



Avalon City Council Weekly Update 7-17-15

City Manager's Office – Island Consortium Meeting with Pedro Pizarro, President of SCE



The Island Consortium met with Pedro Pizarro, President of Southern California Edison (pictured with Mayor Marshall, above) this past Friday. Along with Mr. Pizarro, SCE also had present Pete Dietrich, Senior Vice President of Transmission and Distribution, Greg Ferree, Vice President of Distribution, Ryan Stevenson, Principal Manager Regulatory Affairs and Ron Hite, Utilities Manager for Catalina Island. The Island Consortium had representatives from all members/major Catalina Island stakeholders with the exception of the Island Camps and USC. The City was represented at the meeting by Mayor Marshall, Mayor Pro Tem Olsen and me. Also present was the Island Consortium's long-time consultant and facilitator, Jared Ficker, from California Strategies.

Friday's meeting was important, at least symbolically, as Mr. Pizarro's visit was in response to a request presented by the Island Consortium a considerable amount of time ago for the group to have an audience with the President of SCE. This was the first time in recent memory that an SCE President had made a trip over to the island, and the first time that an SCE President had met with the Island Consortium on the island. Symbolism aside, the discussion was largely courteous, but very candid. The Island Consortium made it clear to Mr. Pizarro and the assembled SCE team that while the audience was certainly appreciated, much remained to be done in the area of ongoing meaningful data sharing, and technical discussions between SCE and the Island Consortium and ratepayers on Catalina Island in general.

The view was presented continually by the group as they asked SCE in the meeting for details and explanations regarding costs incurred by SCE, which ultimately are likely at least partially to be borne by Catalina Island ratepayers, for the drought effort (read: SCE's lost revenues due to water conservation) and SCE's efforts to address aging and or failing infrastructure, such as the

new well at Howland's Landing and the reconstruction of the Million Gallon Tank on the West End of the island. These costs come in addition to those that will be incurred for the recent purchase of the additional desalination plant (to which the City will be contributing \$500,000 towards the purchase price, with the hope of being reimbursed by grant monies), which will provide additional fresh water to the City of Avalon. At this time, SCE advised the group that they are still finalizing and tabulating costs. SCE further advised that presently there is no water rate case contemplated; however, SCE does have other means of recovering costs from ratepayers outside of a proposed water rate case, such as California Public Utilities Commission (CPUC) Advice Filings, proposed surcharges, etc.

SCE discussed with the Island Consortium their efforts on the new Howland's Landing well, the Million Gallon Tank reconstruction, and the recently purchased, soon to be delivered, additional desalination plant. For the new Howland's Landing well, SCE advised that they had received regulatory approval to provide water from the well to consumers two weeks ago. They added that the new 365' deep well (replacing the failing 70' well) produced 40-50 gallons of water per minute, which was roughly equivalent to the output of the prior well. The new well was to use the existing storage tank that is already in place. For the Million Gallon Tank project, SCE advised that the reconstruction effort was ongoing, and that the floor of the tank had been replaced, with the sandblasted materials being removed and taken off the island. The above ground pipeline feeding USC has also been replaced. As for the new desalination plant, SCE advised that the plant had been ordered and was in transit to the West Coast. It was estimated that the plant would arrive on the island by mid-August, with a hopeful in service date (pending receipt of final regulatory approval).

Responding to the calls from the Island Consortium for greater transparency transparency and a meaningful, ongoing dialogue regarding infrastructure upgrades, replacements and long-term planning for the water utility on the island, Mr. Pizarro and SCE pledged to formalize the Island Consortium's role with the utility as an advisory body. The Island Consortium is receptive and interested in this development, with the hope is that it will allow for the sharing of data and information that will allow for the opportunity for analysis and discussion both by the Island Consortium members and the Catalina Island community, and by and between the Island Consortium and SCE.

City Manager's Office – Proposed Efforts for Individual/Residential Desalination

Also on Friday, the City convened a separate discussion with SCE, Environ Strategies (the City's contracted operator of its waste water treatment plant, of course) and representatives of Avalon's developers, contractors and major project stakeholders, including the Catalina Island Museum. The meeting was the second convened on the topic of the contemplated and proposed concept of regulated individual and/or residential desalination units proposed to be fed from existing salt-water lines and discharged into the sewer system. With the ongoing drought, and the inability to bring certain in-flight projects to come on-line without water, there have been ongoing requests of the City to review and discuss this concept. Any type of proposal for fresh water resources outside of the established system owned and operated by SCE has to involve the utility due to their ownership of Catalina Island water rights (regardless of whether the source is groundwater, or not). Further, the proposed discharge resulting from individual and/or residential desalination units into the City's sewer system has to be understood and approved by the City through its waste water treatment plant operator, ES. Of course, the City is currently aware of multiple individual/residential desalination units already existing and operating within the community. These existing units are not permitted. Resulting from this meeting on Friday, the City is working with SCE and ES to develop an agreement, draft permits and a procedural outline that would govern and regulate the process such that SCE could ensure the safety of the

water, the City could understand and control the salt water intake and discharge, and the community would have a mechanism at its disposal to pursue individual and/or residential desalination units. Ultimately, we will be bringing forward for City Council review and discussion the details of this proposed effort – including a proposed agreement with SCE, a discharge permit being developed for the City by ES and a process description. We believe that this effort is in keeping and consistent with the City Council’s adopted goal of pursuing fresh water resources, but want to ultimately have it vetted, discussed and approved within the public forum of a City Council meeting.

City Manager’s Office – Potential Insurance Coverage Hurricane Marie and Avalon Complex

This past week, assessors for the City’s insurance carriers visited Avalon and conducted a follow up inspection of the damages incurred from Hurricane Marie in August, and the Avalon Complex in December of 2014. They specifically were evaluating the damages below the high tide line, as these may be eligible for insurance coverage. More detailed inspections may be required, but at this point we are continuing to provide historical documents to help give context to the conditions of these structures before and after the events. You may recall the City declared a Local State of Emergency for both events, and that in June of this year, the City received a letter of Director’s Concurrence from the Governor’s Office of Emergency Services, which is required to receive California Disaster Assistance Act funding and to receive assistance with the recovery efforts. We have been advised to keep the Local State of Emergency open as we continue to work with the State of California. It is unknown at this time the scope of coverage for the eligible areas by insurance. Only those repairs that constitute permanent works may be eligible for funding under the Director’s Concurrence.

City Manager’s Office – Proposed Electric Vehicle Charging Station

As the City continues to discuss transportation design values with the community we are always open to partnerships to help make opportunities. To that end, Mercedes Benz of Laguna Niguel (a SmartCar dealership) has expressed an interest in donating an electric charging station to the City of Avalon. More detailed discussions on this topic are scheduled for the upcoming weeks, so we don’t (yet) have the details or guarantee, but, we are very optimistic about this opportunity and wanted to bring this to your attention.

City Manager’s Office – Media Coverage of the Ongoing Drought – Catalina Island

Residents of Catalina Island and the State of California are of course very aware of the current ongoing drought conditions, but our current circumstances have made international news! At the end of May, TV4, the largest commercial broadcast television network in Sweden, visited Avalon for a day and reported on Catalina’s efforts to conserve and ration. They were impressed with our conservation numbers thus far, and felt that we were ahead of the curve compared to the rest of California. The piece already aired on Swedish TV, and they have just sent over a link – check it out:

<http://www.tv4.se/nyheterna/klipp/ingen-idetorka-n%C3%A4r-vatten-saknas-3185187>

Finance Department – Refinancing of Successor Agency Tax Allocation Bonds is Complete

We started discussing this back in mid-December and now we can say this week we closed on the sale of the old Successor Agency TABs and issued the new TABs. While the new bonds have the same terms and maturity dates as the old ones, what has changed is the interest rates -- lower ones! The reduction in interest rates through final maturity in 2034 will result in a net savings of \$3.2M to be shared between the city, county and local school districts. The city’s

actual share will be \$1.1M coming in installments of \$46-\$56K over the next 20 years. These monies come right to the city's General Fund. Additionally, we also received a reimbursement payment at closing for \$10K to pay for internal staff time costs over these many months.

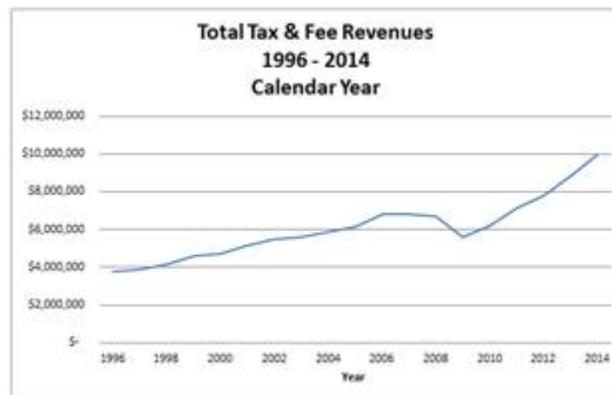
Finance Department – Update of “Chamber” Tourism Based Revenue Statistics

This past week we distributed the City's visitor revenue statistics report reflecting the January to April 2015 period. May and June activity will be available in the coming weeks once the lag in revenue collection has elapsed (these payers have until the end of the following month to pay). The figures continue to bear out what we've all been seeing -- increased visitor traffic. Similar to last fiscal year, we do believe we will, again, end FY2014-15 on a positive note. Summarized highlights for the comparative period of January – April 2015 vs. 2014 are as follows:

- TOT Revenues – 25% increase
- Admission Taxes – 43% increase
- Harbor Use Fees – 21% increase
- Sales Tax – 19% increase
- Wharfage Fees = Cross Channel – 9% increase
- Wharfage Fees = Cruise Chips – 5% increase

Overall revenue growth – 18.6% increase or \$386,000

The following graph shows how the City has continued to benefit from increased visitor activity based revenues/traffic:



Finance Department – Opening of FY2015-16 General Ledger

The new FY2015-16 accounting General Ledger (GL) has been opened and we have begun recording activity into it. For comparison purposes, it wasn't until November when we were able to do this for the prior fiscal year. Thanks to this stepped up timetable, and last week's adoption of the FY2015-16 Budget, we will be able to save a lot of rework efforts from the GL being more timely opened and from the reduction in reclass journal entries that had happened in the past. In the next few weeks we will be holding meetings with the Department Heads and other key budget area owners to make sure they're aware of the accounts to use and how to review their department reports. Finally, with the opening of the new fiscal year, it means the close out of the old fiscal year. We can now start with the various year-end reconciliations, and other work we do as part of wrapping up a fiscal year. We've talked with our auditors and preliminary dates available to us for completing the FY2014-15 audit are either early October or early December. In the next few weeks we'll be able to see the audit period for which we will be ready.

Public Works Department – Hill Street Retaining Wall

On a small City easement up on Hill Street, the old wooden retaining wall had deteriorated and began to break down. Public Works forces had to start removing the old rotten lumber, excavate back into the slope, and start the installation of a new concrete block retaining wall. This effort has been difficult as the access is very limited; ingress and egress is restricted to only a piece of machinery that is as big or smaller than one of our local golf carts. Therefore, the time involved, and the manual labor this project requires, is substantial. We thank the residents in this area for their understanding and cooperation. When this work is completed, the aesthetic value will speak for itself and should be appreciated by all involved.



Public Works Department – Street & Curb Painting

Our staff is continually remarking and touching up the curb and street painting. The vast amount of visitors and the effects of the ambient saltwater air impacts the integrity of the paint, and also requires the City to maintain the areas more frequently and often than would be required in a non-coastal area. This process is usually performed during low-impact times (non-cruise ship days, for example) in order to limit the disruption to the public. However, some inconveniences will be experienced. We respectfully request your continued patience and understanding, while this important work is ongoing.

Public Works Department /Capital Improvements – Salt Water System Repair

This past week we experienced another salt waterline break, and had to make the necessary repairs. This particular service line on Sumner Street to one residence was particularly complicated, as the existing fittings that needed replacement were difficult to remove and replace; they were corroded and locked into place. However, our crews were able to make the major repair in the same day, which then allowed for the requisite slurry backfill to harden for 2 days while steel plates were installed to permit vehicular traffic. By the end of last week, we were able to install the asphalt pavement. Again, we thank all the affected residents for their continued cooperation and understanding during these re-occurring salt waterline repairs.



Public Works Department/ Capital Improvements– Pebbly Beach Road – Sink Holes

The Public Works staff was also busy last week addressing a couple more sink holes that developed on the shoulder of Pebbly Beach Road. As is commonly known, this roadway receives the brunt of adverse ocean conditions on a continual basis. The roadway lacks “rip rap” (large rock) on the ocean side, which aids in the deterioration of the shoulder. Our Capital Improvements Program is in action, and important consideration is being given to this major roadway. The future project to reinforce and repair the road will require substantial efforts, calculations, designs, and especially funds. However, staff is considering this undertaking as critical in nature, and will continue to move forward with our recommendations for a plan of action.



Harbor Department – 4th of July Holiday Statistics

Statistics for the Fourth of July weekend show 98% of the moorings in Avalon Harbor and 41% of the moorings in Descanso Bay and Hamilton Cove were reserved by the owner for themselves or their guests. In total there were 446 boats on moorings including 84 side-ties in Avalon, Descanso and Hamilton Cove which is a 120% occupancy rate.

Fire Department – Power Outage Safety

In Long Beach early this past Thursday morning, two people were severely burned in an apartment fire that preliminarily appears to have been caused by candle use during an extended power outage in the area. When power outages occur, the use of candles is never recommended. Having LED flashlights which consume very little energy, a supply of batteries and even chemical light sticks are a safe and relatively inexpensive option. Items like these should be part of a family disaster kit with water and food for three days. For a detailed list of suggested disaster supply items please visit the FEMA website at www.ready.gov

Respectfully Submitted,

Ben Harvey

Ben Harvey
City Manager