

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

**Cayucos Sanitary District Board of Directors:**

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

**City of Morro Bay City Council:**

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

**AGENDA**

**MEETING DATE:**

6:00 p.m., Thursday, November 18, 2010

**MEETING PLACE:**

Veterans Memorial Building  
209 Surf Street  
Morro Bay CA 93442

**HOSTED BY:**

City of Morro Bay

**CALL TO ORDER AND ROLL CALL**

**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. All remarks shall be addressed to the governing bodies, as a whole, and not to any individual member thereof. This governing body requests that you refrain from making slanderous, profane, or personal remarks. Please refrain from public displays or outburst such as unsolicited applause, comments, or cheering. Any disruptive activity that substantially interferes with the ability of this governing body to carry out its meeting will not be permitted and offenders will be requested to leave the meeting. Your participation in JPA meetings is welcome and your courtesy will be appreciated.

**A. CONSENT CALENDAR**

1. Minutes of October 14, 2010 JPA Meeting – Recommend approve.
2. Minutes of September 16, 2010 TAC Meeting – Recommend receive and file
3. WWTP Operations Report through September, 2010 – Recommend receive and file

**B. OLD BUSINESS**

1. Status Report on Upgrade Project as of November 10, 2010– Recommend receive and provide direction to staff

**C. NEW BUSINESS**

1. Presentation of FY 08-09 Audit for the WWTP – recommend accept
2. Discussion on JPA Policy Concerning the Public Comment Period at Meetings – Recommend receive and provide direction to staff
3. Discussion and Consideration to Form a Citizens Advisory Committee and Financial Risk Assessment Committee
4. Schedule Next Joint Meeting and Agenda Items

**ADJOURNMENT - (Next meeting will be hosted by the Cayucos Sanitary District)**

Copies of staff reports and other public documentation relating to each item of business for this meeting are available for inspection at Morro Bay City Hall at 595 Harbor Street and the Cayucos Sanitary District at 200 Ash Ave. A copy of this packet is available from the City of Morro Bay for copying at Mills Copy Center and from the Cayucos Sanitary District for a copy and duplication charge. Any person having questions regarding any agenda items may contact Bruce Keogh, Wastewater Division Manager (City of Morro Bay) at 772-6261 or Bill Callahan, District Manager (Cayucos Sanitary District) at 995-3290.

Materials related to an item on this Agenda submitted to the Morro Bay/Cayucos Wastewater Treatment Plant Joint Powers Authority after distribution of the agenda packet are available for public inspection at; Public Services Office at 955 Shasta Avenue, Morro Bay, CA 93442; Morro Bay Library at 625 Harbor Street, Morro Bay, Ca 93442; Mills/ASAP Reprographics at 495 Morro Bay Boulevard, Morro Bay, CA 93442 during normal business hours.

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**MINUTES**

**MEETING DATE:**

4:00 PM Thursday, October 14, 2010

**HOSTED BY:**

Cayucos Sanitary District

**MEETING PLACE:**

Cayucos Veterans Hall  
10 Cayucos Drive  
Cayucos, CA 93430

**CALL TO ORDER AND ROLL CALL:** President Enns called the meeting to order at 4:12pm

Morro Bay City Council Mayor Janice Peters, Council members Carla Borchard, Betty Winholtz, Noah Smukler and Rick Grantham were present

Cayucos Sanitary District Board members President Robert Enns, Vice-President Bud McHale (arrived at 5:00pm), Directors Hal Fones, Shirley Lyon, and Michael Foster were present.

Morro Bay staff present were Bruce Keogh, Rob Livick, Dylan Wade, Andrea Lueker, Rob Schultz and JPA WWTP Project Manager Dennis Delzeit.

Cayucos staff present were Bill Callahan, Jon Hanlon and District Counsel Tim Carmel.

President Enns introduced staff along with Steve Hyland of MWH, John Wallace of Wallace Group, Jennifer Jacobus of ESA and Eric Casares of Carollo Engineers

**PUBLIC COMMENT PERIOD**

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President Enns opened public comment and stated that the format for the Cayucos meetings would be that after each agenda item Public Comment would be opened for that agenda item. He asked that any comments on tonight's agenda items be held until after all reports, presentations etc., have been made on that agenda item and Public Comment had been opened.

- Al Barrow, Coalition for Low Income Housing stated that there are 4000 homeless in SLO County and he would like to see Morro Bay and Cayucos institute a Safe Parking Lot program modeled after Santa Barbara.

- Richard Margotson asked for clarification about the Public Comment, if Morro Bay will also adopt this format and appreciates Cayucos having Public Comment after all agenda items. He scolded Council on not providing for proper Public Comment.
- Ann Reeves, Morro Bay asked what went wrong with PERC presentation.
- Jack McCurdy commented on MWH letter in response to allegations reported by the Inspector General from their work in New Orleans and said MWH hasn't appealed accusations they say are inaccurate.
- Bill Martony, Morro Bay, questioned the original estimates and the built in cost overrun percentage on the WWTP.

Hearing no further comments President Enns closed public comments.

Noah Smuckler made an announcement as per public request the current WWTP will host a tour on Sunday October 24, 2010 from 1-3 .pm.

## **A. CONSENT CALENDAR**

### **1. Minutes of September 9, 2010 JPA Meeting – Recommend approve.**

President Enns asked for a motion to approve the consent calendar. Winholtz pointed out that the Board had agreed to agendize for this meeting the discussion of public comment and it wasn't on the agenda. She asked for direction on how to handle this. It was agreed that this item would be on the next agenda.

**MORRO BAY MOTION:** Borchard, Smuckler 2<sup>nd</sup> to approve Consent Calendar Item 1. VOTE: 5-0

**CAYUCOS MOTION:** Lyon, Foster 2<sup>nd</sup> to approve Consent Calendar Item 1. VOTE: 4-0

## **B. OLD BUSINESS**

### **1. Status Report on Upgrade Project as if October 6, 2010 – Recommend receive and provide direction to staff**

Dennis Delzeit reported on the RWQCB Discharge Permit compliance, the lateness of the DEIR and possible fines for being behind schedule. He mentioned that with other items being ahead of schedule, these fines can be waived if other items remain on schedule and plant completion and full compliance is met by March 31, 2014. Delzeit discussed the rest of the schedule and requirements for meeting the deadlines. Delzeit pointed out that MWH has reduced their cost by \$17,600 based on the uncertainty of the number of public meetings that would need to be held. Delzeit continued his summary of the project touching on the status of the design phase by MWH, draft EIR, SRF loan and the status of his work as the Project Manager.

Winholtz asked for clarification on the bottom line reduction by MWH of \$17,600 and questioned the status of the geo-technical study, anticipating it being done for this meeting. Delzeit clarified that the information has been received, is being reviewed and is on schedule. Discussion continued on a couple more items that will be touched on later in the agenda or in another report.

## C. NEW BUSINESS

### 1. Report from TAC Members on the September 16, 2010 TAC meeting – Verbal

Grantham briefly reported on items discussed at the last TAC meeting regarding the update of the JPA Agreement. Shirley Lyon concurred with Grantham's reporting and stated that they are getting very close and should be able to present it to the full board within the next couple months.

### 2. Scope of JPA TAC and History of TAC – Recommend receive and provide direction to staff

Callahan presented a brief history on the JPA TAC back through May 2004 and reported that the TAC had been involved with many issues throughout the years and this been a helpful tool for staff on researching and presenting items for the Board and Council.

Winholtz questioned Callahan on the gap in timelines from the formation of the TAC in January 2004 to the first meeting listing in May 2005. Callahan responded no correspondence was found on anything earlier than May 2005.

Smuckler commented that the JPA TAC might want to consider better amplification of the meetings for the public in attendance. He mentioned that Foster had recommended creation of a special subcommittee or an advisory council for ongoing financial analysis and assistance with the SRF and related tasks and possibly rearranging the role of the TAC.

Peters clarified that since the TAC was a non-broadcast meeting there was no budget for technical staff to assist with the sound and it was suggested at the last TAC meeting that those in attendance sit closer to the staff to allow them hear better.

Enns recommended that the JPA TAC meetings be put on hold due to budget, and that we continue the TAC on an as-needed-basis.

Peters concurred but expressed that she would like the TAC to continue on the JPA Agreement updating.

Winholtz asked what would happen to existing items that haven't been brought before the Board and Council.

Enns replied that Grantham gave an overview and those minutes will be included in the next JPA agenda and he clarified that the TAC doesn't make motions or decisions they just simply filter the information for easier understanding and presentation to the Board and Council.

Lyon agreed with Peters that the TAC should continue with their work on the JPA Agreement.

Enns announced that following Peters lead, all concurred that the TAC and attorneys should continue on the JPA Agreement in anticipation of bringing it before Board and Council.

President Enns opened Public Comment:

- Barry Branin commented that with the amount of information being handled by the JPA, without the TAC a subcommittee seems necessary to get everything done.

Smuckler spoke on his view of subcommittees and how getting the public involved in these committees will assure that all aspects are covered.

Enns pointed out that an Ad-Hoc committee, as suggested, must be jointly formed and appointed by the JPA as a whole. This can certainly be done on an as needed basis.

Hearing no further comments, President Enns closed Public Comment.

### **3. Discussion and Consideration to Award a Contract to Carollo Engineers for Updating the 1999 Cayucos/Morro Bay Comprehensive Recycled Water Study – Recommend Approve**

Delzeit commented on the existing 1999 Carollo study. He recommends the update of this recycled water study stating it's not only a study but a master plan for implementation. Delzeit reported that in discussion with Carollo they have agreed to reduce their fee for this update from \$75,000.00 to \$70,000.00, a cost savings of \$5,000.00. Changes affecting this study include tertiary treatment that was not originally being pursued, the Chorro Valley recycling potential and number of recycling sites. Delzeit pointed out that updating this study would provide current cost estimates based on the changes mentioned and a more concise document addressing issues that have been brought up along with the ability to pursue grant opportunities.

Enns asked Eric Casares from Carollo to say a few words on his involvement on the initial study.

Casares clarified that he wasn't involved on the original study, but he will be working with Tracy Clinton who was the engineer on the original study.

Smuckler asked what the approximate timeframe would be if we were to go through the RFP process.

Delzeit responded possibly 3 months. He also pointed out that in the interest of time, money, project familiarity and expertise; he felt the best course was to stay with the firm who prepared the initial study.

Foster commented that he thought this was a perfect example for a subcommittee. He expressed concern that the scope of work and what it's calling for could result in more than \$75,000.00 in cost and that reclamation was something we needed to look at and felt that the Coastal Commission would also want to see this in the final plan based on a letter that was sent to Bruce Ambo back in 2008 regarding the EIR.

Delzeit responded that the call on whether or not to have a subcommittee to evaluate the needs was up to the JPA Board and in his report he offered several options to the JPA for the recycled water study.

Enns pointed out that recycled water was not a viable option for Cayucos as stated in the original study, but also felt the Coastal Commission would want to see options addressed for recycled water. He reiterated previous conversations that the recycle water costs, should we go forward with this, be funded separately from the WWTP and be its own project for Morro Bay.

Wade elaborated that the recycling issue has been looked at and once the water leaves the WWTP it becomes a water resource. Morro Bay Water Division has agreed to pay 1/3 of the study costs resulting in \$23,333.00 for the water division, and based on flow, the remainder split \$35,000.00 for the wastewater division and \$11,667.00 for Cayucos Sanitary District.

Grantham is all for recycling water but based on prior cost estimates it's not affordable for Morro Bay alone to pursue and hopes it would include private partnership if it goes forward. He wants to see a viable option and not just something to look good for the Coastal Commission.

Winholtz asked if we are doing tertiary and not reclamation, why do the study again.

Wade explained the reuse of water onsite for the WWTP and how that is built into the design of the current project. He went on to explain the procedures for reuse, reclamation and recycling and the 4 phase approach for all of these.

Smuckler questioned the percentage breakdown of the cost of the study and was concerned that this might be setting a precedence for cost breakdowns going forward on water recycling. It was also questioned how the disbursement or value of the reclaimed water and its use would be handled for Cayucos.

Wade responded the breakdown was based on flows as set forth in the original agreement, and can be changed by the JPA at any time. Regarding the reclamation value to Cayucos, Wade said Smuckler was being very optimistic and all sorts of discussions could be had on that subject.

Livick pointed out that the Coastal Commission will want to see a reclaimed water component in the plan for the WWTP.

Smuckler asked, based on previous statements, isn't this study is going to be a requirement of the project and therefore expand Cayucos' role in the study.

Fones asked why are we doing this ahead of any mandates by the Coastal Commission and why is Cayucos paying the better part of \$12,000.00 to study the use of water that's already been shown can't get to Cayucos, they have no customers and no need for this water.

Peters commented that she understands this is a way to help this process through the Coastal Commission, but she also stated that it's possible if they do get to a recycled product, the possibility for selling that water can be of some benefit to Cayucos.

President Enns opened Public Comment:

- Al Barrow – Coastal Commission hearings with Los Osos had no requirements for water recycling, sees this plan and the money proposed to be spent as a waste of money. He said they did require water conservation methods, not recycling. Says we should stick to the original plan, stay with the timeline and not spend more time or money on something we don't need.
- Bill Martony – Morro Bay, wants recycled water. He supports Foster's idea of the sub-committee to study different uses for the water since there seems to be a demand for it. We need to look at recharging the well fields at Lila Keiser Park if we want keep costs down on recycling.
- Barry Branin – Morro Bay, says scope of this project needs to be defined better. Stated the draft EIR is faulty and scope is incomplete. Continued use of consultants without an RFP is bad business practice.
- Nancy Bast – Morro Bay, appears we are putting the cart before the horse. Reclamation isn't even the design of the project. Why spend money for consultants for something we can't afford anyway.
- Dorothy Cutter – Morro Bay, doesn't understand why we would spend an additional \$70,000.00 to update the study when the original 1999 study was found to be flawed.

Hearing no further comments, Presents Enns closed Public Comment.

Winholtz does not support the proposed new study, get the WWTP done as per design, then look at a new study and possible reclamation. Doesn't like the 85/15 ratio for cost of this study, it's not in line with any other ratios set forth to date. Disapproves of the reference in the staff report that the JPA requested this update when, to the best of her knowledge, they did not.

Smuckler clarified that he believes he was the one to bring the suggestion to the JPA to update the study. Is in favor of going forward with options for water reclamation, also questions the ratio of costs for the study and is not in favor of sole sourcing the update.

Peters agrees that we should hold off updating the study and address the issue later in the game. Stated the draft EIR may address some of these issues so we should wait and see what comes of that. Clarification is needed as to whether or not the Coastal Commission will require this study or not.

Enns inquired of Keogh regarding a letter he remembered seeing that implied we would address the issue of recycling water.

Keogh responded that in the Coastal Commission's response to the Notices of Preparation for the draft EIR, they commented or suggested on water recycling for this project.

Enns received a copy of the aforementioned letter from Foster and read an excerpt from the letter that stated the draft EIR should identify additional uses for reclaimed water including additional infrastructure and processes needed. Enns suggested we hold this topic for another meeting and received no objections.

Smuckler questioned how this matter would be brought back to the JPA

Enns replied after the presentation of the draft EIR, we should have a better understanding of what is needed and then staff can bring it back to the next agenda.

Enns called for break at 5:52 p.m. and re-adjourned the meeting at 6:12 p.m.

#### **4. Presentation of Draft Environmental Impact Report – Receive Public testimony**

Livick reported that we have the opportunity for a third public workshop with ESA for input on the draft EIR and the cost would be \$2500.00 should the JPA want additional public input on this.

Winholtz asked if the consultant had to be present for this workshop should we decide to go forward with it.

Livick replied that the format of a public workshop made it necessary for questions and answers.

Smuckler asked if the Planning Commission could be the lead body for this workshop and combine it with their meeting for time's sake.

Livick said the agenda was already out for the Planning Commission meeting and it was too late to add to it.

Livick was asked by Enns to explain the comment procedure for the EIR and did so.

President Enns then introduced Jennifer Jacobus from ESA.

Jacobus proceeded to explain the purpose and agenda for the draft EIR and that the EIR is an informational document only and is intended to help in decision making. She went on to discuss the following:

The purpose of the EIR was to provide an opportunity for agencies and the public to comment on the analysis included in the draft Environmental Impact Report (EIR).

Explained what the California Environmental Quality Act (CEQA) is, provided an overview of CEQA and the EIR Process. She discussed the project description, what the project needs are and the objectives for the project including improved effluent quality and the use of recycled water.

Key issue areas of the project were identified such as air quality and greenhouse gas emissions, hazards and hazardous materials and public services to name a few. The impact of these issues on the project, along with the analysis and methodology were presented. She identified the rating significance of the impacts as 1) No Impact, 2) Less than Significant, 3) Less than Significant with Mitigation and 4) Significant and Unavoidable and pointed out the draft EIR found no significant and unavoidable impacts for this project. The Alternatives Analysis showed four alternatives to the current project 1) No Project Alternative (required by CEQA), 2) Full Secondary Treatment, 3) Membrane Bioreactor and 4) Chorro Valley Location

Jacobus next described the remaining CEQA Schedule starting with the Draft EIR 45-Day Review (Nov 4, 2010), Public Meetings (Oct 4 & 14, 2010), Response to Comments (Nov/Dec 2010), Final EIR Release (Jan 2011), Certification (Jan 2011) and Notice of Determination (Feb 2011). The Public Comments section of the presentation for the Draft EIR was described and then turned over to the Board and Council.

President Enns opened Public Comment on the Draft EIR:

- Al Barrow – Asked the cost of the EIR and commented that for \$325,000.00 it was pretty weak.
- Nattalia Merzoyan – Morro Bay, feels discouraged by this process and thinks a glossary of acronyms so “Joe Public” can understand would be beneficial. Concerned that alternate site, methods of treatment and contracting firms haven’t been looked at.
- Fred Collins – Chumash Tribal Administrator, concerned that not enough respect is given to the Native Americans and Chumash in particular. The locations of the current and future WWTP are in the middle of a Chumash village where his ancestors are buried. Wants the Chumash people included in this process so as to not disrespect them. Let them in to give their perspective, don’t make him bring 500-1000 Chumash to the meetings to tell us how they feel, use them for information.
- Jack McCurdy – Explained the papers he left earlier for the JPA on what he described were comments from a very capable and concerned citizen’s advisory group. He encouraged all residents to read these comments and to contact him for hard copies if needed.
- Barry Branin – Morro Bay, Draft EIR had 400+ pages but the scoping didn’t include an alternate site that is within the City of MB limits, out of the flood plain and out of the Chumash burial grounds. Gave the Draft EIR an “F” grade for not considering this site.
- Bill Martony – Concurred with Barry Brannon on alternative site and said the Draft EIR needs to consider alternatives
- Connie Paine – Cayucos, stated there is huge significant impact but not sure why we aren’t addressing other sites that make less of an impact.
- Doug Claassen – Morro Dunes RV Park owner, is concerned about plant location and smell.
- Steve Hennigh – Cayucos, Good Clean Fun owner, concurs with previous speakers on the location and its archeological sensitivity. Doesn’t think a flood is the issue, the issue is a tsunami. Questions the only alternate site looked at is Chorro Creek, thinks there are better alternatives to this. Has anyone looked at moving the plant out the flood plain, out of tsunami danger and utilize the existing site to generate money to offset the costs of the move.
- Nancy Bast – Morro Bay, expressed concern for the RV park that the raised elevation and location of the new plant right next to the entrance of the RV park, how can they say there are no aesthetic or smell impacts. She questions the thoroughness of the EIR.
- Bernadette Pakerig went to Morro Bay High School and the smell was horrible.
- Cyndi Malmen – Cayucos, who will insure this, and if someone does, what will the cost be? Is there no other place for this project than right in the middle of the waterfront? She questioned the mitigation aspect

of the project; her business was lost due to a mitigated project that occurred in Morro Bay. Too many questions still unanswered with the EIR.

- Ann Reeves – Morro Bay, commented on what the outfall pipe looks like in Goleta, wouldn't want to put a board in the water anywhere near there. What does our outfall pipe look like?

Jacobus and the JPA Board, Council and staff continued discussions and comments regarding alternate sites, baseline establishment, identifying sensitive receptors, the handling of any skeletal remains found and the handling of bio-solids.

Lengthy discussion ensued between amongst the Board, Council and staff about alternative sites that were and were not looked at. What the FMP and Draft EIR considered or evaluated in regard to alternate sites and what the requirements of CEQA were.

It was then discussed if a third workshop style meeting on this Draft EIR was needed, what other agencies (Planning Commission) might need to be involved and if this could be accomplished prior to the November 4 deadline. There was a unanimous vote by Board and Council that the 3<sup>rd</sup> workshop meeting would be held on October 28, 2010 time and location to be announced via the newspaper and at the City council meeting. It was agreed the meeting will not be televised or taped.

## **5. Presentation of Preliminary Project Cost Estimates from PERC Water – Recommend receive and file**

Andrea Lueker spoke on the PERC Customized Design Report and the events leading up to the lack of a presentation at tonight's meeting. She read an email from PERC president Brian Cullen giving reasons for not presenting a CDR and cost estimates. The Board, Council and staff made several comments on the PERC email response and the decision by PERC to abandon the CDR.

President Enns opened Public Comment:

- Al Barrow – Accused staff of not wanting to cooperate with PERC Water and expressed his disgust of the whole process.
- Ann Reeves – Morro Bay, was also disappointed to hear PERC wasn't bidding. She questioned the role of staff and their effectiveness to the Board.
- Nancy Bast – Morro Bay, commented the whole process appears to be a setup against PERC and doesn't look good to the public.
- Richard Margotson – Asked legal council if signing of confidentiality agreements is standard. Said it's very obvious to the public that PERC wasn't welcome and also questioned the hours reportedly worked by staff to assist PERC in the CDR process.
- Barry Branin – Predicted that when the cost estimates come in from MWH, we are going to be overwhelmed. Doesn't feel the JPA has done anything to get competitive bids.
- Nattalia Merzoyan – Doesn't understand why non-disclosures weren't signed for the CDR but were signed to tour the Santa Paula facility. Says there isn't enough transparency in the goings on of staff and contractors and wants to see a better outcome.
- Cyndi Malmen – Cayucos, project started as an upgrade then progressed to a re-build and the thought processes didn't follow. She stated that competition is needed to obtain fair pricing.

Hearing no further comments, Presents Enns closed Public Comment.

Enns commented that they have been at this for 7 years and that most people in the audience have not been here and seen the process to date. He went on to explain that signing confidentiality agreements would not be in keeping with their responsibility to the public and the transparency that is exhibited by the Board, Council and staff. Enns explained that to date the FMP was put out for bid, Carollo won the bid, the design was put out for bid, MWH won the bid and they will put the construction phase out for bid and it's assumed several bids will come in on that. To say the JPA has been one sided is not correct. The agenda tonight has both PERC and MWH on it in all fairness to both parties.

Peters recapped RFP process and how PERC was allowed to come in after the normal process to present their proposal. She recapped the occurrences of the past several months and she stated her opinion of PERC backing out of the process was because they couldn't meet their promises.

Grantham concurred with Peters and stated that if PERC could do what they said they could, they would have been here tonight.

Smuckler said he is still intrigued by the Design, Build Operate (DBO) model that PERC represents. He would like to see the DBO process kept on the table in case the Design Bid Build (DBB) process that MWH is presenting falls short of expectation or exceeds budget as some have predicted.

Enns called for break at 8:34 p.m. and re-adjourned the meeting at 8:44 p.m.

## **6. Presentation of Preliminary Project Cost Estimates from MWH – Recommend receive and file**

Steve Hyland of MWH presented background of previous cost estimate approach based on June 2006 costs to the current estimate that will be presented tonight. He provided an overview of the FMP1 and FMP2 and gave updated numbers based on the current ENR index. He spoke on specific lines item differences and gave reasoning and explanation of the increased costs. Hyland pointed out that the numbers presented still carried a \$3.9 million contingency. The major cost increase was attributed to the Residuals Handling Building where the 2<sup>nd</sup> story was added and 3 walls to shield it from winds and for aesthetic purposes. They consolidated screening, grit removal and dewatering to the same building to reduce truck traffic. A secondary pump station was added along with a 2 compartment chlorine contact basin.

Hyland emphasized this is a conservative estimate and some items are based on assumption. He anticipates cost savings to occur as design and absolutes are identified throughout the next steps of the project.

Winholtz asked why it was going to take 1 year to get final estimate.

Hyland explained that the estimate gets more refined as the design process progresses.

Wade explained the Design Bid Build process and how it works emphasizing that this is in fact a best guess at this juncture in the process and a final cost estimate won't be known until the construction documents are in hand.

Delzeit then presented the Comparison of Project Cost Estimates which gave the differences between FMP Amendment #1 and the FMP Amendment #2 which summarized the total project costs from \$31.3 million to \$34.4 million, an increase of \$3.1 million.

Borchard asked if this number included contingency.

Delzeit responded yes it does include contingency.

Foster asked Hyland how much additional cost can be contributed to the capacity increase of the design.

Hyland responded this amount was minimal; most of the cost increase was based on revised flow numbers and the equipment that would be needed to handle this flow.

President Enns opened Public Comment:

- Bill Martony – Morro Bay, asked for clarification on the contingency amount and asked about costs to bring the WWTP to Title 22.
- Nattalia Merzoyan – Brought up lawsuits against MWH and why is the JPA not investigating these.
- Dorothy Cutter – Wants a guaranteed price before we commit.

**7. Discussion and Consideration of Contract Scope and Cost for Third Party Review and Analysis of the MWH and PERC Projects and Project Cost Estimates – Recommend receive, provide direction to staff and award contract**

This item pulled – no longer applicable.

**8. Schedule Next Joint Meeting and Agenda Items**

It was discussed the next meeting would be on November 11, 2010 which is Veteran's Day, the Board and Council agreed on November 18, 2010 at 6:00 p.m. in Morro Bay.

Agenda items for next meeting:

- Review Public Comment policy.
- Discuss a Citizens Advisory Committee and a Financial Risk Assessment Committee.

**ADJOURNMENT**

President Enns adjourned the meeting at 9:20 p.m.

Minutes recorded by:

Anita Rebich, Cayucos Sanitary District

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

**Technical Advisory Committee**

**MINUTES**

Meeting Date:

Thursday, September 16, 2010 at 1:00 p.m.

Meeting Place:

Veteran's Memorial Building  
209 Surf Street  
Morro Bay, CA 93442

Hosted By:

City of Morro Bay

1. CALL TO ORDER AND ROLL CALL

Enns called the meeting to order at 1:10p.m. and noted the absence of Councilmember Grantham.

City Council Members Present: Mayor Janice Peters

City Staff Members Present: Andrea Lueker, Rob Livick, Bruce Keogh and Cindy Jacinth

Cayucos Sanitary District Members Present: Robert Enns and Shirley Lyon

Cayucos Sanitary District Staff Present: Bill Callahan, Jon Hanlon, Tim Carmel  
and JPA Engineer, Dennis Delzeit

2. PUBLIC COMMENT on Special Meeting Agenda Items only.

No Public Comment was received.

3. Review and Comment of August 19, 2010 TAC Minutes

Carmel noted a correction to Paragraph 6 and provided written corrections to staff.

Keogh noted Steve Hyland's name is misspelled.

Councilmember Grantham arrived.

4. Discussion and Consideration of Revisions to Joint Powers Agreement

Carmel distributed a red-lined version of the JPA for review and discussion. He noted that no changes were made beyond Section 7A and that this revised JPA is just a preliminary document to initiate discussion among Committee members. Carmel explained each section and what changes were made, asking Committee members for direction on moving forward with definitions, the financial agreement and how to delegate each section.

Committee members discussed:

- Procedure for voting and what constitutes a quorum. The method of voting in section 6 is if a majority 3 person vote is not achieved on each side, then action would need a total of 7 votes from the full JPA board. Action taken by two separate entities would require the motion to be identical. Peters asked about the possibility of putting only one motion on the floor to take separate votes. Carmel agreed as long as it is a roll call vote.
- Need to address equalizing ownership and landownership and whether to address that outside the scope of the JPA.
- The different capacities with regard to trunk line, outfall and the treatment plant itself.

- The day to day operations of the plant and the financial limits of \$10,000 as the daily limit for unauthorized purchases. There will need to be some consensus from the TAC.
- The need to revisit how Morro Bay staff time hours are calculated for billing to the CSD.
- Developing an equitable percentage to reflect each entity's portion of cost as it relates to operation and maintenance or a more specific definition.
- The implications of ownership and capacity rights which depend on how capacity and current definitions are defined and whether there should be a separate operating agreement. Carmel noted that equalizing ownership and capacity rights would change the JPA agreement and should be discussed by both the TAC and the full JPA. Carmel stated that due to the sensitivity of this issue, each entity should discuss it separately and then discuss at the JPA meeting.

Carmel encouraged the Committee members to review Section 7 thoroughly as a substantive section of the document to make sure everyone is comfortable.

Keogh stated flow meters need to be clarified.

Committee members and staff discussed the issue of having separate agreements, one for construction in the short term and a separate agreement for operating in order to reflect conditions now which may be different from conditions 10-15 years from now. Also discussed was whether the agreement should specify the CSD's responsibility as co-owner even though Morro Bay operates the plant.

Discussion continued on whether the draft agreement should go to the full JPA board before or after changes are made, with the caveat this is not final.

Lueker said due to the lengthy October agenda, maybe instead at the October TAC meeting, the TAC could get it back with some changes and instead have the draft JPA agreement go the November meeting.

Enns said there is no advantage to own 40% of the property when they only own 28% of the plant. So it might be better yet risky to just state the CSD capacity is 28%/72% and move forward.

Lueker confirmed the draft does not go to the JPA then. Keogh asked if comments should come back a week prior in order for Carmel to input them.

Lewis Brookins arrived.

Delzeit spoke regarding capacity rights but low flow. If you opt for the 28%, that would preclude the District from expanding or annexations. There are future considerations especially with smart growth which generally increases density.

## FUTURE AGENDA ITEMS

Committee members discussed the potential October agenda items and due to a full agenda, whether it would be preferable to hold the JPA meeting over the course of 2 days or have the meeting start early with a long break.

Keogh said the date set for the November JPA meeting might be a conflict because that is Veteran's Day. He is still trying to secure a meeting room for that date. Callahan said he would check with Cayucos staff for a potential Cayucos meeting place.

## ADJOURNMENT

Enns adjourned the meeting at 2:33p.m.

Agenda No. \_\_\_\_\_

Date: November 18, 2010

STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.  
WASTEWATER TREATMENT PLANT**

*to:* Honorable Mayor and City Council, City of Morro Bay  
Honorable President and Board of Directors, Cayucos Sanitary District

*from:* Bruce Keogh, Wastewater Division Manager

*date:* November 10, 2010

*subject:* WWTP Operations Report through September, 2010

*recommendation:*

This Department recommends this report be received and filed.

*fiscal impact:*

None

*summary:*

Attached, find copies of the Morro Bay-Cayucos Wastewater Treatment Plant monthly reports, from August 2010 to September 2010 and the WWTP flow summary, through September 2010. This information updates the item, from the September 9, 2010 meeting.

# **The City of Morro Bay-Cayucos Wastewater Treatment Plant**

## **MONTHLY OPERATIONS SUMMARY** **AUGUST 2010**

Flow for the month of August averaged 1.223 Million Gallons per Day (MGD). Removal of suspended solids ranged from 92.7 % to 94.3 % for the month, with an average removal of 93.6 % for the month. BOD removal ranged from 86.6 % to 87.6 % for the month, with an average removal of 87.0 % for the month. Rainfall for the month was <0.01 inches. For the month of August, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

City and District staff continued to work with staff from MWH on the design process for the plant upgrade project. At the July 8 JPA meeting, the City and Cayucos Sanitary District (MBCSD) approved Amendment #2 to the Facility Master Plan (FMP).

Amendment #2 is available on the City's website. Amendment #2 documents the proposed changes to the FMP and FMP Amendment #1. The changes to the treatment process between Amendments #1 and #2 include; the addition of grit removal in pretreatment, consolidation of screenings, grit removal, and sludge dewatering in a common Residuals Facility, addition of a secondary pump station, deletion of sludge thickening and thickened sludge storage facilities, and designing the tertiary filter and chlorine contact basin to accommodate the future implementation of Title 22 Reclaimed Water capability.

Most importantly, Amendment #2 contains the revised project description that will allow the environmental review process to proceed. Staff will be proceeding with the goal of releasing the draft Environmental Impact Report (EIR) for the forty-five day comment period during September.

On August 9, 10, and 11, staff from Fugro performed geotechnical investigations of the proposed upgrade site. The work included sample borings at various locations throughout the proposed upgrade site.

On August 28, staff from West Coast Safety performed a survey for building materials containing lead and asbestos at the plant. Staff is currently awaiting the results of the study.

Staff from PERC Water is scheduled to present Construction Design Report (CDR) to the City and District on September 23. The CDR will outline a different project delivery method (Design Build) and discuss different treatment technologies. After receiving the CDR, the City and District will have an objective third party perform a Peer Review of the current project being designed by MWH and the proposed PERC project.

On August 19, staff installed a new section of digester gas piping on digester #2, to replace an existing section of severely corroded piping. Staff at Santa Maria Tool fabricated the new section of piping that was installed on the 19<sup>th</sup>. Prior to the repairs,

per the requirements of the plants Air Pollution Control District permit, staff notified staff at the APCD that they would be replacing the gas line.

On August 31, staff discovered a faulty local switch on the jib crane at the headworks. Staff at Harbor Electric was notified and they made temporary repairs while parts were ordered for a permanent repair.

On August 23, staff from BCS chemicals replaced the sodium bisulfite storage tank. During the replacement procedure, staff installed a temporary day storage tank so that the dechlorination process would not be interrupted.

On August 11, staff from Brenntag mounted and installed earthquake hold downs for the sodium hypochlorite storage tank.

On August 3, staff from the California Dept of Industrial Relations Division of Occupational Safety and Health Pressure Vessel Unit toured the plant as part of an inspection of the pressure vessels at the plant. As a result of that inspection, plant staff installed a new pressure relief valve on the air tank located next to the sludge and scum pumps.

Mr. Bruce Keogh was notified by Mr. Bill Worrell of the Integrated Waste Management Authority (IWMA) that Operation Medicine Cabinet would kick off on September 25. Operation Medicine Cabinet is a county wide pharmaceutical take back program. The program would allow the public to drop off unused pharmaceuticals and medications in a secure drop box located at ten different police and Sheriff Stations through out the County, including the Morro Bay Police Station. Pharmaceuticals collected at the various law enforcement stations would be disposed of in an appropriate manner. The secure drop boxes are being provided by the IWMA.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for July 2010
- The Semiannual DMRs for July 1 to December 31, 2010
- The Annual DMR forms for January 1 to December 31, 2010

The following reports were submitted to the CIWQS electronic reporting system:

- The Semiannual Effluent Monitoring Data for July 1 to December 31, 2010
- The July 2010 Monthly Monitoring Data

On August 27, staff began construction of a compost windrow, compost batch #34. The windrow was constructed using 30 yards of dried biosolids and 135 yards of green waste. The composting process is expected to take twelve weeks to complete.

Staff continued the composting process on compost batch #31, #32 and #33. The composting process is expected to take twelve weeks to complete.

On August 3, Mr. Bruce Keogh, Mr. Les Girvin, Mr. John Gunderlock, and Mr. Dave Bierman toured the Santa Paula wastewater treatment plant.

On August 13, Mr. Bruce Keogh, Mr. Les Girvin, Mr. George Helms, and Mr. Dave Bierman toured the Mountain House wastewater treatment plant.

On August 18, ten concerned citizens toured the plant.

The National Estuary Program Volunteer Monitoring Program continued analysis of bacterial samples collected from throughout the watershed in the laboratory at the plant. The volunteers are using space provided in the lab by plant staff.

The permanent household hazardous waste collection facility (PHHWCF) at the plant continued to be well used by the public. Between twenty and fifty participants are using the facility each Saturday.

Bruce Keogh  
Wastewater Division Manager  
Lab/C/Bruce/Monthlys/August 2010

# **The City of Morro Bay-Cayucos Wastewater Treatment Plant**

## **MONTHLY OPERATIONS SUMMARY** **SEPTEMBER 2010**

Flow for the month of September averaged 1.066 Million Gallons per Day (MGD). Removal of suspended solids ranged from 92.6 % to 96.4 % for the month, with an average removal of 94.4 % for the month. BOD removal ranged from 87.8 % to 90.7 % for the month, with an average removal of 89.5 % for the month. Rainfall for the month was <0.01 inches. For the month of September, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

City and District staff continued to work with staff from MWH on the design process for the plant upgrade project and ESA for the environmental review and permitting process.

On September 20, the draft Environmental Impact Report (dEIR) for the upgrade project was released for review and public comment. The comment period for the dEIR closes on November 4, 2010, and all written comments should be sent to Mr. Rob Livick the Public Services Director for the City of Morro Bay. The City and District are holding three public meetings to receive public comments regarding the scope, content, and analysis provided in the dEIR.

During the first week in September, staff from EDA – Design Professionals performed a survey of the both the proposed upgrade site and the area surrounding the treatment plant.

Treatment plant staff completed an influent sampling program designed to verify influent loading parameters to the plant. The sampling program was conducted on a weekly basis from Memorial Day weekend through the Labor Day weekend.

On September 23, City and District staff met with staff from PERC Water for a presentation of the PERC Construction Design Report (CDR). The CDR presented was incomplete and PERC staff stated they would bring back construction and project cost estimates at the October 14, JPA meeting. After the receipt of a complete CDR, the City and District will have an objective third party perform a Peer Review of the current project being designed by MWH and the proposed PERC project.

On September 20, the outfall pipeline and diffuser system was inspected by Carson Porter Diving. They reported that the outfall appears to be in good condition, with no plugged or broken diffusers. They removed the spar buoys and associated ground tackle for inspection and recommended that the buoys and ground tackle be replaced. Plant staff constructed new buoys and purchased new ground tackle. Staff notified Carson Porter Diving and they will re-install the buoys weather permitting.

On September 20, staff rebuilt sludge pump #2. They discovered a two inch tear in the diaphragm of the pump. The rebuild included replacement of the o-rings on the shaft, new face gaskets, new balls and seats, and new diaphragms. The pump is on-line and operating as designed.

On September 16, staff from Perrys Motors installed main influent pump #3. The pump had been removed on September 8, so they could perform warranty work on the main pump seal that had been leaking. The pump is on-line and operating as designed.

On September 30, staff performed minor repairs to the guide wheels on the floating dome of Digester #3. The guide wheels keep the floating dome correctly aligned within the digester walls.

On September 2, the new biofilter distributor arms for biofilter #1 arrived at the plant. Staff is making preparations for the installation of the new distributor arms in October.

On September 6, plant discovered a leak in the supply piping to the chemical dosing pump used to pump ferrous chloride to the headworks. Staff immediately isolated the pump and replaced the supply piping. Approximately 400 gallons of ferrous drained into the headworks as a result of the leak. No operational issues were noted as a result of the leak.

On September 7, staff from Harbor Electric installed a new local switch on the jib crane at the headworks.

On September 21, staff was on-site when a power outage occurred at 1407 hours; the power was restored at 1458 hours. During the outage the emergency auxiliary generator provided power to the plant, no operational issues were noted with either the transfer of power to and from the auxiliary generator or with other plant processes.

On September 16, Sentry alarms notified plant staff that the alarm system for the plant had experienced a minor glitch during a signal test performed daily by Sentry Alarms. They stated the alarm system was operational and were unsure why the glitch had occurred. On September 28, Mr. Cris Hill performed an inspection of the alarm system at the plant and stated that it was operating as designed and that no upgrades were required at this time. As a result of the inspection, the transformer and battery back up for the alarm panel were replaced.

On September 25, the Integrated Waste Management Authority (IWMA) held a press conference to kick off Operation Medicine Cabinet. Operation Medicine Cabinet is a county wide pharmaceutical take back program. The program will allow the public to drop off unused pharmaceuticals and medications in a secure drop box located at ten different police and Sheriff Stations through out the County, including the Morro Bay Police Station. Pharmaceuticals collected at the various law enforcement stations will be disposed of in an appropriate manner. The secure drop boxes are being provided by the IWMA.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for August 2010

The following reports were submitted to the CIWQS electronic reporting system:

- The August 2010 Monthly Monitoring Data

Staff continued the composting process on compost batch #32, #33, and #34. The composting process is expected to take twelve weeks to complete.

On September 21, Mr. Randy Freidlander from the California Integrated Waste Management Board – Permitting and Enforcement Division toured the composting operation at the plant as part of their regularly scheduled quarterly inspection.

On September 9, Mr. Bruce Keogh, Mr. John Gunderlock, Mr. George Helms, and Mr. Dave Bierman attended the California Water Environment Association Tri Counties Workshop and Training Seminar in San Luis Obispo.

On September 20-24, Mr. John Gunderlock attended a Grade IV & V Operator Certification Review sponsored by Wastewater Technology Trainers. He is scheduled to take his Grade IV Wastewater Treatment Plant Operator exam on October 4.

On September 15, Mr. Bert Somers of Teichert Construction, a representative of PERC Water toured the plant.

The National Estuary Program Volunteer Monitoring Program continued analysis of bacterial samples collected from throughout the watershed in the laboratory at the plant. The volunteers are using space provided in the lab by plant staff.

The permanent household hazardous waste collection facility (PHHWCF) at the plant continued to be well used by the public. Between twenty and fifty participants are using the facility each Saturday.

Bruce Keogh  
Wastewater Division Manager  
Lab/C/Bruce/Monthlys/September 2010

## STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.  
WASTEWATER TREATMENT PLANT**

**To:** Honorable Mayor and City Council, City of Morro Bay  
Honorable President and Board of Directors, Cayucos Sanitary District

**From:** Dennis Delzeit, P.E., Project Manager

**Date:** November 18, 2010

**Subject:**

Status Report on Upgrade Project as of November 10, 2010.

**Recommendation:**

By motion, receive this report and provide staff with comments and direction as deemed appropriate by the City Council and the District Board.

**Fiscal Impact:**

- Each of the consultants on the project are within their current contract budgets.
- The Discharge Permit includes scheduling requirements that are in the Settlement Agreement. The permit stipulates a potential fine of \$100 per day for failure to meet project milestones. All of the "Conversion Schedule" deadlines have been met except for the release of the draft Environmental Impact Report. The potential fine exposure is approximately \$54,200. However, all fines are eliminated if the project is completed by March 31, 2014. The project schedule proposes to meet that deadline.
- In the MWH contract the surveying amendment in the amount of \$41,300 will be finalized when the City and the District agree to the cost sharing ratio between the two jurisdictions.
- In the ESA contract there are two amendments that are not finalized or approved yet:
  1. Cultural resources testing in response to the Chumash concern for compliance with Section 106 of the National Historic Preservation Act: \$22,000;
  2. Extra meeting for the October 28 DEIR public workshop: \$2,500.

**Discussion:**

The majority of the activity during the past month has involved the draft EIR, the Coastal Development Permit and the Conditional Use Permit.

The draft EIR was released to the public on September 20 and ESA gave a presentation overview to the Planning Commission on October 4 and to the JPA on October 14. The JPA requested an additional opportunity for the public to review and comment on the DEIR so a public workshop was conducted on October 28.

At the October 14 JPA meeting a Chumash representative expressed concern for the procedures outlined in the DEIR regarding cultural resources and conformance with Section 106 of the National Historic Preservation Act. In follow-up, a meeting was conducted at the plant site on October 28 with Chumash representatives, MBCSD staff and consultants. An action plan is being proposed by ESA to address concerns that were raised. At the October 28 EIR workshop, a Chumash representative publicly announced that he is pleased with the MBCSD response to his concerns.

The deadline for public comments on the DEIR was November 4. ESA is reviewing the comments and will provide written responses that will be included in the final EIR.

The draft EIR, the Conditional Use Permit and Coastal Development Permit will be presented to the Planning Commission at the December 6 meeting. The Planning Commission will provide an advisory recommendation to the City Council for the meeting that is scheduled for January 10, 2011 for consideration of certifying the EIR.

#### Major Milestone Schedule<sup>1</sup>

- Planning Commission Recommendation: CUP/CDP and DEIR  
December 6, 2010
- Council considers certifying the EIR and approval of the Conditional Use Permit and Coastal Development Permit  
January 10, 2011
- Submit SRF Application to the State Board  
February 11, 2011
- Issuance of Financing Agreement  
May 11, 2011
- Submit first disbursement request to State Board  
May 11, 2011
- Completion of the Design  
October 5, 2011
- Advertise for Construction Bids  
November 17, 2011
- Receive Construction Bids  
January 11, 2012
- Award Construction Contract, after receiving State Revolving Loan Approval  
March 1, 2012
- Start Construction  
March 8, 2012
- Completion of Construction  
February, 2014
- Achieve full compliance with federal secondary treatment Requirements  
March 31, 2014

#### Design:

Final design of the project will begin after approval of the permits and certification of the EIR. The current focus of the MWH's work generally involves two categories: providing exhibits for the CUP and CDP; preliminary geotechnical work and surveying.

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<sup>1</sup> This schedule is a condensed version of a detailed project schedule that contains 55 work tasks.

- Fugro has finished their field program and is finalizing their geotechnical report.
- The property boundary survey has been authorized to be done by EDA. After that, the site survey and aerial survey will occur.
- Contract Fee Status:
  - Contract Amount: \$2,700,000.00
  - Addendum #1, updated flows and loadings: \$ 9,000.00
  - Addendum #2, advanced treatment options: \$ 9,600.00
  - Addendum #3, new cost estimate \$ 18,700.00
  - Revised MWH Contract Amount: \$2,737,300.00
  - Amount Billed to Date: \$ 298,162.33
  - Amount Remaining: \$2,439,137.67
  - Percent of Contract Billed: 11%

Environmental:

- A public presentation of the DEIR was made to the Planning Commission on October 4 and a follow up presentation was made to the JPA on October 14. An informal public workshop was conducted on October 28.
- The deadline for public comment to the EIR was November 4.
- ESA is reviewing the public comments and will provide written responses that will be included in the EIR which will be presented to the Planning Commission on December 6 and the City Council on January 10.
- Contract Fee Status:<sup>2</sup>
  - Contract Amount: \$333,431
  - Amount Billed to Date: \$286,237
  - Amount Remaining: \$ 47,194
  - Percent of Contract Billed: 85.85%

Coastal Development Permit and Conditional Use Permit

- The CDP and CUP will be submitted to the Planning Commission at the December 6 meeting and the Planning Commission will provide an advisory recommendation to the City Council for consideration at the January 10 meeting.

State Revolving Fund Loan:

- The SRF processing is on hold pending the City's processing of the 2005 Urban Water Management Plan requirement to participate in the California Urban Water Conservation Council. The City predicts that this may take several weeks to determine if the City's request for an exemption from this requirement will be approved.
- Credit Review Check List: The Urban Water Management Plan must be updated. This will occur this year.
- The Environmental Impact Report must be certified in order to qualify for the SRF loan.

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<sup>2</sup> ESA's billing status was not available as of this staff report deadline. The information herein is the same as the information in last month's report. An update will be provided in the December JPA monthly report.

- JPA Agreement: The City and the District are in the process of updating the JPA Agreement. The loan application will be a single application submitted by the JPA.
- Delzeit/WG developed a tracking sheet to keep track of the various application attachments. This information was disseminated to MBCSD staff on 10/6/10, and further refinement of the list and assigned staff will follow. SRF application timeline will then be input into the overall Project Schedule. It is envisioned that the initial funding agreement can be completed by Spring 2011, and disbursement requests for expended planning and design costs may begin by Summer 2011.
- It is noted that Meghan Brown of State Board will resign from her current position; thus, a new State Board staff will be assigned to the SRF Loan process in the following month.

Project Manager Activities:

- Prepared five staff reports for the October 14 JPA meeting;
- Updated the monthly report to the JPA;
- Participated in the project team meetings;
- Attended the Planning Commission Meeting for the presentation of the DEIR on October 4;
- Communicated with David LaCaro, RWQCB, concerning the conversion schedule and fines;
- Updated the FAQ's for the web site;
- Coordinated with MWH and the City regarding the CUP/CDP;
- Meeting in Carmel's office on October 13 to prepare for the Oct 14 JPA meeting;
- Meeting on October 13 with Rob Livick, Kathleen Wald and Jeremy Freund regarding the CUP and CDP process;
- Reviewed, commented and processed MWH contract amendments;
- Meeting on October 14 with Fugro and MBCSD to review the geotech draft report;
- Attended the JPA meeting on October 14 in Cayucos;
- Provided web site update information to the City;
- Updated the project schedule;
- Reviewed Section 106 requirements;
- Responded to Jack McCurdy's request for information on October 22;
- Meeting on October 28 with MBCSD, ESA and Chumash;
- Attended the October 28 DEIR workshop;
- Contract Fee Status:
  - Original Contract amount: \$250,000.00
  - Contract Amendment PERC \$ 3,000.00<sup>3</sup>
  - Revised Contract Amount: \$253,000.00
  - Amount billed to date: \$ 36,881.07
  - Amount remaining: \$216,118.93
  - Percentage of contract billed: 14%

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<sup>3</sup> The amount was originally estimated at \$5,000. However, when the PERC issue was dropped, the total time spent was slightly over \$3,000.

STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.  
WASTEWATER TREATMENT PLANT**

*to:* Honorable Mayor and City Council, City of Morro Bay  
Honorable President and Board of Directors, Cayucos Sanitary District

*from:* Susan Slayton, Administrative Services Director

*date:* November 8, 2010

*subject:* FY 2008/09 WWTP Audit

*recommendation:*

Accept the WWTP audit report.

*fiscal impact:*

None

*summary:*

Bob Crosby, CPA, will discuss the MB/CSD Wastewater Treatment Plant's 2008/09 audit report, and answer any questions.

**MORRO BAY-CAYUCOS  
WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT**

**Independent Auditor's Report  
and  
Financial Statements**

**For the Year Ended  
June 30, 2009**

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2009**

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**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2009

**Management's Discussion and Analysis**

This section of the Morro Bay/Cayucos Sanitary District Wastewater Treatment Plant (Treatment Plant) audit report presents a narrative overview and analysis of the financial activities of the Treatment Plant for the fiscal year ended June 30, 2009. The City of Morro Bay's Finance Department prepared this discussion and analysis. Please read it in conjunction with the Treatment Plant's basic financial statements, which begin on page 2. Unless otherwise indicated, all amounts are expressed in thousands of dollars.

**Financial Statements**

The Treatment Plant's financial statements are those of a jointly owned facility engaged in the receiving, processing and disposing of wastewater and bio-solids. It has only one fund, which is a proprietary, or enterprise, fund (*business-type*). Under Governmental Accounting Standards Board (GASB) Statement No. 34, component units of the primary government that have only business activities may present enterprise fund financial statements as follows: 1) statement of net assets; 2) statement of revenues, expenses and changes in net assets; and 3) statement of cash flows.

The Treatment Plant's basic financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles. The basic financial statements begin on page 2 of this report.

The following table indicates the net assets as of the fiscal years ending June 30, 2009, with comparative information for June 30, 2008:

<b>Treatment Plant's Net Assets</b>		
(Amounts expressed in \$1,000s)		
	2009	2008
Current and other assets	\$ 375	\$ 318
Capital assets	2,758	3,156
Total assets	3,133	3,474
Accounts payable	320	270
Other liabilities	55	48
Total liabilities	375	318
Net assets:		
Invested in capital assets, net of related debt	2,758	3,156
Unrestricted	-	-
Total net assets	\$ 2,758	\$ 3,156

For all fiscal years presented, the Treatment Plant was able to report a positive balance in net assets.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT  
MANAGEMENT DISCUSSION AND ANALYSIS  
Fiscal Year Ending June 30, 2009**

**Treatment Plant's Changes in Net Assets**  
(Amounts expressed in \$1,000s)

	<u>2009</u>	<u>2008</u>
Charges for services	\$ 2,097	\$ 1,667
Other revenues	<u>-</u>	<u>-</u>
Total revenues	2,097	1,667
Plant operations	(2,506)	(2,120)
Transfers	<u>11</u>	<u>(111)</u>
Decrease in net assets	<u>(398)</u>	<u>(564)</u>
Net assets - July 1	<u>3,156</u>	<u>3,720</u>
Net assets - June 30	<u><u>\$ 2,758</u></u>	<u><u>\$ 3,156</u></u>

**Capital assets.** The Treatment Plant's investment in capital assets as of June 30, 2008 amounts to \$2,758,289, net of accumulated depreciation. This investment in capital assets includes the buildings, machinery, equipment, and vehicles

**Treatment Plant's Net Capital Assets**  
(Amounts expressed in \$1,000s)

	<u>2009</u>	<u>2008</u>
Plant	\$12,764	\$12,764
Machinery and equipment	1,492	1,410
Vehicles	73	52
Less accumulated depreciation	<u>(11,571)</u>	<u>(11,070)</u>
Net capital assets	<u><u>\$ 2,758</u></u>	<u><u>\$ 3,156</u></u>

Additional information on capital assets can be found in Note 5 on page 8.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 5 of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the Treatment Plant's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442.

# CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-6100 FAX: (805)858-9505

## Independent Auditor's Report

### Governing Bodies

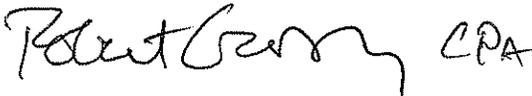
Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement)

I have audited the accompanying financial statements of the business-type activities of the Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement), a component unit of the City of Morro Bay and the Cayucos Sanitary District, as of and for the year ended June 30, 2009, which collectively comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morro Bay-Cayucos Wastewater Treatment Plant's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Morro Bay-Cayucos Wastewater Treatment Plant as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement) basic financial statements. The supplemental Schedule I listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Morro Bay-Cayucos Wastewater Treatment Plant. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



**CROSBY COMPANY**  
**Certified Public Accountant**

January 29, 2010

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
As of June 30, 2009

<b>ASSETS</b>		
<b>Current assets:</b>		
Accounts receivable	\$	4,532
Due from members		369,881
Accrued interest receivable		1,022
Total current assets		375,435
<b>Noncurrent assets:</b>		
Capital assets		
Plant		12,764,471
Machinery and equipment		1,491,975
Vehicles		73,371
Less accumulated depreciation		(11,571,528)
Total noncurrent assets		2,758,289
Total assets	\$	3,133,724
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$	320,541
Accrued liabilities		54,894
Total liabilities	\$	375,435
<b>Net assets:</b>		
Invested in capital assets	\$	2,758,289
Total net assets	\$	2,758,289

The accompanying notes are an integral part of these financial statements

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2009

<b>Operating revenues:</b>	
Operating revenue	\$ 2,096,781
Total revenue	2,096,781
<b>Operating expenses:</b>	
Salaries	448,293
Employee costs	246,440
Allocated costs	40,247
Operating supplies	226,743
Depreciation	500,741
Repairs and maintenance	227,571
Contractual services	399,978
Professional development	1,800
Professional services	34,175
Communications	1,520
Utilities/waste disposal	173,258
Insurance	193,128
Licenses, fees and permits	11,567
Total operating expenses	2,505,461
Operating loss	(408,680)
<b>Non-operating revenues</b>	
Transfers	11,448
<b>Changes in net assets:</b>	(397,232)
<b>Net assets-beginning:</b>	3,155,521
<b>Net assets-ending:</b>	\$ 2,758,289

The accompanying notes are an integral part of these financial statements

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
As of June 30, 2009

<b><i>Cash flows from operating activities:</i></b>	
Cash received from operating revenue	\$ 2,092,249
Payments to employees	(449,021)
Other payments	(1,551,167)
Net cash provided by operating activities	92,061
<b><i>Cash flows from capital and related financing activities:</i></b>	
Acquisition of capital assets	(103,509)
Net cash used by capital and related financing activities	(103,509)
<b><i>Cash flows from non-capital and related financing activities:</i></b>	
Transfers-in	11,448
Net cash provided by non-capital and related financing activities	11,448
<b><i>Net change in cash:</i></b>	-
<b><i>Cash and cash equivalents-beginning:</i></b>	-
<b><i>Cash and cash equivalents-ending:</i></b>	\$ -
<b><i>Reconciliation of operating income to net cash provided by operating activities:</i></b>	
Operating loss	\$ (408,680)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	500,741
Net changes in assets and liabilities	
Accounts receivable	(4,532)
Due from members	(52,932)
Accounts payable	50,305
Accrued liabilities	7,159
Net cash provided by operating activities	\$ 92,061

The accompanying notes are an integral part of these financial statements

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2009

**NOTE 1: ORGANIZATION**

The Morro Bay-Cayucos Wastewater Treatment Plant began operations in 1953 under the authorization of a joint construction and operation agreement dated June 16, 1953. This agreement has subsequently been amended, and the current authorization is under a joint powers agreement for the ownership, operation, and maintenance of the wastewater treatment facilities dated October 25, 1982, for the purpose of providing treatment for each member's wastewater. Operating expenses are allocated to each member based on actual wastewater flow percentages. The Plant is governed jointly by the City Council of Morro Bay and the Board of Directors of the Cayucos Sanitary District.

*Reporting Entity*

The Morro Bay-Cayucos Wastewater Treatment Plant (Plant) complies with U.S. Generally Accepted Accounting Principals and all relevant Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the Plant's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

*Financial Records*

The books and records of the Plant are maintained by the City of Morro Bay.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Proprietary Fund Type (Enterprise Funds)*

The Plant accounts for its operation as an Enterprise Fund. Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2009

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Basis of Accounting*

The enterprise funds of the Plant are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

*Budgets and Budgetary Accounting*

An annual budget is adopted by the Governing Bodies at the start of each year. Any changes or revisions to that budget throughout the year must be approved by the Governing Bodies.

*Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Accounts Receivable*

Accounts receivable are written off in full when the receivable is deemed totally uncollectible. An allowance for uncollectibles is not considered necessary since it would not be material.

*Capital Assets*

All capital assets are valued at historical cost, or estimated historical cost if actual costs are not available. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Treatment Facilities	30 years
Equipment	5-19 years

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2009**

**NOTE 3: CASH AND CASH EQUIVALENTS**

All Plant transactions are made through the City of Morro Bay's pooled cash account. Adjustments are made to the members due to/from accounts so that the Plant does not record any cash balances in the financial statements at year end.

**NOTE 4: DUE FROM MEMBERS/ACCRUED INTEREST**

Amounts due from Members at June 30, 2009, are as follows:

<u>Members</u>	<u>Balance at June 30, 2009</u>
City of Morro Bay	\$ 292,351
Cayucos Sanitary District	<u>77,530</u>
Total	<u>\$ 369,881</u>

Interest is accrued at 10% per annum or prime plus 2%, whichever is greater, on all unpaid amounts under the joint powers agreement. Total accrued interest due from Members at June 30, 2009, is as follows:

<u>Members</u>	<u>Balance at June 30, 2009</u>
City of Morro Bay	\$ -
Cayucos Sanitary District	<u>1,022</u>
Totals	<u>\$ 1,022</u>

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2009

**NOTE 5: CAPITAL ASSETS**

A summary of capital assets by major classification, are as follows:

<u>Capital Assets</u>	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance at June 30, 2009</u>
Plant	\$ 12,764,471	\$ -	\$ -	\$ -	\$ 12,764,471
Machinery and Equipment	1,409,499	82,476			1,491,975
Vehicles	52,338	21,033			73,371
Subtotal - Capital assets	<u>14,226,308</u>	<u>103,509</u>			<u>14,329,817</u>
Subtotal - Accumulated Depreciation	<u>(11,070,787)</u>	<u>(500,741)</u>			<u>(11,571,528)</u>
Capital assets, net	<u>\$ 3,155,521</u>	<u>\$(397,232)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,758,289</u>

Depreciation expense was \$500,741 for the year ending June 30, 2009.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT**

**SCHEDULE ALLOCATING OPERATING EXPENSES  
For the Period July 1, 2008 through June 30, 2009**

Operating costs are allocated to the City of Morro Bay and the Cayucos Sanitary District based on actual average quarterly flow percentages. The average quarterly flow percentages, and the average quarterly operating costs charged to the City of Morro Bay and the Cayucos Sanitary District for the period July 1, 2008 through June 30, 2009 are presented below.

<u>Quarter</u>	<u>Average Flow Percentage</u>			<u>Operating Expenditures</u>		
	<u>City of Morro Bay</u>	<u>Cayucos</u>		<u>City of Morro Bay</u>	<u>Cayucos</u>	
		<u>Sanitary District</u>	<u>Total</u>		<u>Sanitary District</u>	<u>Total</u>
Accounts receivable at June 30, 2008						
July 1 - September 30, 2008	75.46%	24.54%	100%	\$ 110,446	\$ 206,503	\$ 316,949
October 1 - December 31, 2008	76.66%	23.34%	100%	328,108	106,703	434,811
January 1 - March 31, 2009	74.95%	25.05%	100%	459,955	140,038	599,993
April 1 - June 30, 2009	77.40%	22.60%	100%	357,280	119,411	476,691
				453,011	132,275	585,286
Total allocated to operating expenditures				1,708,800	704,930	2,413,730
Amount reimbursed through June 30, 2009				(1,416,449)	(627,400)	(2,043,849)
Balance due from members at June 30, 2009				\$ 292,351	\$ 77,530	\$ 369,881

JPA Agenda Item No. \_\_\_\_\_

Date: \_\_\_\_\_

Action: \_\_\_\_\_

STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.  
WASTEWATER TREATMENT PLANT**

TO: HONORABLE MAYOR AND CITY COUNCIL, CITY OF MORRO BAY  
HONORABLE PRESIDENT AND BOARD OF DIRECTORS, CAYUCOS  
SANITARY DISTRICT

FROM: ROB SCHULTZ, CITY ATTORNEY, CITY OF MORRO BAY

DATE: NOVEMBER 10, 2010

SUBJECT: DISCUSSION ON JPA POLICY CONCERNING THE PUBLIC COMMENT PERIOD  
AT MEETINGS

RECOMMENDATION:

Staff recommends that the City/District review this report and provide direction to Staff on developing a Policy for Public Comment Period at Meetings.

DISCUSSION:

At previous JPA Meetings the issue has arisen on whether there must be a public comment period during every agenda item. The Brown Act states at Government Code Section 54954.3:

(a) Every agenda for regular meetings shall provide an opportunity for members of the public to directly address the legislative body on any item of interest to the public, before or during the legislative body's consideration of the item, that is within the subject matter jurisdiction of the legislative body...

The majority of public entities have a public comment period at the beginning portion of their meeting when members of the public may speak to any relevant topic that is not on the agenda and is within the subject matter jurisdiction of the legislative body. The public is also allowed to speak to each item on the agenda as it is being discussed in the meeting. This Policy does require the public to wait until an agenda item is heard before making a public comment.

JPA Agenda Item No. \_\_\_\_\_

Date: \_\_\_\_\_

Action: \_\_\_\_\_

The minority of public entities (including Morro Bay) have a public comment period at the beginning portion of their meeting when members of the public may speak to any relevant topic regardless of whether it is on the agenda (unless it is specifically listed as a public hearing) and is within the subject matter jurisdiction of the legislative body. This Policy allows the public to speak at the beginning of the meeting before the agenda item and not have to wait until an agenda item is heard before making a public comment. The decision on how to receive public comment is a policy decision for the City Council and Board to discuss and decide.

CONCLUSION:

Staffs for the City and District both recommend that their respect bodies discuss how they would like to hear public comment at a meeting and direct staff to prepare a policy for approval.

Agenda No. \_\_\_\_\_

Date: November 18, 2010

STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.  
WASTEWATER TREATMENT PLANT**

*to:* Honorable Mayor and City Council, City of Morro Bay  
Honorable President and Board of Directors, Cayucos Sanitary District

*from:* Bruce Keogh, Wastewater Division Manager

*date:* November 10, 2010

*subject:* Discussion and Consideration to Form a Citizens Advisory Committee and Financial Risk Assessment Committee

*recommendation:*

Following Discussion by the Council and District Board, that they provide direction to staff

*fiscal impact:*

None

*summary:*

There is no staff report for this agenda item.