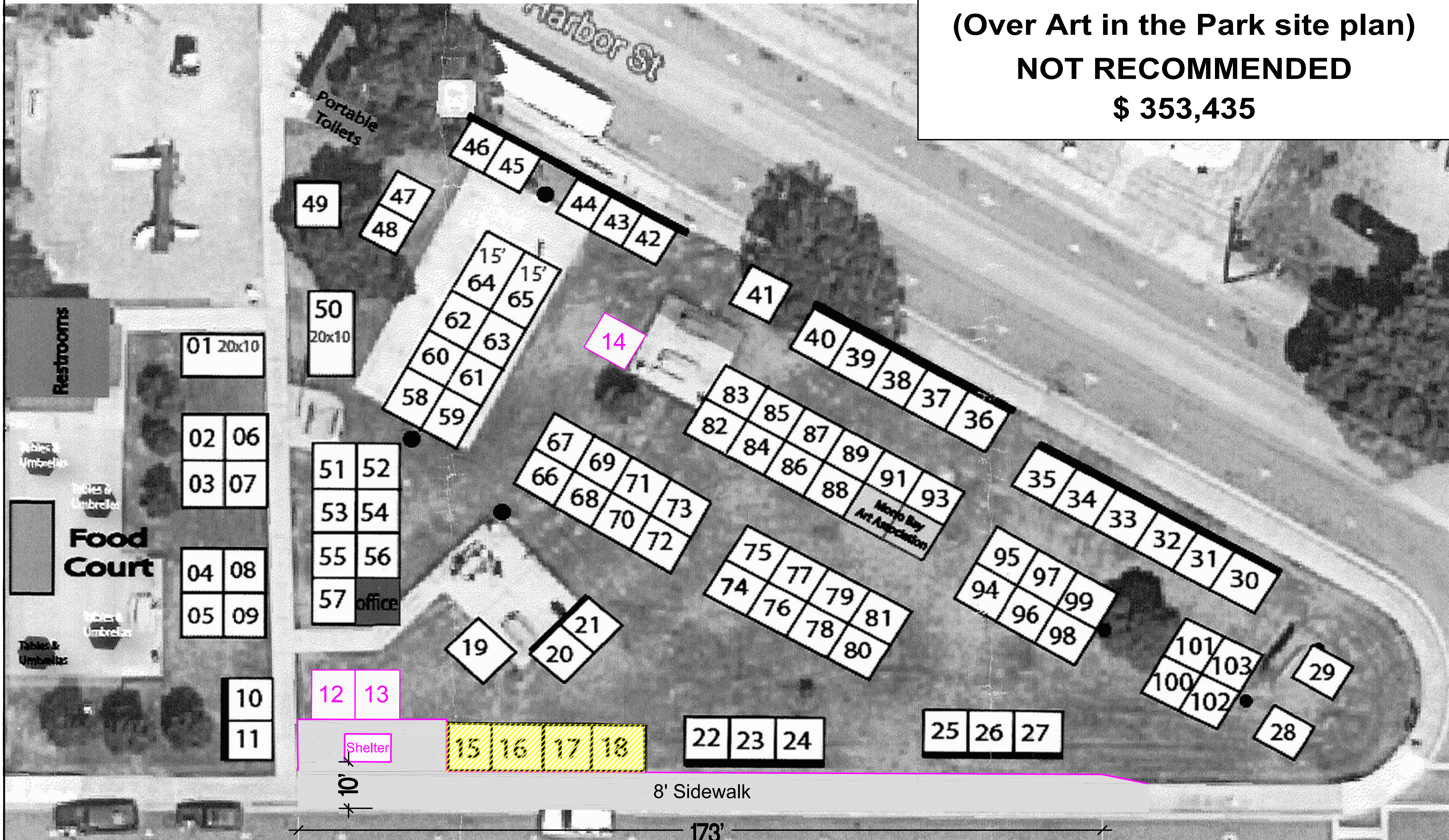
- Addresses ADA deficiencies.
- Improved visibility between driver and riders.
- More visible to drivers along MBB - increased public awareness of transit services.

DISADVANTAGES

- Removal of two trees off Harbor. Possible replacement of one tree.
- Nine lost vendor spaces for Art in the Park - $15,750 in lost revenue ($1,750 per space).
- Would have a "presence" impact on park; intruding in large central open grass play area.
- Visual impact at narrow point of park that is gateway to City from Morro Bay Blvd.
- Transit routes must circle block.
- Not supported by Art in the Park.

Attachment 2

MORRO BAY BLVD. LOCATION
(Over Art in the Park site plan)
NOT RECOMMENDED
$ 353,435



ADVANTAGES

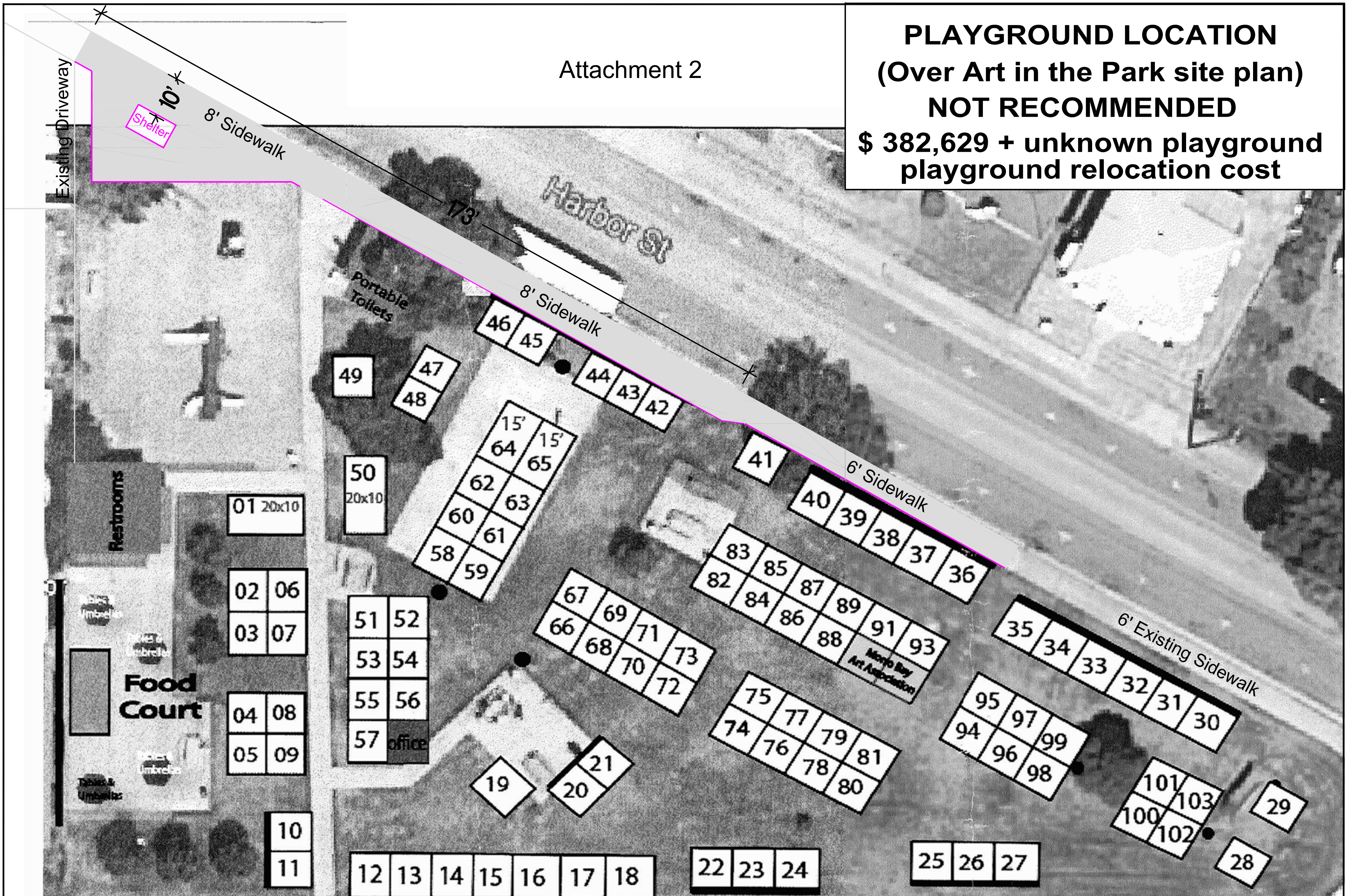
- Improved visibility between driver and riders.
- Addresses ADA deficiencies.
- "Increase "Presence" in park, but in area not impacting main central grass play area.
- Reduces route length for Morro Bay Transit Bus.
- High visibilty raises public awareness of transit service.

DISADVANTAGES

- Two lost parking spaces used by retail shops.
- Higher traffic volumes causing delay for bus pullout.
- If School bus stops off MBB (6 times a day) requires stopping in both directions and would cause traffic back-up of approx. 28 cars.
- If school bus stops off Harbor requires stopping in driving lane and kids crossing parking lane.
- Aside from Morro Bay Transit, all transit routes must circle block.
- Commuters may park accross street and use space in front of existing retail shops.
- Four lost vendor spaces for Art in the Park - $7,000 in lost revenue ($1,750 per space).
- Not supported by Art in the Park.

Attachment 2

PLAYGROUND LOCATION
(Over Art in the Park site plan)
NOT RECOMMENDED
$ 382,629 + unknown playground playground relocation cost



ADVANTAGES

- Addresses ADA deficiencies.
- Improved visibility between driver and riders.
- Art in the Park offered $2,000 donation to purchase additional playground equipment.
- No impact to Art in the Park.
- Proposed child oriented chalk wall (to be provided by Art in the Park).
- Supported by Art in the Park.

DISADVANTAGES

- Removal of two trees off Harbor. Possible replacement of one tree.
- Would have a "presence" and impact on play-ground area.
- No "on street" marketing benefits.
- Shelter at end of vehicle pull in. Riders have to walk farther to bus.
- Relocation of irrigation mainline.
- Requires relocation of playgroup equipment.
- Transit routes must circle block.