

**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  
Harold Fones, Vice-President  
Shirley Lyon, Director  
Michael Foster, Director  
Dan Chivens, Director

**City of Morro Bay City Council:**

William Yates, Mayor  
Noah Smukler, Vice-Mayor  
Carla Borchard, Councilmember  
Nancy Johnson, Councilmember  
George Leage, Councilmember

**AGENDA**

**MEETING DATE:**

6:00 p.m., Thursday, January 12, 2012

**MEETING PLACE:**

Multi-Purpose Room, Community  
Center  
1001 Kennedy Way  
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**

Unless an item is pulled for separate action by the City Council or Cayucos Sanitary District Board, the following items are approved without discussion

A-1 MINUTES OF NOVEMBER 10, 2011 JPA MEETING

**Recommendation: Approve as submitted**

**B. OLD BUSINESS**

B-1 STATUS REPORT ON UPGRADE PROJECT AS OF JANUARY 1, 2012

**Recommendation: Receive the Status Report and direct staff accordingly**

**C. NEW BUSINESS**

C-1 PRESENTATION OF THE FY 2009/2010 WWTP AUDIT

**Recommendation: Following consideration of this item, that the Council and District Board accept the report**

C-2 CONSIDERATION TO APPROVE FUNDING FOR MAINTENANCE ACTIVITIES FOR THE OCEAN OUTFALL

**Recommendation: Following consideration of this item, that the Council and District Board approve funding for completion of maintenance activities on the ocean outfall**

C-3 CONSIDERATION AND DISCUSSION REGARDING AMENDMENTS TO DUDEKS CONTRACT FOR THE COASTAL APPEALS PROCESS

**Recommendation: Following consideration of this item, that the Council and District Board approve the proposed amendments to Dudek's contract for the Coastal Appeals Process**

C-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. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Public Services' Administrative Technician at (805) 772-6261, or the Cayucos Sanitary District at (805) 995-3290. Notification 24 hours prior to the meeting will enable the City and District to make reasonable arrangements to ensure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the City of Morro Bay or the Cayucos Sanitary District after distribution of the agenda packet are available for public inspection at the scheduled meeting.

AGENDA ITEM: \_\_\_\_\_ A-1 \_\_\_\_\_

DATE: \_\_\_\_\_ January 12, 2012 \_\_\_\_\_

ACTION: \_\_\_\_\_

**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  
Hal Fones, Vice-President  
Shirley Lyon, Director  
Michael Foster, Director  
Dan Chivens, Director

**CITY OF MORRO BAY CITY COUNCIL  
MEMBERS:**

William Yates, Mayor  
Noah Smukler, Vice-Mayor  
Carla Borchard, Councilmember  
George Leage, Councilmember  
Nancy Johnson, Councilmember

**MEETING DATE:**

6:00 p.m., Thursday, November 10, 2011

**HOSTED BY:**

City of Morro Bay

**MEETING PLACE:**

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

**CALL TO ORDER AND ROLL CALL**

Mayor Yates called the meeting to order at 6:05 p.m. and asked for a roll call vote which showed all Council members are present and all Cayucos Sanitary District Board members present with the exception of Director Dan Chivens.

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

Cayucos Staff members present were Bill Callahan and District Counsel Tim Carmel.

**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.

Mayor Yates opened Public Comment period:

- John Solu, resident of Morro Bay, presented a current bill of a Morro Bay hotel room and explained how the cost per person per day will increase from the current plant location to the proposed alternate sites.
- John Barta, resident of Morro Bay, stated that engineers and specialists reviewed the current site location two years ago and concluded a \$30 million cost. Now, a third of a million dollars has been spent to come to the same conclusion they had 2 years ago.

- Richard Sadowski, resident of Morro Bay, stated he is a former employee of the Cayucos Sanitary District and spoke against the current site location and disagreed with Mr. Barta. Sadowski spoke in favor of moving the plant location and stated grants are available to reduce the costs. Sadowski stated staff was dumping brine from the outfall and the JPA should be re-written. He spoke in favor of the Chevron site which would address the H2S problem.
- Robert Staller, resident of Morro Bay, and avocado farmer, stated water is a very valuable resource and water reclamation has to be included as part of the package. Mr. Staller stated a lot of time and money is being wasted and the Coastal Commission is not going to buy it.
- Marla Jo Brutan, resident of north Morro Bay, spoke against the current plant location. She stated money is being wasted pursuing the project at the current location. She stated the EIR should have been done earlier.
- Bill Martony, resident of Morro Bay, also spoke regarding the cost. He stated if the plant were moved outside the flood plain, a plant could be built close to \$20 million as PERC Water Company had offered. He spoke in favor of sites that were excluded from the analysis due to being prime agricultural land and stated there would not be much difference in cost with the 2 alternative sites compared to the current site.
- Jane Heath, resident of Morro Bay, expressed concern about the incremental costs over time and also concern about scarce potable water. Ms. Heath stated if the plant is built in current location we will be here again and costs will increase.
- Andrew Christie, Director of Sierra Club, stated in addition to the high costs, there should be more concern on what needs to be done to get a coastal development permit. Mr. Christie addressed the consultant's alternatives analysis report recommendations and stated the consultants ignored facts. He also stated the Coastal Commission staff have made it clear that recycled water should be part of this project and urged the JPA to comply.
- Jennifer Blonder, member of Surfrider, spoke regarding getting sick from the water during surfing. Ms. Blonder stated as a second grade teacher, her students suggested ponding, using the water to recycle paper, and using water on golf courses. She spoke against the ocean outfall and in favor of the Petaluma model.
- Betty Winholtz, resident of Morro Bay, stated the JPA has not done what the community has said and spoke against the current site location and that the JPA has treated the current site as exceptional. Ms. Winholtz also spoke against the high costs for consultants.
- Barbara Doerr, resident of Morro Bay, referenced the alternative sites study and encouraged the JPA to let the community choose the new location of site. Ms. Doerr stated the current WWTP location should be sold and to use the profits to go back to the district.
- Jack McCurdy, resident of Morro Bay, referenced the November 2010 letter from the Coastal Commission which said a new draft EIR must be conducted. Mr. McCurdy wanted to know if the Dudek report is the equivalent of an EIR and stated there is no evidence of a valid cost analysis. Also, the Dudek report gave the present site a top rating on cost by giving all other sites a negative rating and the present site a perfect rating because it alleges the proposed site would have no permitting, planning and permit costs.
- Barry Brannin, resident of Moro Bay, referenced a Labor Day weekend news article which stated the State water pumps failed as well as the City's back up water and spoke in favor of recycled water.
- Dan Glesmann, resident of Morro Bay, stated he didn't see a cost allocation in the report for the financing and thinks that should be counted. He also read a prepared note that he found which spoke in favor of the Chevron site and controlling costs.
- Bob Doerr, resident of Morro Bay, referenced Los Osos' decision to change the plant location and stated Morro Bay also has an opportunity to change their plant location.
- Richard Margetson, resident of Cayucos, spoke about Los Osos's decision to change the plant location and stated he put up the Los Osos signs to get the sewer moved. Despite being labeled the minority, the opponents were able to get the sewer moved from the Tri-W site to the site outside of town. He addressed the similarities from the Los Osos sewer project to Morro Bay. He recommended that the JPA put out a survey to determine location preference.
- Dave Jewel, resident of Morro Bay, stated he was also involved with the purchase of the Tri-W property transaction, the original Los Osos location and is working with the County on the current Los Osos site. In reviewing this screening analysis, it does not give detail about increased property acquisition costs. He notes that the report doesn't consider that the WWTP is in a prime location and stated the analysis needs to look at the sale of the current WWTP property to offset the purchase of either the Chevron or the Righetti site.
- Michael Lucas, resident of Morro Bay, stated a year ago the Planning Commission told the City Council the Coastal Commission would not approve this project. He stated the process is flawed and compared locating the

project at beachfront property versus inland. He also stated he was disappointed to see so much community input has been disregarded.

Mayor Yates closed Public Comment period.

## **A. CONSENT CALENDAR**

### **A-1 MINUTES OF SEPTEMBER 8, 2011 JPA MEETING**

### **A-2 WWTP OPERATIONS REPORT THROUGH SEPTEMBER 2011**

**MORRO BAY MOTION:** Borchard made a motion to approve the Consent Calendar. The motion was seconded by Yates and passed unanimously (5-0).

**CAYUCOS MOTION:** Fones made a motion to approve the Consent Calendar. The motion was seconded by Lyon and passed unanimously (4-0).

## **B. OLD BUSINESS**

### **1 STATUS REPORT ON UPGRADE PROJECT AS OF NOVEMBER 1, 2011**

**Recommendation: Receive the Status Report and direct staff accordingly**

Dennis Delzeit presented the status report.

Councilmember Smukler discussed with Delzeit the suspension status of the lobbyist consultant. Smukler requested to remove the stipulation that staff can bring back consultant and instead only bring back the consultant unless Board approves this action. Tim Carmel and Rob Schultz stated this would have to be agendized so as to not violate the Brown Act.

### **2 CONSIDERATION TO DISCONTINUE THE CONCEPT OF BRINE DISPOSAL AT THE WWTP**

**Recommendation: Following consideration of this item, that the Council and District Board direct staff to postpone further work on this activity until the WWTP Coastal Development Permit has been issued.**

Bruce Keogh presented the staff report and stated we are unable to provide service to anyone outside the JPA service boundaries so at the present time the concept of being able to accept brine from CCWT has been discontinued.

Keogh also stated that Coastal Commission staff was not supportive of amending the existing Coastal Development Permit application currently under review, in order to allow the JPA to accept brine from outside the service area. Therefore, staff recommendation is to discontinue that concept at this time.

No Board questions or discussion followed on this item.

**CAYUCOS MOTION:** Fones moved to direct staff to postpone further work on this activity until the WWTP Coastal Development has been issued. The motion was seconded by Fones and passed unanimously. (4-0)

**MORRO BAY MOTION:** Borchard moved to direct staff to postpone further work on this activity until the WWTP Coastal Development has been issued. The motion was seconded by Leage and passed unanimously. (5-0)

Mayor Yates called for a short break and the meeting resumed at 7:07 p.m.

## C. NEW BUSINESS

### 1 PRESENTATION AND DISCUSSION REGARDING STATUS OF DRAFT ALTERNATIVE SITES EVALUATION PHASE 2 – FINE SCREEN ANALYSIS

**Recommendation: Receive presentation by consultant regarding status of Draft Rough Screening Alternative Sites Evaluation; Council and Board discussion regarding same.**

Dennis Delzeit presented the staff report and explained the background of the Draft Fine Screen Analysis with the Coastal Commission taking over the Coastal Development Permit. Delzeit introduced Dudek representatives, April Winecki, Alison Evans and Tom Falk, to present an overview of the draft analysis. Comments received tonight will be incorporated into the final report. A meeting in Santa Cruz will be held on November 28, 2011. The de novo hearing date is unknown, but is anticipated to be either March or April 2012.

April Winecki presented the draft Alternative Sites Evaluation Phase 2 – Fine Screen Analysis report and introduced other representatives including Alison Evans and Tom Falk and also Richard Gorman of Earth Systems Pacific.

Winecki explained 11 total sites were analyzed and the next step is to prepare for the de novo hearing. Of the 11 sites, three sites were moved forward in the fine screen analysis. The three sites are: Site 1 – current location of the Wastewater Treatment Plant; Site 5/15 – the Chevron facility; and Site 16 – the Righetti property.

Alison Evans explained the process, methodology, scoring criteria used to evaluate the three sites.

Tom Falk spoke regarding project implementation and economic factors with estimated completion dates for each of the sites: Site 1 – December 2015, Site 15 – March 2023 and Site 16 – April 2022. Falk explained the recycled water feasibility update with three distinct services areas identified including service area 1 – City of Morro Bay; service area 2 – Highway 41 Agricultural Corridor; and service area 3 – Cayucos.

Evans thanked the public for providing comments and input and stated that all comments received would be incorporated into the final document. Updates will be posted to the City website to keep the public informed.

Mayor Yates opened Public Comment period:

- Barry Branin, resident of Morro Bay, stated he is surprised that the analysis stated that site 1 is consistent with the local LCP. Brannin recited from a 11/12/2010 Coastal Commission letter which discussed the Coastal Commission's statement that there is a conflict between Site 1 and the Local Coastal Plan (LCP).
- Barbara Doerr, resident of Morro Bay, expressed concern that if Dudek meets with Coastal staff and receives an oral request for a work product that would cost the Board money, that the public should be informed.
- Richard Margetson, resident of Cayucos, stated he would like a better explanation of the \$25,000 costs per acre-foot for recycled water. Also, he wants to know why the two alternative sites would take an additional 8-9 years. Additionally, Margetson asked if this is moved forward to the Coastal Commission tonight, when is the deadline for submitting public comments.

Mayor Yates closed Public Comment period.

Mayor Yates asked Winecki to address Richard Margetson's questions.

Winecki stated the intent is to move forward to Coastal Commission to begin the de novo hearing process and clarified that public comments received tonight should be forwarded to the Coastal Commission. Smukler asked if informal interaction with Coastal Commission staff can be obtained to get preliminary feedback before we initiate the de novo hearing process so as to better incorporate public comments.

Winecki replied that the Coastal Commission staff will provide preliminary feedback at the next meeting on November 28, 2011.

Morro Bay Councilmembers' discussion included:

Councilmember Smukler recommended that the Draft Analysis not be approved tonight but instead incorporate comments and bring it back to the next JPA meeting with comments from the Coastal Commission staff in order to allow more time to see what happens.

Councilmember Johnson asked Dennis Delzeit to clarify Coastal Commission staff's request which was not a denial, but a request to study alternative locations. Delzeit stated that is correct.

Councilmembers Johnson, Borchard and Leage agreed to forward this on to the Coastal Commission and to start the de novo process.

Councilmember Smukler stated his disappointment that Site 5 was not pursued further and would like a better review of the acquisition costs. In addition, he would like to see further review of the cost range of decommissioning the current Wastewater Treatment Plant as well as further discussion of greenhouse gases.

President Enns asked for Cayucos comment:

Director Foster stated if the alternative sites take an extra 7-9 years, there will also be a time saving by choosing a site not located in the coastal zone and therefore time and money on permitting will be saved. Foster reiterated that he thought the process was biased and that public comments do not seem to make a difference. He also stated that the economic implications have to be considered. Although he has doubts about the conclusions reached, Foster stated he believes the report should proceed to the Coastal Commission.

Directors Lyon and Fones agreed that good public comments were received tonight and that the report should proceed next to the Coastal Commission.

President Enns thanked people for their public comments made tonight and encouraged everyone to read the Dudek report. Enns agreed this should be allowed to go to Coastal Commission. If the report is denied as Councilmember Smukler suggests, then will not receive Coastal Commission staff feedback. Enns stated he suspects alternate sites would take much longer than 7-9 years since the current site has already taken over 20 years.

Councilmember Smukler responded by emphasizing this is our only time to look at the alternative options and expressed concern that the Coastal Commission will not allow the Wastewater Treatment Plant to be built on the current site.

**MORRO BAY MOTION:** Yates moved to authorize staff to submit Alternative Site Evaluation Phase I, the Rough Screening and Phase 2 the Fine Screening Analysis and associated de novo review summary material to the California Coastal Commission. Johnson seconded the motion.

Councilmember Smukler stated he does want to send this to the Coastal Commission but is not willing to start the de novo hearing process without first hearing from Coastal Commission staff so he will be voting no.

VOTE: The motion passed 4-1 with Councilmember Smukler voting no.

**CAYUCOS MOTION:** Fones moved to authorize staff to submit Alternative Site Evaluation Phase I, the Rough Screening and Phase 2 the Fine Screening Analysis and associated de novo review summary material to the California Coastal Commission. Foster seconded and the motion passed unanimously. (4-0).

## 1 SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

Mayor Yates and Council members discussed whether to have a December meeting in order to hear Coastal Commission comments and hear an update on water reclamation.

Delzeit stated a written report could be provided but also clarified that this is the last Dudek meeting in their contract. If you wish them to provide an update, it would come at a cost.

Councilmember Smukler stated he would like to discuss the lobbyist contract. Mayor Yates stated a discussion on this would undo a previous motion already decided by the Board. No consensus was reached for Councilmember Smukler's agenda request.

Councilmember Smukler stated he would like to discuss the JPA agreement since there has been no update for 6 months.

Rob Schultz clarified the JPA negotiations have been on hold due to the Coastal Commission activity. Schultz further stated that any discussion now would be premature until a resolution is reached by the Coastal Commission.

It was agreed to schedule the December 8, 2011 JPA meeting now and cancel later if necessary.

No agenda item requests from Cayucos were stated.

### **ADJOURNMENT**

Mayor Yates adjourned the meeting at 8:35p.m.

Minutes Recorded by:  
Cindy Jacinth, Morro Bay Public Services Dept.

**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:** January 1, 2012

**Subject:** Status Report on Upgrade Project as of January 1, 2012

**Recommendation:** Receive the status report and direct staff accordingly.

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**Activities during December 2011**

The focus of December's activities was to obtain comments from the California Coastal Commission (CCC) staff and prepare for the de novo hearing that is now tentatively scheduled for the April 11-13, 2012 meeting in Ventura.

- The draft Alternative Sites Evaluation Phase 2-Fine Screening Analysis was submitted to the California Coastal Commission staff for review;
- A meeting with the CCC staff was held on December 9 in Santa Cruz;
- Comments were exchanged at this meeting and Coastal staff stated that their review was not completed and final comments would be submitted to the MBCSD staff early January;
- In anticipation of the de novo hearing, communications/liaison services with McCabe were reactivated effective January 1, 2012;
- The Chumash Nation representative was contacted and given an update on the project;
- MBCSD web site information on the project was updated.

**Looking Ahead---January 2012**

- It is anticipated that the Coastal Commission staff will submit final comments on draft analyses early in January, prior to the JPA meeting;
- The reports will be revised and resubmitted in response to comments received by Coastal Commission staff;

- McCabe & Company will prepare briefing materials and contact Coastal Commissioners to acquaint them with the project and the substantial issues analysis.

**Fiscal Impact:**

- New expenditures are requested as the result of Dudek's expanded scope of services. This issue is covered as a separate agenda item.

**Discussion/Project Overview:**

**Major Milestone Schedule**

- |  |                          |
|--|--------------------------|
| • Council certified the EIR and approval of the Conditional Use Permit and Coastal Development Permit            | January 11, 2011         |
| • Deadline for Coastal Commission Appeals  | January 31, 2011         |
| • Coastal Commission substantial issue hearing   | March 11, 2011           |
| • Public Outreach/Workshops  | June 27 & 28, 2011       |
| • Deadline for the rough screening criteria and alternative sites public comments                                | July 15, 2011            |
| • Coastal Commission staff level meeting in Santa Cruz   | August 25, 2011          |
| • Public release of the Rough Screening analysis   | September 1, 2011        |
| • <b>Rough Screening Analysis Presentation to the JPA</b>  | <b>September 8, 2011</b> |
| • Public workshop- Alternative Sites Update  | September 19, 2011       |
| • Deadline for public comments on the Rough Screening Analysis and Fine Screening criteria and alternative sites | September 30, 2011       |
| • Public release of the draft Fine Screening analysis  | November 3, 2011         |
| • <b>Fine Screening Analysis Presentation to the JPA</b>   | <b>November 10, 2011</b> |
| • Coastal Commission staff level meeting in Santa Cruz (review de novo materials)                                | December 9, 2011         |
| • <b>Coastal Commission de novo hearing, (Tentative) Ventura<sup>1</sup></b>                                     | <b>April 11-13, 2012</b> |
| • Submit SRF loan application to the State Board   | On hold                  |
| • Issuance of SRF Financing Agreement  | On hold                  |
| • Submit first SRF disbursement request to State Board   | On hold                  |
| • Completion of the Design   | On hold                  |
| • Advertise for Construction Bids  | On hold                  |
| • Receive Construction Bids  | On hold                  |
| • Award Construction Contract, after receiving State Revolving Fund Loan Approval                                | On hold                  |
| • Start Construction   | On hold                  |
| • Completion of Construction   | On hold                  |

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<sup>1</sup> The CCC hearing will be held in the City of Ventura Council Chambers, 501 Poli St. Ventura 93001

- Achieve full compliance with federal secondary treatment Requirements Deadline on hold per force majeure

**Dudek - California Coastal Commission - Substantial Issues Study**

Dudek contract Fee Status:

- Contract Amount: \$345,485.00
- Amount invoiced to date: \$338,850.01
- Amount remaining in contract: \$ 6,634.99
- Most recent billing amount (12/16/11): \$ 41,746.00
- Percent of contract billed: 98%

**MWH Design**

No design work has been done the past month. Final design of the project will resume after completion of the Coastal Commission Appeal Process.

MWH 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, updated cost estimate \$ 18,700.00
- Revised MWH Contract Amount: \$2,737,300.00
- Amount Billed to Date: \$ 469,858.82
- Amount Remaining: \$2,230,141.18
- Most Recent Billing Amount (5/20/11)<sup>2</sup> \$ 29,849.74
- Percent of Contract Billed: 17%

**McCabe& Company California Coastal Commission Communications/Liaison Services**

The McCabe & Company contract was reactivated effective January 1, 2012 in anticipation of the de novo hearing that is tentatively scheduled for April 11-13, 2012. The purpose of reactivating these services is to provide sufficient time for preparation of briefing materials, visits with each of the Coastal Commissioners to acquaint them with the MBCSD project and substantial issues analyses, provide feedback, and assist in the preparation of the de novo hearing. The Work Scope/Authorization of Services is attached to this staff report.

No services were provided between May 31 through December 31, 2011.

- Invoice 4/11/11: \$12,500 + \$857.47<sup>3</sup> = \$13,347.57
- Invoice 5/3/11: \$12,500 + \$98.28<sup>4</sup> = \$12,598.28
- Invoice 6/3/11: \$12,500 + \$4,032<sup>5</sup>= \$16,532.00
- Total billings from start of contract to suspension: \$42,477.85<sup>6</sup>

<sup>2</sup> The 5/2/11 invoice is for services rendered 1/1/11 through 1/28/11. MWH work was suspended on 11/19/10 except for completion of surveying, geotechnical report, floor plan layout and support at the PC and CC meetings in support of the permits.

<sup>3</sup> Travel expenses to Morro Bay and the Santa Cruz Coastal Commission hearing on 3/11/11. The contract fee is \$12,500 per month plus outside expenses.

<sup>4</sup> Conference calls outside expenses.

<sup>5</sup> This is the prorated fee from March 22 through 31 that was not previously billed.

<sup>6</sup> This is the total fee for services from the beginning to the suspension of the contract: Feb 22 through May 31, 2011

State Revolving Fund Loan:

- The State Revolving Fund loan process is on hold for due to the *force majeure* time extension.

Project Manager, Dennis Delzeit, Activities:

- Prepared and submitted the monthly report to the RWQCB;
- Prepared the monthly status report to the JPA;
- Updated the web site information;
- Reviewed, commented and coordinated with Dudek and MBCSD staff on questions from the CCC staff regarding sea water intrusion, safe yield and similar questions;
- Attended meeting with the CCC staff on December 9 in Santa Cruz;
- Prepared a memo to the JPA summarizing the meeting with the CCC staff;
- Contacted Chumash Representative, Fred Collins, and gave him an update;
- Prepared the McCabe work scope and fee and issued her the notice to resume services.

Dennis Delzeit's Contract Fee Status:

▪ Original Contract amount:	\$250,000.00
▪ Contract Amendment (PERC)	\$ 3,000.00
▪ Revised Contract Amount:	\$253,000.00
▪ Amount Billed to Date:	\$129,727.09
▪ Amount Remaining:	\$123,272.91
▪ Most Recent Billing Amount (12/2/11)	\$ 4,221.00
▪ Percentage of contract billed:	51%

***Attachment:***

McCabe & Company Work Scope/Authorization of Services

# **MC CABB & COMPANY SERVICES**

## **De Novo Phase**

### **Goal**

To achieve support of the Coastal Commission for the recommendations identified in the MBCSD de novo materials.

### **Background Information**

The rough and fine screening alternative sites analysis, de novo materials have been prepared by Dudek and the JPA authorized the documents to be submitted to the California Coastal Commission (CCC) staff for review. The CCC staff has provided comments to the MBCSD team and has targeted April 11-13, 2012 as the California Coastal Commission de novo hearing date.

McCabe & Company has informed the MBCSD that it will take four months to accomplish the communications services with the Coastal Commission as needed for this assignment.

Recognizing the importance of this public works project to the region, several Commissioners have expressed willingness to engage in early briefings on the project which will be beneficial to both the Commissioners and to MBCSD as communications strategies are developed and refined.

The next CCC meeting is January 11 through 13, 2012 in Santa Monica. The MBCSD team desires McCabe & Company to have the opportunity to communicate with CCC members during this series of hearings and therefore has chosen to activate McCabe & Company's services effective January 1, 2012. This will provide sufficient time for McCabe & Company to become familiar with the de novo material and meet with the MBCSD team prior to the CCC hearings January 11 through 13 and continue to the anticipated de novo hearing in April 2012 and through the end of April.

### **General Scope of Services**

1. Meet with MBCSD and Dudek at the commencement of services (kick-off meeting);
2. Review, study and understand the supplemental technical work that has been completed;
3. Review, study and understand the outcomes of the public outreach efforts;
4. Review and understand the status of meetings with Commission staff;
5. Provide assistance to MBCSD in preparing a communications strategy;

6. Respond to policy concerns raised by Commission staff;
7. Prepare appropriate briefing materials for Commissioners;
8. Prepare effective hearing presentation materials;
9. Schedule meetings and/or site visits with Commissioners;
10. Follow-up to issues and concerns raised by Commissioners in those briefings;
11. McCabe & Company shall coordinate with and provide feedback to the MBCSD project manager or the Dudek project manager. Feedback shall include such issues as favorable or unfavorable comments made by any Coastal Commissioners and follow up questions or comments;
12. McCabe & Company shall discuss the project and solicit support of resource agency representatives such as the EPA, State Water Board and similar agencies, and provide feedback to the MBCSD team;
13. McCabe & Company shall attend the de novo hearing;
14. McCabe & Company shall attend JPA meeting (s) if requested;
15. McCabe & Company shall provide a written monthly executive summary report of activities.

### **Fee**

The fee shall be for a full four months: January, February, March and April 2012 at the rate of \$12,500 per month plus project related outside expenses.

### **Authorization**

Services will be commenced upon authorization by the MBCSD project manager.

The California Coastal Commission de novo hearing is anticipated to be on the agenda for the April 12, 2012 California Coastal Commission meeting in Ventura, in the City Council Chambers at Ventura City Hall.

If the hearing date is postponed, the McCabe services will be suspended until a revised de novo hearing date is set. The McCabe services will be reauthorized to resume upon written notification of the MBCSD project manager when a revised hearing date is set.

Updated 12-22-11

Agenda No. C-1

Date: January 12, 2012

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:* January 12, 2012

*subject:* FY 2009/10 WWTP Audit

*recommendation:*  
Accept the WWTP audit report.

*fiscal impact:*  
None

*summary:*  
Bob Crosby, CPA, will discuss the MB/CSD Wastewater Treatment Plant's 2009/10 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, 2010**

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

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**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2010

**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, 2010. 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) statements of net assets; 2) statements of revenues, expenses and changes in net assets; and 3) statements 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, 2010, with comparative information for June 30, 2009:

<b>Treatment Plant's Net Assets</b>		
(Amounts expressed in \$1,000s)		
	2010	2009
Current and other assets	\$ 498	\$ 375
Capital assets	2,974	2,758
Total assets	3,472	3,133
Accounts payable	439	320
Other liabilities	59	55
Total liabilities	498	375
Net assets:		
Invested in capital assets, net of related debt	2,974	2,758
Unrestricted	-	-
Total net assets	\$ 2,974	\$ 2,758

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, 2010

#### Treatment Plant's Changes in Net Assets

(Amounts expressed in \$1,000s)

	<u>2010</u>	<u>2009</u>
Charges for services	\$ 2,081	\$ 2,097
Other revenues	-	-
Total revenues	<u>2,081</u>	<u>2,097</u>
Plant operations	(2,589)	(2,506)
Transfers	<u>724</u>	<u>11</u>
Decrease in net assets	<u>216</u>	<u>(398)</u>
Net assets - July 1	<u>2,758</u>	<u>3,156</u>
Net assets - June 30	<u><u>\$ 2,974</u></u>	<u><u>\$ 2,758</u></u>

**Capital assets.** The Treatment Plant's investment in capital assets as of June 30, 2010 amounts to \$2,973,724 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>2010</u>	<u>2009</u>
Construction in progress	\$ 696	\$ -
Plant	12,764	12,764
Machinery and equipment	1,500	1,492
Vehicles	59	73
Less accumulated depreciation	<u>(12,045)</u>	<u>(11,571)</u>
Net capital assets	<u><u>\$ 2,974</u></u>	<u><u>\$ 2,758</u></u>

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

**Notes to 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 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 years ended June 30, 2010 and 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 audits.

I conducted my audits 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 audits 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, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management Discussion and Analysis (MD&A) on pages i through ii is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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.

My audits were 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 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**

March 14, 2011

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
As of June 30, 2010  
(With Comparative Totals for the Year Ended June 30, 2009)

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b><i>Current assets:</i></b>		
Accounts receivable	\$ 312	\$ 4,532
Due from members	496,504	369,881
Accrued interest receivable	1,022	1,022
Total current assets	497,838	375,435
<b><i>Noncurrent assets:</i></b>		
Capital assets		
Construction in progress	696,279	
Plant	12,764,471	12,764,471
Machinery and equipment	1,499,740	1,491,975
Vehicles	58,547	73,371
Less accumulated depreciation	(12,045,313)	(11,571,528)
Total noncurrent assets	2,973,724	2,758,289
Total assets	\$ 3,471,562	\$ 3,133,724
<b>LIABILITIES AND NET ASSETS</b>		
<b><i>Current liabilities:</i></b>		
Accounts payable	\$ 438,828	\$ 320,541
Accrued liabilities	59,010	54,894
Total liabilities	\$ 497,838	\$ 375,435
<b><i>Net assets:</i></b>		
Invested in capital assets	\$ 2,973,724	\$ 2,758,289
Total net assets	\$ 2,973,724	\$ 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 REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
<b><i>Operating revenues:</i></b>		
Operating revenue	\$ 2,080,458	\$ 2,096,781
Total revenue	2,080,458	2,096,781
<b><i>Operating expenses:</i></b>		
Salaries	468,401	448,293
Employee costs	269,937	246,440
Allocated costs	84,859	40,247
Operating supplies	244,899	226,743
Depreciation	497,179	500,741
Repairs and maintenance	123,183	227,571
Contractual services	211,385	399,978
Professional development	1,803	1,800
Professional services	288,764	34,175
Communications	1,963	1,520
Utilities/waste disposal	167,380	173,258
Insurance	206,884	193,128
Licenses, fees and permits	22,329	11,567
Total operating expenses	2,588,966	2,505,461
Operating loss	(508,508)	(408,680)
<b><i>Non-operating revenues</i></b>		
Transfers	723,943	11,448
<b><i>Changes in net assets:</i></b>	215,435	(397,232)
<b><i>Net assets-beginning:</i></b>	2,758,289	3,155,521
<b><i>Net assets-ending:</i></b>	\$ 2,973,724	\$ 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, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
<b><i>Cash flows from operating activities:</i></b>		
Cash received from operating revenue	\$ 2,084,678	\$ 2,092,249
Payments to employees	(466,936)	(449,021)
Other payments	(1,629,071)	(1,551,167)
Net cash provided (used) by operating activities	(11,329)	92,061
<b><i>Cash flows from capital and related financing activities:</i></b>		
Acquisition of capital assets	(712,614)	(103,509)
Net cash used by capital and related financing activities	(712,614)	(103,509)
<b><i>Cash flows from non-capital and related financing activities:</i></b>		
Transfers-in	723,943	11,448
Net cash provided by non-capital and related financing activities	723,943	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	\$ (508,508)	\$ (408,680)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	497,179	500,741
Net changes in assets and liabilities		
Accounts receivable	4,220	(4,532)
Due from members	(126,623)	(52,932)
Accounts payable	118,287	50,305
Accrued liabilities	4,116	7,159
Net cash provided (used) by operating activities	\$ (11,329)	\$ 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, 2010

**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, 2010

**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 zero and 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

*Compensated Absences*

The accrual for vacation time earned but not taken by staff employees was calculated based on actual vacation days and applied to the individual employees' hourly rate.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT  
JOINT POWERS AGREEMENT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

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

*Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Plant's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

**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/(to) Members at June 30, are as follows:

<u>Members</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
City of Morro Bay	\$ 207,484	\$ 292,351
Cayucos Sanitary District	<u>289,020</u>	<u>77,530</u>
Total	\$ <u>496,504</u>	\$ <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, is as follows:

<u>Members</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
City of Morro Bay	\$ -	\$ -
Cayucos Sanitary District	<u>1,022</u>	<u>1,022</u>
Totals	\$ <u>1,022</u>	\$ <u>1,022</u>

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 5: CAPITAL ASSETS**

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

<u>Capital Assets</u>	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance at June 30, 2010</u>
Plant	\$ 12,764,471	\$ -	\$ -	\$ -	\$ 12,764,471
Machinery and Equipment	1,491,975	17,077	(9,312)		1,499,740
Vehicles	73,371		(14,824)		58,547
Subtotal - Capital assets	14,329,817	17,077	(24,136)	-	14,322,758
Construction in Progress		439,456		256,823	696,279
Subtotal - Accumulated Depreciation	14,329,817	456,533	(24,136)	256,823	15,019,037
	(11,571,528)	(497,179)	23,394		(12,045,313)
Capital assets, net	<u>\$ 2,758,289</u>	<u>\$(40,646)</u>	<u>\$(742)</u>	<u>\$256,823</u>	<u>\$ 2,973,724</u>

Depreciation expense was \$497,179 for the year ending June 30, 2010.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT**  
**JOINT POWERS AGREEMENT**  
**SCHEDULE ALLOCATING OPERATING EXPENSES**  
For the Period July 1, 2009 through June 30, 2010

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, 2009 through June 30, 2010 are presented below.

<u>Quarter</u>	<u>Average Flow Percentage</u>			<u>Operating Expenditures</u>		
	<u>City of Morro Bay</u>	<u>Cayucos Sanitary District</u>	<u>Total</u>	<u>City of Morro Bay</u>	<u>Cayucos Sanitary District</u>	<u>Total</u>
Balance due from members at June 30, 2009				\$ 292,351	\$ 77,530	\$ 369,881
July 1 - September 30, 2009	75.29%	24.71%	100%	250,418	82,187	332,605
October 1 - December 31, 2009	75.42%	24.58%	100%	351,471	114,547	466,018
January 1 - March 31, 2010	73.35%	26.65%	100%	273,433	99,345	372,778
April 1 - June 30, 2010	75.80%	24.20%	100%	685,257	218,776	904,033
Total allocated to operating expenditures				1,852,930	592,385	2,445,315
Total allocated to capital costs	72.00%	28.00%	100%	501,321	194,958	696,279
Amounts reimbursed through June 30, 2010				(2,146,767)	(498,323)	(2,645,090)
Balance due from members at June 30, 2010				\$ 207,484	\$ 289,020	\$ 496,504

## 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:* January 5, 2011

*Subject:*

Consideration to Approve Funding for Completion of Maintenance Activities on the WWTP Ocean Outfall

*Recommendation:*

This Department recommends that following consideration and discussion of this item that the Council and District Board approve additional funding to complete maintenance activities on the WWTP outfall.

*Fiscal Impact:*

For FY2011/2012, the costs accrued for the annual external inspection and associated maintenance activities have been \$9,560.38. The completion of the identified maintenance activities on the ocean outfall are estimated at \$13,000.

*Summary:*

Per the NPDES permit for the WWTP, an annual inspection is performed on the ocean outfall for the WWTP. The inspection process was conducted by Carson Porter Diving on December 12, and included a visual inspection of the outfall pipe and the associated diffusers. Following the inspection process on December 12 and 13, divers began replacing the bolts on thirteen of the diffusers. Based on the condition of the bolts that were replaced, they recommended that all the bolts should be replaced in the near future. The bolts that were replaced have been subject to 30 years of exposure to the marine elements and are exhibiting signs of electrolysis consistent with the age of the outfall. It is also important to note that the bolts are not affecting the performance of the outfall and replacing them in a timely fashion will ensure that the outfall continues to operate as designed

*Discussion:*

The FY 11/12 budget for the WWTP contains funding for the ocean outfall inspection process. During FY 11/12 plant staff purchased the necessary bolts and associated hardware at a cost of approximately \$1,500, to replace the existing bolts on thirteen of the flanges holding the diffusers to the outfall pipe. There are 34 diffusers on the outfall, with eight bolts per diffuser flange for a total of 272 bolts and accompanying hardware (nuts, washers, etc). In December, plant staff authorized Carson Porter Diving to perform the external inspection and replace the bolts on thirteen of the diffusers. The combined cost for the inspection and bolt replacement was \$8100 plus the costs of the bolts and hardware. This process took two days to perform. The cost associated with the annual inspection process is a budgeted item in the WWTP budget. The bolt

replacement costs incurred to date were not included in the FY11/12 budget, and were absorbed into the O&M budget for the WWTP.

Plant staff requested and received an estimate from Carson Porter Diving for the completion of the bolt replacement process. They estimate it will take two additional days at \$3850 per day plus materials. Plant staff has a cost estimate of \$1,500 for bolts and associated hardware. The total estimated cost is \$9600. Staff is requesting that the Council and District Board approve additional funding to the WWTP budget of \$13,000, which would cover the labor and materials for the bolt replacement project. The \$3,400 would cover any unexpected contingencies, such as an additional dive day if required to complete the project.

The reason this request for additional funding is being brought to the Council and District Boards attention is that the JPA agreement states, “*In performing such routine day to day operation and maintenance, it is agreed that no unbudgeted expenditure in excess of \$10,000 will occur without the prior consent of both Morro Bay and Cayucos.*” (Section 6b. page 11 of the JPA agreement) Completion of the bolt replacement project would represent an unbudgeted expenditure of greater than \$10,000. The total cost estimate for the inspection and bolt replacement project is approximately \$22,568.38; this figure includes the work performed to date.

*Conclusion:*

Staff recommends following consideration and discussion of this item that the Council and District Board approve additional funding to complete the identified maintenance activities on the WWTP outfall.

**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:** January 1, 2012

**Subject:** CONSIDERATION AND DISCUSSION REGARDING AMENDMENTS TO  
DUDEK'S CONTRACT FOR THE COASTAL APPEALS PROCESS

***Recommendation:***

**Following consideration of this item, that the Council and District Board approve the proposed amendments to Dudek's contract for the Coastal Appeals Process**

---

***Fiscal Impact:***

Through December 16, 2011 the expenses for the contract with Dudek for the Coastal Appeals Professional Services total \$338,850.01 (the contract amount was \$345,485). Dudek is requesting amendments to their contract for specific tasks related to the Coastal Appeals Process in the amount of \$110,157, as documented in Dudek's January 6, 2012 letter.

***Background and Discussion:***

The project is progressing very successfully.

- The analysis documents that were submitted to the Coastal Commission staff have received favorable reviews.
- The project is on schedule. The Coastal Commission staff is tentatively scheduling the de novo hearing on the Coastal Commission agenda for April 11-13, 2012.

The purpose of this report is to recommend approval of added work scope items to the contract with Dudek.

In June 2011, the JPA awarded a contract to Dudek to assist the City and District in the Coastal Appeals process with the California Coastal Commission (CCC) The work scope contained within the contract was based upon the CCC Substantial Issue (SI) staff report and public input during the scoping process.

The work scope in the original contract was based upon the content of the CCC substantial issue staff report. However, as the study process evolved, JPA comments, public input and the CCC staff expanded the requirements of the studies as noted below:

- The JPA emphasized the importance of encouraging public input. Three public workshops were held; the public was also invited to submit comments at the workshops, in writing or on-line; to further facilitate public input, the JPA authorized time extensions for public comments. Hundreds of public comments were received and topical responses to comments were prepared and included in the Draft Rough and Fine Screening Alternative Sites Evaluations.
- As Dudek made Rough and Fine Screening status report presentations to the JPA, comments and suggestions were received that also added to the scope of services.
- The CCC staff's review of the reports, meetings and numerous discussions with the CCC staff also resulted in additional work scope as documented in the December 14, 2011 memo to the JPA. The CCC staff explained that they want to be sure the completed studies address all of the potential concerns of the Commissioners and the public as the project moves to the de novo hearing in April.

This project has been on a fast moving and aggressive schedule. The February or April CCC meetings were initially targeted for the de novo hearing. However, Coastal staff's workload prevented them from reviewing and commenting on the Rough and Fine Screening Alternative Sites Analysis in time to make the February meeting.

Major changes in scope included expanding the rough screen analysis to include seventeen sites an expanded analysis of the highest and best use of the current site, and a significantly expanded analysis of water reclamation related issues.

The attached Dudek letter dated January 6, 2012 is requesting a contract amendment for the additional work scope services in the preparation of the de novo hearing.

The premise for the initial work scope included the concept that the water reclamation concept was not dependent on the location of the treatment facilities. This work scope was limited to an initial recycled water demand evaluation, an economic analysis of capital and life cycle costs, and a preliminary water reclamation feasibility analysis. Ideally, the optional work scope item related to the additional water reclamation analysis would have been presented to the JPA for approval prior to the work being done. However, this fast paced and aggressive schedule, combined with the accrual of comments and concerns of the CCC staff, the public and JPA evolved into a constant build up of this work task.

Based upon periodic discussions with the Dudek Project Manager, Dudek made every effort to absorb the incremental added work scope, while maintaining the aggressive schedule. This included absorbing \$4200 of contract amendments for Earth Systems Pacific (sub consultant), immediately necessary to expand the rough screening evaluation to include additional sites than the original scope, and to obtain sufficient beach and bluff survey data to complete the Coastal Hazards Study for the existing wastewater treatment plant site while maintaining the project schedule. However, upon receiving final billing details for the Draft Rough and Fine Screening Analysis, in mid December, Dudek found that they were able to absorb most, but not all of out of scope costs that were incurred. In mid December the Dudek project manager informed the MBCSD of this situation. A bulleted list of the out of scope tasks is found on page 2 of the January 6, 2012 Dudek letter.

Many of the water reclamation tasks analyzed to date were originally included in the scope of work for the optional task presented in the Dudek contract of a Comprehensive Update to the

1999 Water Reclamation Study. Additional work scope tasks completed include a detailed analysis of groundwater recharge, live stream discharge, land application, and recycled water irrigation. Approval of this optional task would allow Dudek to compile the extra scope work performed to date into a comprehensive update to the 1999 Water Reclamation study.

It is recommended that the JPA ratify the approval of the optional task (\$49,100) for the expanded water reclamation analysis for the following reasons:

- a. The extra work accumulated from a series of comments from the CCC, public input and the JPA and was difficult to predict in advance of the work being completed.
- b. The Dudek project manager attempted to absorb the accumulation of extra services but the incremental nature of the requests, combined with the intense work effort on the Fine Screening Analysis in November, made it difficult to identify the total cost impact in advance of the work being done. Authorization of this task would allow all the water reclamation analysis to be synthesized into one comprehensive document. This document would be a valuable resource for both the CCC staff as they continue their analysis of the project as well as a resource document for the City, District, and public as they continue to investigate options for water reclamation programs.
- c. The task will provide a complete, Updated 2012 Water Reclamation Feasibility Study, initially identified in the CCC Appeals Staff Report and, with the amended scope (\$17,020.00) will further incorporate additional data and information requests of CCC staff as follows:
  - Provide additional recycled water analysis per Coastal staff direction addressing comparative survey, including costs, of other jurisdictions, water/sewer rate impact to Morro Bay/Cayucos residents and commercial users, and the sensitivity of salts in the recycled water and its impact to avocado growers.
  - Further address ocean outfall/alternative disposal issues.
  - Address groundwater basin safe yields and seawater intrusion potential.
- d. The proposed cost to provide an "Updated 2012 Water Reclamation Feasibility Study" compares favorably with the proposal submitted in October 2010 by Carollo Engineers.

Additional work tasks (included in Dudek's 1/6/12 letter) that are required to respond to CCC staff comments and questions include the following:

- a. Expanded visual simulation analysis (\$8,470), which is an optional work task in the current contract.
- b. Additional highest and best use analysis of the current site (\$4,150).
- c. Clarify and provide additional tsunami analysis/sea level rise and flooding information (\$3,200).
- d. Facilitate additional information exchange with Coastal staff; complete revisions and finalize, as necessary, the Rough and Fine Screening Alternative Sites Evaluations to incorporate all new information/data produced pursuant to work authorized with this contract amendment, and provide 3 copies (\$6,590).

It is important to note that the additional archaeological analysis on the existing treatment plant site (\$21,627) are not currently required. The CCC staff has not required this task and the Chumash representative concurs that this work can be done after the Coastal Development Permit is issued. However, in the event that this task becomes a requirement it is requested that the JPA authorize the Project Manager to approve this work task. Otherwise the scheduling of the de novo hearing in April may be postponed.

**Conclusion:**

The MBCSD staff and project manager recommend approval of Dudek's amendment request for the following reasons:

- The Coastal Commission staff is requesting the additional analysis prior to scheduling the de novo Coastal Commission hearing. A tentative meeting with Coastal Commission staff is scheduled for the week of February 20-24 to discuss the additional information requested.
- The evolutionary nature of the accumulation of work scope changes has made it extremely difficult for Dudek to determine in advance.
- Dudek diligently pursued the work in an effort to keep the project on schedule for the de novo hearing anticipated dates of February or April.
- MBCSD staff and the project manager are highly satisfied with the quality of services provided by Dudek.
- The CCC staff has reacted favorably to the draft reports and it is anticipated that a positive staff recommendation will be made to the Coastal Commission for approval of the Coastal Development Permit when the additional analysis is submitted.

*Attachment:*

1. Dudek's January 6, 2011 Letter
2. December 14, 2011 memo to the JPA

# ATTACHMENT 1

## DUDEK

621 CHAPALA STREET  
SANTA BARBARA, CALIFORNIA 93101  
T 805.963.0651 F 805.963.2074

January 6, 2012

Bruce Keogh  
Wastewater System Division Manager  
City of Morro Bay  
955 Shasta Avenue  
Morro Bay, California 93422

**SUBJECT: *Contract Amendment Proposal for Additional Alternative Sites Evaluation and California Coastal Commission Coordination/Hearing Support Services, Morro Bay & Cayucos Sanitary District Wastewater Treatment Plant Upgrade Project, Cities of Morro Bay and Cayucos***

Dear Mr. Keogh:

Dudek is pleased to submit this contract amendment proposal for continued alternative sites evaluation and California Coastal Commission coordination/hearing support services for the proposed Morro Bay and Cayucos Sanitary District (MBCSD) Wastewater Treatment Plant Upgrade Project. It is our understanding that, in response to comments provided by California Coastal Commission (Coastal) staff on the Draft Rough and Fine Screening Alternative Sites Evaluation, you desire continued Coastal Commission coordination and support services, and resource-specific technical assessment, to help facilitate the pending de novo review process for the project through the California Coastal Commission.

Per our discussion, this contract amendment proposal includes scope of work and costs estimates for previously identified "optional" resource-specific technical services, as outlined in our original scope of work. These previously identified optional tasks include preparation of an Updated 2012 Water Reclamation Feasibility Study, as amended herein to respond to Coastal staff comments and requests for additional information, and visual simulations (massing studies) for the two alternative sites evaluated in the Draft Fine Screening Evaluation. This contract amendment proposal also includes new/and or modified tasks relative to the Draft Fine Screening Alternative Sites Evaluation's Highest and Best Use and Coastal Hazards assessments, and additional de novo hearing review requirements, identified by Coastal staff as necessary to bring to project before the Coastal Commission for de novo review at its April 2012 hearing.

Finally, given the fluid and evolving nature of the project, including the tight timeframe proposed to meet the expedited Coastal Commission hearing schedule desired by MBCSD, as well as extensive public and Coastal staff comments received during the expanded public review periods on the Draft Rough and Fine Screening Alternative Sites Evaluations, this contract

amendment reflects the additional work completed by Dudek and Earth Systems Pacific in completing the original Phase 1 and 2 scope of work where some tasks required more extensive analysis, production effort, and/or data not available from MBCSD. Dudek has made every attempt throughout the process to absorb additional costs associated with out-of-scope work completed during the Draft Rough and Fine Screening Alternative Sites Evaluations while maintaining an aggressive schedule, originally anticipated to bring the project back before the Coastal Commission in March 2012. Upon receiving final billing details for the Draft Rough and Fine Screening Alternative Sites Evaluation deliverables in December 2011, we found we were able to absorb most, but not all of the of out-of-scope costs incurred for the project (scope and fee includes all tasks completed and expenses incurred through December 2012). However, as detailed below, much of this additional effort is largely captured in the Original Updated 2012 Water Reclamation Feasibility Study (previously identified as Optional Task 1).

Specific out of scope tasks included:

- Fatal flaws assessment added in response to public/CCC request to evaluate all alternative sites suggested through public process; included new map series and site-specific soils evaluation for each of the 17 sites to assess agricultural resources.
- Per Coastal staff direction 1 additional site evaluated for rough screening evaluation; included additional CNDDDB, UC Regents & HazMat records search; \$1,200 contract amendment for additional Earth Systems geologic assessment.
- Incorporated detailed effluent disposal and recycled water discussion into Appendix H of the Draft Rough Screening Analysis to support necessity of ocean outfall.
- Site specific bluff and beach area survey for Site 1 (existing site) determined necessary to prepare Coastal Hazards Study consistent with Coastal Commission guidelines/methods; included \$3,000 contract amendment for Earth Systems Coastal Hazards Study.
- Analysis of Toro Creek added to support evaluation of creek discharge for Site 5/15 (original scope contemplated only Chorro and Morro creeks).
- Conceptual Recycled water rate analysis developed to determine approximate cost of producing and delivering RW to three defined service areas (3 service areas x 3 alternative sites = 9 scenarios) including advanced water treatment cost estimating.
- Data collection for hydrogeology evaluation
- Site plans developed and modified to confirm feasibility of advanced water treatment to support alternative disposal concepts (i.e. creek discharge, avocado grove irrigation, and groundwater recharge).
- Production efforts increased by approximately 25% due to additional deliverable/work product requirements.

## **PROPOSED CONTRACT AMENDMENT SCOPE OF WORK**

The proposed contract amendment scope of work for the MBCSD Wastewater Treatment Plant Upgrade Project is a continuation of the services rendered under the original contract for the subject project during the previous 6-month project schedule (June – December 2011) including all general project management, consultant and staff coordination, engineering, technical and GIS support, land use, policy and resource evaluations. This contract amendment anticipates an 8-month project schedule (through August 2012) and assumes the subject project will be brought before the California Coastal Commission for de novo review at the April 2012 hearing, and potentially for the August 2012 hearing should a second hearing be necessary.

### **Task 1: Updated 2012 Water Reclamation Feasibility Study (Amended, Previously Identified Optional Task 1)**

#### Original Updated 2012 Water Reclamation Feasibility Study (\$49,100.00)

The *Cayucos/Morro Bay Comprehensive Recycled Water Feasibility Study* (Carollo 2000) thoroughly evaluated water quality and potential recycled water users, as well as narrowed feasible "projects." The study concluded, however, that recycled water was not economically viable at that time. The *Wastewater Treatment Plant Upgrades, Facility Master Plan* (Carollo 2007) and subsequent two amendments (MWH 2010) incorporate treatment processes for recycled water, but leave recycled water feasibility to further evaluation.

Dudek will prepare an update to the 1999 recycled water feasibility study sufficient to re-address Sustainable Use of Public Resources component of the LCP. The study work scope described below will be modified later in the process of the project when more information is obtained from the public process, feedback from the CCC and evaluation of rough and fine screened sites. The work scope below represents the full range of potential issues that may be examined.

The updated 2012 recycled water feasibility study will tier off previous studies and accomplish the following:

- Review and update the list of potential recycled water users identified in the 1999 study with input from MBCSD focused on irrigation and industrial users. Potential users will be mapped and probable recycled water demand quantified. The following assumptions are identified in context of scoping Consultant work:
  - Update will utilize the potential recycled water customers documented in the 1999 study. It is assumed that most previously identified customers will still be valid and only minimal updates to the list will be required. No new significant demands will be added to the list.

- MBCSD will review and confirm the water usages documented in the 1999 study – significant changes in the water usage will be corrected using City-furnished data.
- Existing GIS data will be furnished to Dudek, as available.
  
- Review conclusions regarding groundwater basin recharge and stream flow/estuary enhancement and identify criteria that may have changed feasibility of these alternatives. Study is limited to published literature on the local water basins – no new data collection, groundwater measurement, or stream flow measurement is included. Contemporary groundwater recharge criteria will be used based on current permitted projects in California.
  
- Review water quality objectives for identified recycled water users presented in the 1999 study. Customer outreach is limited to major potential customers, demands greater than 10 AFY.
  
- Comment on updates to recycled water regulations relative to the proposed project(s).
  
- Establish conceptual design-level infrastructure requirements to implement a recycled water project, including transmission piping and storage. Up to three conceptual reuse program alternatives will be developed. Dudek will work with the City during the study to establish a baseline minimum feasible program capacity, initially assumed to be approximately 300AFY and limited to tertiary treatment water quality. It is noted that secondary effluent and advanced water treatment alternatives were not considered economically viable in prior studies and it is assumed that further development of those alternatives will not be required at this time.
  
- Update recycled water project costs for feasible projects. Capital costs will be updated using data prepared in prior studies.

Major components to be considered in the updated 2012 recycled water feasibility study include water reclamation initiatives, groundwater basin recharge feasibility, potential irrigation demands, and salt/nutrient loading on stream flow and groundwater basin.

Amended Updated 2012 Water Reclamation Feasibility Study (\$17,020.00)

In addition, based on a thorough and comprehensive review conducted by Coastal staff of the Draft Rough and Fine Screening Alternative Sites Evaluations, and as discussed during an in-person meeting held on December 9, 2011 at the Coastal Commission regional office in Santa Cruz, as attended by City and District staff, consulting team members, and Coastal staff, the

following tasks have been requested to further support the upcoming de novo review hearing by the Coastal Commission. It is anticipated that, upon receipt of the additional assessments, the project can be brought back before the Coastal Commission for consideration at their local hearing in April 2012.

As-needed tasks included in the amended scope of work are as follows:

- Provide additional recycled water analysis per Coastal staff direction addressing (\$6,400.00):
  - Total project costs and definition for the conceptual recycled water system(s) identified in the Draft Fine Screening Analysis. In addition to the unit cost (AFY) currently presented in the Draft Fine Screening report, the cost assumptions and total project costs will be described to provide perspective on the cost of water reclamation in comparison to the proposed project (Included in Original Updated 2012 Water Reclamation Feasibility Study Cost Estimate).
  - Comparative survey, including costs, of other jurisdictions (Including Los Osos, Arcata, Petaluma, Monterey) – identify cost factors that differentiate MBCSD project costs from more cost-effective programs. We will perform literature review and contact appropriate staff at the four identified agencies to establish baseline criteria for comparison to the proposed MBCSD project. The findings will be presented in a concise memorandum.
  - The water/sewer rate impact to Morro Bay/Cayucos residents, and visitor serving commercial uses (i.e. restaurants, hotels, etc.)
  - Further address the sensitivity of salts in the recycled water and its impact to avocado growers.
- Revise the Draft Rough and Fine Screening Alternative Sites Evaluation to further address ocean outfall/alternative disposal issues as follows (\$6,550.00):
  - Calculate and describe or illustrate the storage requirements that would be needed to store reclaimed water during off peak seasons and events to support a 100% beneficial use project. Key factors such as seasonal reclaimed water use and disposal constraints will be identified. (Included in Original Updated 2012 Water Reclamation Feasibility Study Cost Estimate).
  - Illustrate more clearly the requirements for reclaimed water injection wells versus potable water wells (spacing requirements).
  - Develop up to two representative scenarios that incorporate these features for comparison to the current project. The findings and illustrations will be presented

in a concise memorandum.

- Revise the Draft Rough and Fine Screening Alternative Sites Evaluation to address groundwater basin safe yields and seawater intrusion potential as follows (\$4,070.00):
  - Illustrate the safe yield estimates for Morro and Chorro basins.
  - Identify current groundwater uses.
  - Discuss State Water Supply uses/issues/concerns.
  - Describe historical water use and conservation measures and absence of seawater intrusion.

**Total Contract Proposal for Task 1..... \$66,120.00**

**Task 2: Visual Simulations (Previously Identified Optional Task 2)**

Dudek will create six (6) photographic simulations for the rough screening alternative sites analysis (three simulations for two alternative sites; no new simulations would be prepared for the proposed project site). The 3d simulations would include existing site photographs as backgrounds and true scale 3d models rendered into the background photos. The simulations would consist of massing models only and would not have any architectural features. Only mass grading, walls and roofs would be modeled. No texture maps or landscaping would be added.

It is assumed that AutoCAD drawings would be submitted to Consultant for the proposed improvements. Civil drawings shall include existing topography, proposed site plan, and grading plan.

**Total Contract Proposal for Task 2 ..... \$8,470.00**

**Task 3: Draft Fine Screening Alternative Sites Evaluation & De Novo Hearing New/Modified Tasks**

Per direction provided by Coastal staff during our in-person meeting held on December 9, 2011, Dudek will complete the following tasks to revise the Draft Fine Screening Alternative Sites Evaluation and de novo hearing materials as follows:

- Complete additional highest and best use analysis for the Draft Fine Screening Evaluation per Coastal staff direction (\$4,150.00).
- Clarify and/or provide additional tsunami analysis/sea level rise & flooding issue information for the Draft Fine Screening Evaluation and de novo review per Coastal staff

direction via peer review of an Addendum to the Flood Study prepared for the Wastewater Treatment Plant Upgrade Project EIR, to be prepared by others (\$3,200.00).

- Facilitate additional information exchange with Coastal staff; complete revisions and finalize, as necessary, the Rough and Fine Screening Alternative Sites Evaluations to incorporate all new information/data produced pursuant to work authorized with this contract amendment, and provide 3 copies (appendices to be provided on CD) to MBCSD (\$6,590.00).

**Total Contract Proposal for Task 3 .....\$13,940.00**

**Optional Task 4: Extended Phase 1 Archaeology Investigation**

Should it be determined necessary by Coastal staff, and per the direction of MBCSD, Dudek will conduct an Extended Phase 1 Archaeology Investigation for the existing project site in preparation for the Coastal Commission de novo hearing per our proposed scope-of-work/budget dated November 10, 2011 (Attachment A).

**Total Contract Proposal for Optional Task 4 .....\$21,627.00**

**Proposed Contract Amendment Costs and Method of Payment**

The total contract amendment proposal for the above scope of work is not-to-exceed **\$88,530.00**. The total contract amendment proposal for the Optional Extended Phase 1 Archaeology Investigation is an additional **\$21,627.00**. Please keep in mind that this cost estimate reflects an efficient use of staff time needed to complete the scope of work we have outlined; tasks not addressed in this scope of work are not included in the estimated project cost. During the performance of our services, the need for additional or expanded services may be required or requested by Coastal and/or MBCSD staff. Likewise, certain services or tasks outlined above may not be necessary given the possibility of changing conditions or overlap with the responsibilities of other project team members. In either case, we will make every effort to keep you informed as to the actual and anticipated costs as work progresses and Dudek will provide you with a monthly detailed accounting of all costs incurred for the project.

Dudek proposes to complete this scope of work on a time-and-materials, not-to-exceed basis as described above for each phase of work. Dudek labor will continue to be billed according to our 2011 Standard Schedule of Charges per our original contract agreement.

If this contract proposal is acceptable to you, please sign below and return a copy of this letter to us at your earliest convenience. If you have any questions regarding this proposal or require

additional information, please do not hesitate to give me a call at (805) 963-0651 Ext. 3532. I may also be e-mailed at [awinecki@dudek.com](mailto:awinecki@dudek.com).

Thank You,



April Winecki  
Environmental Planner

Attachments:

- A. Dudek Proposal for Extended Phase 1 Archaeological Investigations Alternative Site 1, November 10, 2011
- B. Morro Bay-Cayucos J.P.A Wastewater Treatment Plant Memorandum, December 14, 2011, Summary of the Meeting with the California Coastal Commission Staff on December 9, 2011

**AUTHORIZATION**

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Proposal Approved by Client:

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name, Title

# ATTACHMENT 2

## MEMORANDUM

### **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:** December 14, 2011

**Subject:** Summary of the Meeting with the California Coastal Commission Staff  
on December 9, 2011

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The following is a summary of the meeting with the California Coastal Commission (CCC) staff that occurred in the Santa Cruz office of the CCC on December 9, 2011.

In attendance were:

Andrea Lueker, City Manager  
Rob Livick, Public Services Director  
Bill Callahan, District Manager  
April Winecki, Dudek Project Manager  
Alison Evans, Dudek Coastal Planner  
Madeline Cavalieri, CCC Staff Planner  
Jonathan Bishop, CCC Staff Planner  
Dennis Delzeit, WWTP Upgrade Project Manager

On the conference phone were:

Tim Carmel, District Counsel  
Rob Schultz, City Attorney  
Bruce Keogh, Wastewater Services Division Manager  
Tom Falk, Dudek Wastewater Engineering Manager  
Jonathan Leech, Dudek Real Property Services Administrator

**Executive Summary of the Meeting:**

The CCC staff stated that the process is smooth thus far; the more up front information and analysis that is provided, the more prepared everyone will be for the CCC de novo hearing; CCC staff is requesting additional information prior to preparing their staff report (as identified later in this memo) to assist staff in anticipating and responding to questions raised by Coastal Commissioners and/or the public; CCC staff recognizes that the JPA will receive a report at the January JPA meeting with a request to prepare and submit additional information to the CCC staff; the April 2012 CCC hearing is still targeted for the de novo hearing; the meeting will be in Ventura.

The following is a summary of specific CCC comments and additional data requests:

1. Visual simulations are requested for the Chevron and Righetti sites in order to have an equal comparison with the existing treatment plant visual simulation analysis. A general massing study/simulation is appropriate; detailed architectural renderings are not required.
2. Process and CEQA requirements related to the Chevron and Righetti sites were discussed: annexation versus the option to purchase a "public lot" and not annex; Local Coastal Plan amendment issues and other processing techniques were discussed; further review is necessary to sort out the complexities.
3. A further archaeological assessment for the alternative sites analysis is not required at this time.
4. Further information is needed for the highest and best use analysis of the existing WWTP site relative to re-siting the existing RV park and potential boutique hotel/mixed-use development on the site and related RV park lease issues; analyzing a wider range of occupancy and room rates; and similar issues need further clarification.
5. Additional information is needed for the recycled water analysis. It was agreed that recycled water can be provided from any of the three fine screening alternative sites. Additional information is needed as follows:
  - a) Provide total project costs for recycled water project(s) in addition to the unit cost, AFY currently presented – this will provide perspective on the cost of water reclamation in comparison to current project;
  - b) Address comparative costs with other jurisdictions (Including Los Osos, Arcata, Petaluma, Monterrey)– identify cost factors that differentiate MBCSD project costs from more cost-effective programs;
  - c) Identify the water/sewer rate impact to Morro Bay/Cayucos residents, and visitor serving commercial uses (i.e. restaurants, hotels, etc.);
  - d) Further address the sensitivity of salts in the recycled water and its impact to avocado growers.
6. Cost Estimates contained in the fine screening analysis were discussed and it was concluded that contingency factors that are used are appropriate for this stage of the study.
7. Tsunami Analysis: The CCC staff had not completed their review and will get back to MBCSD; additional information regarding historic tsunami run-up events may be needed.
8. Sea level rise<sup>1</sup>: It was concluded that a concurrent rise in sea level combined with a flood event will have negligible consequences. This will be documented in the report.

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<sup>1</sup> The following is a 12-14-11e mail reply from CCC staff member, Madeline Cavaliere : Hi Dennis, Everything looks good to me except that I spoke with Lesley Ewing, our engineer, after the meeting, and she does not agree that the SLR impacts on flooding will be negligible (Item 8). We will be asking for an updated flood analysis that considers SLR, and I have a call in with April to discuss this. Please let me know if you have any questions or want further clarification on this.

Thanks,  
Madeline

9. Ocean Outfall/alternative disposal issues: The report should be amended to describe and illustrate the storage requirements that would be needed to store reclaimed water during off peak seasons and events (i.e. a small lake); the report should be amended to describe and illustrate more clearly the requirements for reclaimed water injection wells versus potable water wells (spacing requirements). For example, develop representative scenarios that incorporate these features for comparison to the current project.
10. Groundwater basin safe yields and seawater intrusion potential: The report should be modified to illustrate the safe yield estimates for Morro and Chorro basins; current groundwater uses; State water supply issues; historical water use and conservation measures and absence of seawater intrusion.
11. Additional Information: The CCC staff stated they believe the majority of their issues and additional information needs have now been identified. A meeting will be scheduled in February at which time CCC staff anticipates to have a preliminary recommendation; any outstanding policy issues or information needs will be addressed at this time.

#### **Upcoming Tasks and Follow-up**

- Receive authorization from the JPA for responses to the CCC staff's request for information: January 12, 2012
- Dudek to provide responses to the CCC staff's requests for additional information: January 13 through mid March
- MBCSD project team and Dudek meets with CCC staff to review the updated material: Early February
- McCabe and MBCSD team prepares briefing materials for personal contacts with Coastal Commissioners: Mid January
- Coastal Commission briefings and site visits: February, March and early April
- MBCSD team prepares and finalizes the de novo hearing presentation: March and early April
- California Coastal Commission de novo hearing: April 12, 2012 in Ventura

***Attachment:***

None