

**SPECIAL JOINT MEETING  
CITY OF MORRO BAY AND CAYUCOS SANITARY DISTRICT  
WASTEWATER TREATMENT PLANT  
(UNDER JOINT POWERS AGREEMENT)**

**MINUTES**

**Cayucos Sanitary District Board of Directors:**

Robert Enns, President  
R.H. Bud McHale, Vice-President  
Harold Fones, Director  
Michael Foster, Director  
Shirley Lyon, Director

**City of Morro Bay City Council**

Janice Peters, Mayor  
Betty Winholtz, Vice-Mayor  
Noah Smukler, Councilmember  
Carla Borchard, Councilmember  
Rick Grantham, Councilmember

**Meeting Date:**

Wednesday, June 16, 2010 at 9:00 a.m.

**Meeting Place:**

Community Center - Studio Room  
1001 Kennedy Way  
Morro Bay, CA 93442

**Hosted By:**

City of Morro Bay

**CALL TO ORDER AND ROLL CALL**

Mayor Peters called the meeting to order at 9:04 a.m. and asked the record show all Council members are present. President Enns stated all members of the Cayucos Board are present except for Bud McHale.

Morro Bay Staff members present are Bruce Keogh, Andrea Lueker, Rob Schultz, Rob Livick, Dylan Wade and Kay Merrill.

Cayucos Staff members present are Bill Callahan, Tim Carmel and John Hanlon.

**PUBLIC COMMENT PERIOD**

Members of the audience wishing to address the governing bodies on Morro Bay-Cayucos Wastewater Treatment Plant (WWTP) business matters may do so at this time. By the conditions of the Brown Act, the governing bodies may not discuss issues not on the agenda, but may set items for future agendas. When recognized by the Chair, please come forward to the podium and state your name and address for the record. Comments should be limited to three minutes.

**A. NEW BUSINESS**

1. Discussion and Consideration of Alternative Delivery Methods for the WWTP Project

**Recommendation: Provide direction to staff**

2. Discussion and Consideration of Establishing a Value Engineering Process for the WWTP Project

**Recommendation: Provide direction to staff**

3. Discussion and Consideration of Alternative Wastewater Treatment Processes for the WWTP Project

**Recommendation: Provide direction to staff**

#### 4. Discussion and Consideration of a Construction Design Report (CDR) Proposal from PERC Water and/or Others

##### **Recommendation: Provide direction to staff**

Mayor Peters stated that Dylan Wade would present Item 1, under New Business, before the Public Comment Period due to time restraints for Mr. Wade.

##### **A.1. Discussion and Consideration of Alternative Delivery Methods for the WWTP Project**

Wade gave a presentation on Project Ownership and Operational Methods with the following highlights:

- Presented the pros and cons of Design Build and Design Bid Build which are the only available project delivery methods to Cities
- The pros and cons of Public Ownership, Public Private Partnership and Privatization as methods of owning and operating the treatment plant

Wade asked the Board if they had any questions

- Michael Foster, from the Cayucos Sanitary District Board of Directors, asked which method delivers the best value to the ratepayers
- Wade responded that until the contract is negotiated, the differences between Public Ownership and Public Private Partnership will not be apparent
- Foster, stated one way to mitigate that risk would be to have two parallel paths, having two plans instead of one
- Wade responded the resources available to the Board are limited and that is why we are hiring a Project Manager and running parallel paths

Mayor Peters asked if there are questions from the audience for Wade

- Natallia Merzoyan, Morro Bay resident, questioned the change in the timeline
- Wade explained the history of the timeline and the adoption of the time schedule
- Bill Martony, Morro Bay resident, asked if we will be designing the Oxidation Ditch as opposed to doing two parallel designs now
- Wade responded from an environmental review and CEQA perspective our EIR will review the Membrane Bioreactor (MBR) and look at the impacts
- Steve Griffith, Morro Bay resident, asked about the different risks associated with privatization
- Wade replied private parties do have different rules than public agencies. Going private allows more options for constructing the plant but also creates new risks
- Grant Crowl asked about chemicals with a tertiary filtration system and stated the other project has no chemicals added and is drinkable
- Wade replied it is illegal to drink effluent from a wastewater plant
- Smukler added one key difference is the footprints required for either system. With the (MBR) or the Sequencing Batch Reactors (SBR) system the smaller footprint creates more land surrounding the space available
- Wade responded different technologies require different footprints
- Al Barrow, resident Los Osos, asked about Design Build contracts
- Wade responded that Design Build contracts, traditionally, have a lower change order percentage than Design Bid Build contracts

- Foster, Cayucos Board member, asked if there is a financial analysis for the Oxidation Ditch
- Wade replied a risk analysis has not been done but an estimate of probable costs has been done
- Foster asked due to highly variable costs, does that help us step forward with the CDR?
- Wade recommended to continue the current approved plan in order to meet the time compliance schedule

## A.2. Discussion and Consideration of Establishing a Value Engineering Process for the WWTP Project

Rob Livick gave a staff presentation on peer review or value engineering. The highlights included:

- How to compare costs on different treatment methodologies and delivery methods
- To hire an outside consultant to look at potential projects, compare costs and provide recommendations, with an estimated cost of \$20,000 to \$30,000
- Livick clarified that comparisons have already been done for various projects including the Oxidation Ditch and the MBR plant and this Board selected the Oxidation Ditch as the preferred method. During the RFP process, various consultants presented their views on what would be best for the treatment plant upgrade and the consultants recommended the Oxidation Ditch
- Livick asked the board if it wants to pursue value engineering at this time

Mayor Peters opened Public Comment

- Jenny Brantlee, Morro Bay resident, spoke in favor of Public Private Ownership CDR

The following spoke in support of PERC Water or Two Parallel Paths:

- Barry Brannen, Morro Bay resident, Piper Riley, Los Osos resident, Linda Stedjee, Morro Bay resident, Bill Martony, Morro Bay resident, David Nelson, Morro Bay resident, Al Barrow, Los Osos resident, Steve Griffith, Morro Bay resident, Ann Reiss, Morro Bay resident, Daniel Crisick, Morro Bay resident, Grant Growl, Morro Bay resident, Rob Aragon, PERC Water Representative, Steve Heineigh, Cayucos resident, Dana Putnam, Morro Bay resident, Barbara Jo Osborne, Morro Bay resident, Johan Perslow, PERC Water Founder, Matt Makowetski, Morro Bay resident, Natallia Merzoyan, Morro Bay resident and Richard Margetson, Cayucos resident

The following spoke in favor of the current project:

- Keith Taylor, Morro Bay resident

Hearing no further comment, Mayor Peters closed the public comment period

## A.3 Discussion and Consideration of Alternative Wastewater Treatment Processes for the WWTP Project

- Steve Hyland, MWH Representative, gave a presentation on Design Criteria and explained the differences between the Oxidation Ditch Site Plan and the MBR Site Plan. He also presented cost estimates for the MBR site plan. He stated MWH was asked at the last meeting if they would prepare a CDR and he said no because MWH competed for the current contract they have. They prepared a cost comparison and estimate according to the comprehensive RFP. Hyland asked the Board to clarify whether the CDR should be for an MBR, Oxidation Ditch or an SBR and if the

delivery system should be for Design Build (DB), Design Build Operate (DBO) or Design Build Operate Finance (DBOF)?

- Mayor Peters asked Hyland if the Oxidation Ditch is more appropriate for this location.
- Hyland responded the Oxidation Ditch is the best economical approach for the current project including future reclaimed water
- Foster asked when we will find out what the issue is with the soil condition
- Hyland stated under the current schedule they will review the amendment to the facility master plan, get the draft EIR issued, get acceptance of the Design Concept from the JPA, then when we get Notice to Proceed with Final Design the first phase is Preliminary Design and authorization would be given to the geo-tech consultant to go out and do addition boring and testing and come back with recommendations
- Winholtz asked isn't soils part of the EIR process?
- Livick said there has been preliminarily soil investigations and boring which is enough to satisfy the EIR phase of the project

Mayor Peters asked if anyone from PERC Water would like to comment

- Perslow asked what specific experience MWH has with MBR's

Board members continued discussion regarding remediation costs, Title 22 Water, the State Revolving Fund, guaranteed and accelerated rates, cost effectiveness and cost savings and having a peer review done.

Mayor Peters motioned to have a peer review done and bring it back to the next meeting for consideration

MORRO BAY MOTION: Peters, Borchard 2<sup>nd</sup>  
VOTE: 3-2

CAYUCOS MOTION: Lyon, Foster 2<sup>nd</sup>  
VOTE: 3-1

Tim Carmel suggested some specific wording for the motion as follows:

“A proven agreement with Kitchell to perform a peer review analysis comparing the current proposed Waste Water Treatment Plant (WWTP) with the PERC proposal for an amount not to exceed \$25,000, once a preliminary CDR or equivalent is made available to Kitchell, subject to review and approval by City Attorney and District Council.”

CAYUCOS MOTION: Lyon, Foster 2<sup>nd</sup>  
VOTE: 3-1

The Board and City Council continued discussion regarding the CDR for PERC and the cost involved.

Smukler made a motion to direct staff and the City Attorney's to evaluate the CDR from PERC Water that's on the table and suggest adjustments to a designated Board representative. He suggests Mayor Peters as the representative and signator and do so within a week to initiate a CDR proposal from PERC Water.

MORRO BAY MOTION: Smukler, Winholtz 2<sup>nd</sup>

Smukler stated the motion needs to be amended and called upon Carmel regarding the week time-frame schedule. Carmel stated it should not be a problem.

Mayor Peters said the question on the table is: Do you want to spend \$75,000 for a CDR?  
Mayor Peters called the question.

VOTE: 2-2 Motion failed for lack of majority

Discussion continued between City Council, Board and Staff regarding support for a motion.

Perslow stated PERC would do a CDR at no cost provided he has staff support.

Smukler made a motion to direct staff to engage with PERC and provide the information and dialogue that will help them in developing the most accurate proposal for the community and JPA in a timely fashion.

MORRO BAY MOTION: Smukler, Winholtz 2<sup>nd</sup>

Andrea Lueker, City Manager, clarified staff will discuss information with representatives from PERC and make clear the points of contact, set clear guide lines and make clear how information will be shared.

VOTE: 4-0

CAYUCOS SAME MOTION: Fones, Foster 2<sup>nd</sup>

#### **ADJOURNMENT**

Mayor Peters adjourned the meeting at 12:39 p.m.

The next scheduled meeting will be hosted by the Cayucos Sanitary District on July 8, 2010