

**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
Shirley Lyon, Director
Michael Foster, Director
Dan Chivens, Director
Vacant, Director

City of Morro Bay City Council:

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

AGENDA

MEETING DATE:

6:00 p.m., Thursday, September 13, 2012

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

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 JUNE 14, 2012 JPA MEETING

Recommendation: Approve as submitted

A-2 WWTP OPERATIONS REPORT THROUGH JULY, 2012

Recommendation: Approve as submitted

B. OLD BUSINESS

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

Recommendation: Receive the Status Report and direct staff accordingly

C. NEW BUSINESS

C-1 PRESENTATION OF THE FY 2010/11 WWTP AUDIT

Recommendation: That the Board of directors of the Cayucos Sanitary District and the City Council accept the WWTP audit report.

C-2 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: _____ September 13, 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
Harold Fones, Vice-President
Shirley Lyon, Director
Michael Foster, Director
Dan Chivens, Director

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

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

MEETING DATE:
6:00 p.m., Thursday, June 14, 2012

HOSTED BY:
Cayucos Sanitary District

MEETING PLACE:
Cayucos Veterans Hall
10 Cayucos Drive
Cayucos, CA 93430

CALL TO ORDER AND ROLL CALL

President Enns called the meeting to order at 6:04 p.m.

Morro Bay City Council present were Mayor Yates, Vice-Mayor Nancy Johnson, Council members, Noah Smukler and George Leage. Council member Carla Borchard was absent

Cayucos Sanitary District Board members present were President Robert Enns, Vice-President Hal Fones, Directors Shirley Lyon, Michael Foster and Dan Chivens

Morro Bay Staff members present were Bruce Keogh, Rob Livick, Susan Slayton, and Rob Schultz. Also present was JPA WWTP Project Manager Dennis Delzeit

Cayucos staff present were Interim District Manager Rick Koon, and District Council 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.

President Enns opened Public Comment.

- Ann Reeves – Brought copy of a story having to do with the coastlines & the erosion thereof. She said for instance, in Ventura they've had to move back their bike path and there's been work at the Ventura Fair Grounds due to erosion. She went on to say that "it's becoming more & more evident that the coastline is changing and it's not gonna be a hundred years". She asked the board to take into consideration that the future is not a hundred years from now & what they do when making their final decisions regarding the plant will really affect these communities for better or for worse.
- Betty Winholtz – Spoke of the election in Morro Bay. Said although the WWTP was not the only issue on that election, it was a big issue. They have a new council elect who are in favor of looking at other options, and she hopes Cayucos will look at that, take heed from that & understand the direction of Morro Bay will be changing. Betty also referred to a booklet being circulated amongst the commissioners by lobbyist, Susan McCabe, & encouraged all to read it.

Hearing no further comments President Enns closed Public Comment.

Smukler made an announcement regarding his attendance at South County Sanitation District's Water Reclamation Recycling workshop on June 7th 2012. He said that it was very informational, it hosted multiple jurisdictions & projects that are leading the state in water recycling & reclamation; including Monterey, Santa Maria, San Luis Obispo, it had a representative from the Regional Water Board & the County. He said that AGP recorded the entire 3 hour event & it is available on their website "slo-span.org", click on "Water Recycling Forum" in the top right hand corner of their home page.

A. CONSENT CALENDAR

1. MINUTES OF APRIL 12, 2012 JPA MEETING – Recommend approve.

MORRO BAY MOTION: Smukler made a motion to approve Consent Calendar Item **A1**. Johnson 2nd. Motion passed (4-0).

CAYUCOS MOTION: Fones made a motion to approve Consent Calendar Item **A1**. Lyon 2nd. Motion passed (5-0).

2. WWTP OPERATIONS REPORT THROUGH APRIL, 2012 – Recommend approve.

President Enns opened Public Comment on item A2

- Betty Winholtz – asked for clarification of how many commissioners were met with each month, are the numbers cumulative or not?

Keogh confirmed it was a total of five commissioners.

President Enns asked for any other public comment, hearing no others, he requested a motion from Cayucos.

CAYUCOS MOTION: Chivens made a motion to approve Consent Calendar Item **A2**. Lyon 2nd. Motion passed (5-0).

MORRO BAY MOTION: Johnson made a motion to approve Consent Calendar Item **A2**. Smukler 2nd. Motion passed (4-0).

President Enns then moved on to next agenda item

B. OLD BUSINESS

1. STATUS REPORT ON UPGRADE PROJECT AS OF JUNE 1, 2012 – Receive the Status Report and direct staff accordingly.

Delzeit summarized the staff report emphasizing some of the most recent activity & communications over the past month. He said that the meeting originally scheduled for June 11th was postponed until June 22nd 2012 and that the Coastal Commission Staff is targeting the August Coastal Commission meeting to hear our Coastal Development permit on the project. That meeting will occur August 8th through August 10th in Santa Cruz.

Smukler had some follow up questions for Delzeit regarding the briefing booklet, first asking about its' availability. Delzeit explained how to access it on the City website by clicking on WWTP project, and then finding it within the offered list of documents. Smukler then asked if there were 2 separate booklets. Delzeit responded by saying there are various documents & briefing materials which are provided to the Coastal Commission and posted on the website. Livick added that "all information that is provided to Coastal Commissioners or staff is also posted concurrently to the WWTP upgrade so that anything that leaves the City or District gets uploaded to that website".

Foster asked Delzeit if he refers to the new WWTP as an upgrade project in the booklet. Delzeit confirmed that yes he does.

President Enns asked for any public comment, hearing none, he closed public comment

C. NEW BUSINESS

1. CONSIDERATION TO ADOPT FISCAL YEAR 2012/2013 WWTP BUDGET – That the Board of directors of the Cayucos Sanitary District approve the FY 2012/2013 budget

President Enns asked Susan Slayton to speak on this item. Slayton presented the 2012/2013 budget. Foster has questions regarding the earthquake & flood insurance and stated that he will be meeting with the City Risk Management to gain a better understanding of that budgetary line item; however it will not impede the decision to approve the new budget. Keogh added a request regarding two O&M projects previously approved in the 11/12 FY budget (GL lines 5504 & 6601). He asked that the allocation of funds for both projects, each \$15,000.00, be carried over into the FY 12/13 budget as they were not completed in the 11/12 fiscal year they were originally approved in.

Smukler followed up with Foster regarding his earlier comment pertaining to the earthquake & flood insurance meeting with the City Risk Management. Smukler showed interest in attending the meeting & asked to be included and informed of the details once established. Smukler then changed topic back to comments he had regarding the budget, expressing that he was expecting to see more savings in employer paid benefits, anticipating some impact from employee contributions to PERS. Slayton explained that there was a new WWTP hire and that's where the offset is. Smukler then posed questions to Keogh regarding the purchase of a new truck. He inquired about resale value and the mileage of the old truck. Keogh replied that the mileage is fairly low, but the issue is really a rust issue. Discussion continued between Smukler & Keogh regarding the use of the truck.

Mayor Yates asked Keogh if he was requesting a motion to approve the budget with the additional \$30,000.00 for the two unfinished projects. Keogh confirmed.

President Enns opened Public Comment on item C1

- Betty Winholtz – Mentioned that McCabe’s consulting fees look out of place under the “Capitol Projects” line item & feels they seem more appropriate in a different category

Smukler then asked Delzeit for an update on the lobbyist contract. Smukler, saying it wasn’t clear in the review, wanted to reconfirm that the cap of \$155k was a firm commitment from McCabe to fulfill her obligations carrying this project forward to permitted status. Delzeit confirmed that the \$155k cap is correct regardless of any possible continuances

MORRO BAY MOTION: Johnson made a motion to approve Consent Calendar Item **C1** (with the addition of the \$30,000.00). Leage 2nd Motion passed (4-0).

CAYUCOS MOTION: Foster made a motion to approve Consent Calendar Item **C1** (with the addition of the \$30,000.00). Fones 2nd. Motion passed (5-0).

2. AUDIT CONTRACT EXPIRATION – Receive the Staff Report and direct staff accordingly

Slayton explained the current contract for Auditor Bob Crosby is up for renewal. They’ve been with Bob for quite a while now & have already granted him one extension. Slayton is asking for direction from both governing bodies to decide whether to grant Mr. Crosby another extension, or send out RFP(s). Enns had a question regarding Mr. Crosby contract amount. Slayton replied the prior contract was not expected to exceed \$5,200.00. Yates asked Slayton to expand on Crosby & his staff. Slayton says he does a good job, he’s very thorough, and have an excellent working relationship, however not very timely. Fones commented that he agreed with the City of MB in extending Crosby’s contract stating the expense of an RFP is not a valid saving of any kind. Foster questioned why it would cost \$2,600.00 for an RFP saying there are plenty of CPA firms that would be happy to put a bid in. Slayton explained that the \$2,600.00 was the estimate cost in staff time preparing an RFP that would suit both boards. Foster responded by suggesting if they approve the contract extension for Crosby, part of the engagement should be getting the auditor to agree on a due date. Foster went on to say he has been unhappy with the timeliness of his work.

CAYUCOS MOTION: Fones made a motion to approve Item **C2** (amended to extend 3 years). Lyon 2nd. Motion passed (5-0).

MORRO BAY MOTION: Smukler made a motion to approve Item **C2**. Johnson 2nd. Motion passed (4-0).

3. SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

Next JPA meeting scheduled for July 12th 2012.

ADJOURNMENT

President Enns adjourned the meeting at 6:39 p.m.

Agenda No. A-2

Date: September 13, 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: Bruce Keogh, Wastewater Division Manager

date: September 5, 2012

subject: WWTP Operations Report through July, 2012

recommendation:

This Department recommends this report be received and filed.

fiscal impact:

None

summary:

Attached, find copies of the Morro Bay-Cayucos Wastewater Treatment Plant monthly reports, from May 2012 to July 2012 and the WWTP flow summary, through July 2012. This information updates the item from the June 14, 2012 meeting.

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY

MAY 2012

Flow for the month of May averaged 1.077 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 87.8 % to 92.9 % for the month, with an average removal of 90.8 % for the month. BOD removal ranged from 73.3 % to 82.4 % for the month, with an average removal of 78.5 % for the month. There was no rainfall recorded for the month. For the month of May, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

The following items are noteworthy activities for May concerning the upgrade project for the wwtp:

- The monthly status report update was submitted to the Regional Water Quality Control Board, as required by approval of the force majeure time extension;
- McCabe & Company communicated with California Coastal Commission (CCC) staff to expedite project review and hearing scheduling;
- McCabe & Company coordinated with the MBCSD staff and project manager to prepare for the meeting with CCC staff on June 11th;
- McCabe & Company worked with the MBCSD staff and project manager to revise the briefing booklet in response to Commissioner comments received to date; and
- McCabe & Company advised on communicating with project supporters;
- The City Attorney met with Senator Blakeslee and Assemblyman Achadjian and both agreed to send a letter of support to the Coastal Commission;
- The Coastal Commission staff member, Susan Craig, has indicated that the de novo hearing for the Coastal Development Permit is tentatively scheduled for the August 8-10 meeting in Santa Cruz.

Staff collected additional composite influent samples over the Memorial Day weekend as part of the design process. The additional samples were tested for BOD, soluble BOD, total suspended solids, volatile suspended solids, COD, soluble COD, ammonia as nitrogen, alkalinity, and total kjeldahl nitrogen. The data will be forwarded to the design team at MWH.

During the month of May, staff continued to work on issues associated with the recirculation of sludge within digester #2 and transfer of sludge from digester #2 to digester #3.

The installation of the in-line muffin monster appears to be assisting in reducing the ragging problem on the sludge recirculation piping for digester #2. In addition, staff changed the circulation pattern within the digester to ensure the digester is well mixed and there are no dead zones.

Staff had noted that during April and early May that the solids content of the sludge in digester #2 was unusually high, averaging approximately 5% solids. The solids content has been steadily getting lower over the month of May.

The normal solids content is generally approximately 2% solids. The heavy solids content was making it difficult to transfer sludge from digester #2 to digester #3, the normal sludge transfer pattern. To assist in transferring sludge from digester #2 (getting the sludge to flow in the pipe), staff installed a 3W water fitting on the sludge discharge piping at the JBox on digester #2. Staff is investigating possible reasons for the heavy solids content in digester #2. In response to the elevated solids levels with in digester #2, staff reduced the ferric chloride dose as ferric acts as a settling agent increasing solids content. They also adjusted the feeding schedules for digesters #2 and #3. Staff has also attempted to switch circulation points on digester #2 to ensure that the digester is well mixed and there are no dead zones where solids could accumulate.

Other digester related projects during May included:

- On May 24, staff installed a new gas recirculation blower on the gas recirculation system for digester #2. The new blower replaces an older blower that may have lost efficiency over time. The installation of the new blower is designed to optimize the sludge mixing within digester # 2.
- On May 31, staff completed a project on the emergency overflow piping for Digester #2. The project included installation of new valving and 3W piping so that the overflow line can be isolated and purged as needed. In addition staff installed a section of clear PVC piping that allows staff to visually determine the level within the digester.
- On May 15, staff cleared rags from the check valve on the digester recirculation line for digester #3. They also performed minor repairs to the sludge recirculation piping for digester #3.

On May 21, staff discovered that main influent pump #3 was making excessive noise and vibration. Staff pulled the pump and sent it to Perrys Motors for inspection and repair. They discovered a faulty bearing assembly in the pump housing. They replaced both the bearing assembly and the pump seal. The pump will be reinstalled once the work is completed by Perrys Motors.

On May 26 at approximately 0945 hours staff discovered that the effluent flow meter was not operational. They switched the flow paced control signals used to pace the chemicals for disinfection and dechlorination from the effluent flow meter to the influent flow meter while repairs were performed to the effluent meter. They pulled the effluent flow meter from its mounting brackets and inspected the unit. Staff suspects that a bird could have been lodged in the propeller of the flow meter and/or in the straightening vanes within the pipe causing the meter to fail. They reinstalled the meter and the unit appeared to operate as designed. They switched the flow paced control signals back to the effluent flow meter and resumed normal operations. Based on the twenty four hour flow totals recorded on the effluent flow meter over the following two weeks, staff has made arrangements to ship the meter to the manufacturer for calibration.

On May 24, at 2315 hours, staff responded to a high chlorine residual alarm at the plant. Staff noted that there was no indication of a high chlorine residual on the chart recorder used to track chlorine residual. They calibrated the chlorine residual analyzers and performed a detailed inspection and no other problems were noted. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time to the noted problem.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for April 2012

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

- The April 2012 Monthly Monitoring Data

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/May 2012

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY

JUNE 2012

Flow for the month of June averaged 1.377 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 92.7 % to 95.3 % for the month, with an average removal of 93.7 % for the month. BOD removal ranged from 78.2 % to 86.2 % for the month, with an average removal of 82.9 % for the month. There was no rainfall recorded for the month. For the month of June, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

The following items are noteworthy activities for June concerning the upgrade project for the wwtp:

- MBCSD staff and consultants met with Coastal staff on June 22, 2012 in the Santa Cruz office. A summary of the meeting is contained in the June 26 memorandum to the JPA;
- The Coastal Commission hearing for the Coastal Development Permit is scheduled for August 8-10 in Santa Cruz;
- Dudek submitted additional coastal hazard information concerning the potential for wave run up and dune erosion;
- McCabe & Company has continued to communicate with Coastal Commissioners, Coastal staff and various state officials regarding the project;
- McCabe & Company and Dudek worked with the MBCSD staff and project manager to revise the briefing booklet in response to Commissioner comments received to date;
- The monthly status report update was submitted to the Regional Water Quality Control Board, as required by the force majeure time extension.
- The focus in July is preparation for the Coastal Commission hearing August 8-10, 2012;

On June 18, plant staff notified the Air Pollution Control District that the hydrogen sulfide level within the digester gas used to feed the boilers had a hydrogen sulfide concentration of 650ppm. The concentration of 650 ppm was in violation of the plants APCD permit which has a hydrogen sulfide concentration limit of 600 ppm. APCD staff requested that plant staff retest for hydrogen sulfide concentration the following morning. On June 19 at 0830 hours plant staff notified the Air Pollution Control District that the hydrogen sulfide level within the digester gas used to feed the boilers had a hydrogen sulfide concentration of 750ppm. Plant staff retested the digester gas at 1510 hours on June 19 and reported to APCD staff that the hydrogen sulfide gas concentration was 375ppm, and that the plant was back in compliance with the permit.

In response to the elevated hydrogen sulfide concentrations, staff increased the dose of ferrous chloride to the primary sludge feed to the digesters which causes a reduction in the hydrogen sulfide concentration within the digester. Plant staff had lowered the ferrous chloride dose in May in response to the issues associated with the recirculation of sludge within digester #2 and transfer of sludge from digester #2 to digester #3 noted in the April and May Operational Summaries.

During the month of June, the issues associated with the recirculation of sludge within digester #2 and transfer of sludge from digester #2 to digester #3 that were noted in the April and May Monthly Operations Summaries appear to have corrected themselves.

On June 19, staff cleared a partial blockage in the one-inch digester gas line that feeds the manometer off of the main eight-inch digester gas line. The manometer is designed to maintain the correct pressure within the digester gas system allowing the proper gas pressure to be fed to the boilers or the waste gas burner. Staff had noted for several weeks that the manometer was not holding a constant pressure with the gas line and that the pressure had been fluctuating slightly. Staff notified APCD of the repairs.

On June 7, per the manufacturer's recommendation, plant staff checked the drive shaft angle on main influent pump #3. In order to get the correct drive shaft angle, plant staff had to shift the pump motor and the motor mounting plate. Plant staff also replaced the U-joints on the drive shaft while the pump was off-line.

On June 18, staff removed the effluent flow meter for calibration by the manufacturer. Staff shipped the propeller portion of the meter and the register/totalizer to the manufacturer for inspection and calibration. The meter was calibrated at the factory and shipped to Morro Bay for installation on June 22. When the effluent meter was removed, staff switched the flow paced control signals used to pace the chemicals for disinfection and dechlorination from the effluent flow meter to the influent flow meter while the inspection and calibration processes were performed on the effluent meter. They reinstalled the meter and the unit appears to be operating as designed. They switched the flow paced control signals back to the effluent flow meter and resumed normal operations.

On June 13, staff repaired a minor sodium hypochlorite leak on the discharge tubing of chemical dosing pump #1. Staff also checked and tightened all the connections on the sodium hypochlorite and sodium bisulfite dosing pumps.

On June 14, laboratory staff submitted the results for Water Pollution -208 Performance Testing (WP – 208) to the accredited provider, Environmental Resource Associates (ERA). Staff is currently awaiting the results of the study from ERA. WP-208 is an annual testing program that the laboratory is required to participate in as a component of the labs certification through the Environmental Laboratory Accreditation Program (ELAP). Results of the WP-208 study will be forwarded to staff at ELAP as well as the State Water Resources Control Board. For the year 2012, WP-208 replaces the Discharge Monitoring Report-Quality Assurance (DMR-QA) Study that is usually sponsored by the United States Environmental Protection Agency (USEPA) on an annual basis.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for May 2012

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

- The May 2012 Monthly Monitoring Data

On June 20 and 21, staff responded to after hours chlorine residual alarms at the plant. Staff believes the slightly elevated chlorine residuals were due to having the disinfection and dechlorination signals used to pace the hypochlorite and bisulfite pumps coming from the influent flow meter (rather than the effluent flow meter which was off-line for inspection and calibration). They adjusted the hypochlorite dosing pumps and performed a detailed inspection and no other problems were noted. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time.

On June 5 and 6, Mr. Bruce Keogh and Mr. Les Girvin attended the Public Works Academy sponsored by the California Joint Powers Insurance Agency (CJPIA).

On June 12, Mr. Dave Bierman, Mr. George Helms, Mr. Neza Chavira, Mr. Les Girvin, and Mr. Steve Aschenbrener attended a forklift training seminar sponsored by the CJPIA.

On June 20, Mr. Bruce Keogh, Mr. Les Girvin, Mr. Dave Bierman, Mr. George Helms, and Mr. John Gunderlock watched an Arc Flash Seminar sponsored by Lewellyn Supply.

On June 20, sales representatives from Fastenal and Lift All gave a seminar on slings and safe lifting practices to all staff members of the wastewater treatment plant, the City of Morro Bay water crew, and the City of Morro Bay collections crew.

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/June 2012

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY

JULY 2012

Flow for the month of July averaged 1.516 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 88.8 % to 88.8 % for the month, with an average removal of 92.7 % for the month. BOD removal ranged from 79.8 % to 87.8 % for the month, with an average removal of 84.3 % for the month. There was no rainfall recorded for the month. For the month of July, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

The following items are noteworthy activities for July concerning the upgrade project for the wwtp:

- MBCSD staff met with the Regional Water Quality Control Board staff with the Environmental Protection Agency staff on the conference phone, July 23, 2012;
- The California Coastal Commission (CCC) staff report was issued at the close of business on Friday, July 27 recommending denial of the Coastal Development Permit (CDP), leaving little time prior to the August 9 hearing for an MBCSD response;
- The MBCSD staff and consultants met CCC staff in Santa Cruz on August 3, 2012 and discussed the staff report, the MBCSD response letter and our request for approval of the CDP;
- Conducted weekly meetings with telephone conference attendance that included Morro Bay and Cayucos staff and project consultants;
- Upon receiving the CCC staff report, MBCSD prepared a detailed response letter for submittal to the CCC;
- McCabe & Company coordinated meetings and phone conference meetings with Coastal Commissioners that included Morro Bay and Cayucos staff and project consultants. To date, nine Commissioners and one alternate Commissioner have been briefed on the project. McCabe & Company is also in frequent contact with Commissioners and other officials that have a stake in the project;
- The monthly status report update was submitted to the Regional Water Quality Control Board, as required by the force majeure time extension.

Based on a review of the twenty-four hour plant flow totals for the months of June and July, plant staff suspects that the influent flow meter may be over totalizing the reported flow measurements. This suspicion is based on a comparison of the influent and effluent meter flow totals and comparing them to a historical relationship between the two meters. Staff performed the following steps to confirm the accuracy of the two meters and will continue to investigate this important matter.

- On July 11, staff from Ponton Industries, the factory representative for American Sigma, checked the calibration of the influent flow meter located in the metering manhole on the thirty-inch influent trunk line at the plant. To calibrate the meter, staff plugged the thirty-inch influent trunk line upstream of the twenty-seven inch Palmer-Bowlus flume to calibrate the meter to a zero flow set point. The Calibration Certificate received from Ponton Industries states, "*Read 0.045 inches (4.995 GPM, Set to 0.00 (0.000 gpm)*". In addition, they confirmed the accuracy of the ultrasonic transducer by removing the transducer from the metering manhole and aiming the transducer at various targets placed at a known distance from the transducer, and comparing the values to a measured distance. The transducer was within factory specifications. They also did a comprehensive review of the programming parameters of the American Sigma 980 Flow Meter Totalizer.
- As reported in the June 2012 Operations Summary, plant staff had the effluent flow meter calibrated by the manufacturer during the month of June.

- On July 31, plant staff performed a field exercise aimed at verifying the accuracy of the effluent flow meter. On July 31, at 0200 hours staff began draining the chlorine contact tank. While the chlorine contact tank was being drained, plant staff filled primary clarifier #1 (see discussion below), so that there would be no flow to the chlorine contact tank and the tank could be drained and refilled in a controlled manner as part of the calibration process. At 0700, staff began refilling the chlorine contact tank, and at 0820 the tank was full and flowing to the outfall. Staff then compared the estimated volume of the tank (calculated by using the as-builts and field measurements of the tank) with the flow meter readings from the effluent flow meter while the tank was filling. Based on this exercise, staff noted that the effluent meter overtotaled the flow into the chlorine contact chamber by 17.8%. This figure is consistent with past calibration checks on this particular meter and is one of the primary reasons that the influent meter was installed in 2001.

Plant staff shut down primary clarifier #1 at 1100 hours on July 30, so that the clarifier could be drained for inspection and maintenance. While the clarifier was off-line, they removed a small volume of rags. During the removal of the rags from the center column of the clarifier, one of the operators was poked in the hand by a needle sticking out of a rag ball despite wearing personnel protective equipment including “sharps proof gloves.” The Operator was taken to urgent care for first-aid and to establish a follow up program for monitoring his health into the future. Staff began refilling the clarifier on December 31, at 0200 hours and the clarifier was flowing and operational at 0700 hours.

On July 24 - 26, staff from FKC Inc, performed a solids dewatering demonstration utilizing a trailer mounted FKC Screw Press. Similar to the other recent dewatering demonstrations at the plant, FKC staff provided operational training on the dewatering unit to plant staff. FKC staff will also be providing a written report summarizing the performance of the Screw Press to plant staff that includes sludge moisture content, polymer dose, screw speed, and solids capture. This information will be useful in determining the optimum dewatering strategy for the upgraded treatment plant.

Staff collected additional composite influent samples over the Fourth of July holiday as part of the design process. The additional samples were tested for BOD, soluble BOD, total suspended solids, volatile suspended solids, COD, soluble COD, ammonia as nitrogen, alkalinity, and total kjeldahl nitrogen. The data will be forwarded to the design team at MWH.

On July 23 and 24, staff from Kones Cranes performed the annual inspection of the three cranes at the plant. Their staff also performed maintenance procedures on the load brake on the maintenance shop crane that had been identified in a prior inspection. Staff is waiting for the inspection report at this time.

During the month of July, plant staff and staff from Dittman Associates began work on an Incident Energy and Arc Flash Study for the plant’s electrical system. The study is expected to take approximately two months to complete.

On July 17, staff replaced the packing on the knife gate valve for main influent pump #3. While the pump and pump’s influent suction line were isolated and off-line, staff performed a video inspection of the influent suction line and the line appeared to be in good condition.

On July 11, staff from Harbor Electric installed a new motor starter on the controls for Aeration Air Blower B-5112. They also discovered and tightened loose wire connections on the control circuitry for Aeration Air Blower B-5111.

On July 13, staff reinstalled the fan guard on the emergency auxiliary generator. The fan guard had been removed for repairs and painting on July 9.

On July 29, staff replaced the check balls and ball seats on primary sludge pump #2. Staff noted that the seats were worn and may have been affecting the pumps efficiency.

On July 25, staff from San Luis Powerhouse performed the quarterly maintenance and inspection on the emergency auxiliary generator. No problems were noted during the inspection.

On July 19, staff discovered and repaired a leak on the main six-inch potable water line to the plant. They discovered that a cracked six-inch tee was responsible for the leak.

On July 5, staff from Titan Industrial calibrated the hydrogen sulfide and Lower Explosive Limit sensors for the atmospheric monitor at the headworks. At that time they noticed a problem with the oxygen sensor. On July 19, they returned to install and calibrate a new oxygen sensor for the atmospheric monitor at the headworks. They also provided staff with training on the new Industrial Scientific model MX4 handheld atmospheric monitor.

On July 12, staff installed new batteries in the earthquake safety backup lights in Motor Control Center (MCC) A located in the Administration building and the boiler room in the maintenance shop.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for June 2012

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

- The June 2012 Monthly Monitoring Data
- The Second Quarter Receiving – Water Survey June 2012

On July 2, laboratory staff received notice that they had acceptable results for Water Pollution -208 Performance Testing (WP – 208). WP-208 is an annual testing program that the laboratory is required to participate in as a component of the labs certification through the Environmental Laboratory Accreditation Program (ELAP). For the year 2012, WP-208 replaces the Discharge Monitoring Report-Quality Assurance (DMR-QA) Study that is usually sponsored annually by the United States Environmental Protection Agency (USEPA).

On July 31, at 1221 hours staff responded to a high chlorine residual alarm at the plant. They performed a detailed inspection and made minor adjustments to the hypochlorite dosing pumps and no other problems were noted. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time.

On July 12, four members of the Cayucos Sanitary District staff toured the plant.

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/July 2012

Total Plant Flow			Cayucos Flow Totals			Morro Bay Flow Totals			# of	Dates
2010	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%	days	
JAN	42.053	1.357	11.058	0.357	26.3%	30.995	1.000	73.7%	31	Jan 1-Jan 31, 2010
FEB	35.432	1.265	9.845	0.352	27.8%	25.587	0.914	72.2%	28	Feb 1-Feb 28, 2010
MAR	36.204	1.168	9.396	0.303	26.0%	26.808	0.865	74.0%	31	March 1 - 31, 2010
APR	34.481	1.149	8.560	0.285	24.8%	25.921	0.864	75.2%	30	April 1 - April 30, 2010
MAY	34.141	1.101	8.059	0.260	23.6%	26.082	0.841	76.4%	31	May 1 - 31, 2010
JUNE	33.550	1.118	8.109	0.270	24.2%	25.441	0.848	75.8%	30	June 1-30, 2010
JULY	39.626	1.278	10.695	0.345	27.0%	28.931	0.933	73.0%	31	July 1-31, 2010
AUG	37.919	1.223	8.993	0.290	23.7%	28.926	0.933	76.3%	31	August 1-31, 2010
SEPT	31.984	1.066	7.510	0.250	23.5%	24.474	0.816	76.5%	30	September 1-30, 2010
OCT	32.144	1.037	7.490	0.242	23.3%	24.654	0.795	76.7%	31	October 1-31, 2010
NOV	31.512	1.050	7.885	0.263	25.0%	23.627	0.788	75.0%	30	November 1-30, 2010
DEC	44.378	1.432	14.061	0.454	31.7%	30.317	0.978	68.3%	31	December 1-31, 2010
ANNUAL AVERAGES	36.119	1.187	9.305	0.306	25.6%	26.814	0.881	74.4%		
2011	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%	# of	Dates
JAN	42.338	1.366	12.089	0.390	28.6%	30.249	0.976	71.4%	31	Jan 1-Jan 31, 2011
FEB	35.600	1.271	9.674	0.346	27.2%	25.926	0.926	72.8%	28	Feb 1-Feb 28, 2011
MAR	47.887	1.545	13.770	0.444	28.8%	34.117	1.101	71.2%	31	March 1 - 31, 2011
APR	38.937	1.298	9.117	0.304	23.4%	29.820	0.994	76.6%	30	April 1 - April 30, 2011
MAY	37.092	1.197	8.704	0.281	23.5%	28.388	0.916	76.5%	31	May 1 - 31, 2011
JUNE	37.769	1.259	9.381	0.313	24.8%	28.388	0.946	75.2%	30	June 1-30, 2011
JULY	43.654	1.408	11.186	0.361	25.6%	32.468	1.047	74.4%	31	July 1-31, 2011
AUG	38.518	1.243	9.080	0.293	23.6%	29.438	0.950	76.4%	31	August 1-31, 2011
SEPT	33.263	1.109	7.526	0.251	22.6%	25.737	0.858	77.4%	30	September 1-30, 2011
OCT	33.454	1.079	7.597	0.245	22.7%	25.857	0.834	77.3%	31	October 1-31, 2011
NOV	33.240	1.108	7.589	0.253	22.8%	25.651	0.855	77.2%	30	November 1-30, 2011
DEC	32.378	1.044	6.982	0.225	21.6%	25.396	0.819	78.4%	31	December 1-31, 2011
ANNUAL AVERAGES	37.844	1.244	9.391	0.309	24.6%	28.453	0.935	75.4%		
2012	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%	# of	Dates
JAN	34.443	1.111	7.444	0.240	21.6%	26.999	0.871	78.4%	31	Jan 1-Jan 31, 2012
FEB	30.478	1.051	6.440	0.222	21.1%	24.038	0.829	78.9%	29	Feb 1-Feb 29, 2012
MAR	33.971	1.096	7.711	0.249	22.7%	26.260	0.847	77.3%	31	March 1 - 31, 2012
APR	35.523	1.184	8.573	0.286	24.1%	26.950	0.898	75.9%	30	April 1 - April 30, 2012
MAY	33.393	1.077	7.390	0.238	22.1%	26.003	0.839	77.9%	31	May 1 - 31, 2012
JUNE	40.101	1.337	7.687	0.256	19.2%	32.414	1.080	80.8%	30	June 1-30, 2012
JULY	46.989	1.516	9.832	0.317	20.9%	37.157	1.199	79.1%	31	July 1-31, 2012
AUG		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	August 1-31, 2012
SEPT		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	30	September 1-30, 2012
OCT		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	October 1-31, 2012
NOV		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	30	November 1-30, 2012
DEC		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	December 1-31, 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: Dennis Delzeit, P.E., Project Manager

Date: September 13, 2012

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

Recommendation: Receive the Status Report and direct staff accordingly

Activities during August 2012

Major activities during August consisted of preparing for the August 9, 2012 California Coastal Commission (CCC) de novo hearing and then reacting to the postponement.

- The CCC staff report was issued at the close of business on Friday, July 27 recommending denial of the permit, leaving very little time prior to the August 9 hearing to respond. The MBCSD team prepared a 24 page response letter to the staff report;
- The MBCSD staff and consultants met with the CCC staff in their Santa Cruz office August 3, 2012 and discussed the staff report, the MBCSD response letter and our request for approval of the Coastal Development Permit;
- On August 7 at 10:19 PM, the Coastal Commission staff notified the MBCSD that the CCC staff is postponing the de novo Coastal Commission hearing on the project that was scheduled for August 9, 2012;
- McCabe & Company coordinated meetings and phone conferences with Coastal Commissioners that included Morro Bay and Cayucos staff and project consultants. To date, nine Commissioners and one alternate Commissioner have been briefed on the project. McCabe & Company is also in frequent contact with other officials that have a stake in the project;
- The monthly project status report was issued to the Regional Water Quality Control Board;
- The project web site was updated.

Looking Ahead-September and October 2012

The primary goal for September is to assure that the Coastal Commission hearing will be re scheduled for their October 10,11,12, 2012 meeting in Oceanside.

- Morro Bay staff has been requesting meetings with Coastal Commission staff to discuss the proposed project and request their recommendation for approval of the Coastal Development Permit (with conditions);
- Despite repeated attempts to schedule a meeting with Coastal staff, they have replied that they are not prepared to meet and they have also been unwilling to commit to "place holder" meeting appointments;
- McCabe & Company are continuing to communicate the project issues with the Coastal Commissioners.

Fiscal Impact:

- There are no new expenditures to report.

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
- **Rough Screening Analysis Presentation to the JPA** **September 8, 2011**
- 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
- **Fine Screening Analysis Presentation to the JPA** **November 10, 2011**
- Coastal Commission staff level meeting in Santa Cruz (review de novo materials) December 9, 2011
- 2012 Recycled Water Feasibility Study released March 9, 2012
- **2012 Recycled Water Feasibility Study Presentation to the JPA** **April 12, 2012**
- Coastal Commission staff level meeting in Santa Cruz (review de novo materials) June 22, 2012
- Coastal Commission staff level meeting in Santa Cruz (review of staff report for the August 9, 2012 CCC mtg.) August 3, 2012

- **Coastal Commission de novo hearing, Santa Cruz** **August 9, 2012**
Postponed by CCC staff
- **Coastal Commission de novo hearing, Oceanside** **October 10-12, 2012**
- 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
- 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:

- Original Contract Amount: \$345,485.00
- Amendment: \$110,157.00
- Revised Contract Amount: \$455,642.00¹
- Amount invoiced to date: \$429,742.87
- Amount remaining in contract: \$ 25,899.13
- Most recent billing amount (7/17/12): \$ 3,601.38
- Percent of contract billed: 94%

MWH Design

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: \$ 474,490.33
- Amount Remaining: \$2,225,509.67
- Most Recent Billing Amount (10/7/11)² \$ 4,631.46
- Percent of contract billed: 18%

¹ \$21,627 is reserved as an optional task for archaeology services, if required by Coastal.

² 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.

McCabe & Company) California Coastal Commission Communications/Liaison Services

• Invoice 4/11/11: \$12,500 + \$857.47 ³ =	\$13,347.57
• Invoice 5/3/11: \$12,500 + \$98.28 ⁴ =	\$12,598.28
• Invoice 6/3/11: \$12,500 + \$4,032 ⁵ =	<u>\$16,532.00</u>
• Total billings from start of contract to suspension:	\$42,477.85 ⁶
• Invoice for January 2012, dated 2-29-12:	\$12,500.00
• Invoice for February 2012, dated 3-23-12:	\$12,500.00
• Invoice for March 2012, dated 4-23-12:	\$12,500.00
• Invoice for April 2012, dated 5-15-12:	\$12,500.00
• Invoice for May 2012, dated 6-25-12:	\$12,991.97 ⁷
• Invoice for June 2012, dated 7-23-12:	\$12,500.00
• Amount billed to date:	\$117,969.82
• Not to exceed limit:	\$155,000
• Percent billed to date:	76%

State Revolving Fund Loan:

The SRF process is on hold pending approval of the California Coastal Commission. Without a Coastal Development Permit from the CCC, the project work scope components are unknown as is the total project cost.

Project Manager, Dennis Delzeit, Services:

- Prepared and submitted the monthly report to the RWQCB;
- Prepared the monthly status report to the JPA;
- Updated the web site information;
- Reviewed the McCabe invoice;
- Coordinated with McCabe & Company on communications;
- Coordinated with Dudek, Earth Systems Consultants and Coastal staff;
- Participated in project meetings with MBCSD staff and consultants August 2, 6, 13, and 30;
- Participated in briefings with Coastal Commissioners Bloom, Mitchell, Bochco and Stone in the San Fernando Valley, Santa Monica and Santa Cruz;
- Assisted in the preparation of Commissioner briefing slides;
- Reviewed, studied and commented on the Coastal Commission staff report;
- Interviewed with the Wall Street Journal reporter.

³ 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.

⁴ Conference calls outside expenses.

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

⁶ This is the total fee for services from the beginning to the suspension of the contract: Feb 22 through May 31, 2011. No services were provided between May 31 through December 31, 2011.

⁷ Expenses for meeting with CCC staff in Santa Cruz: \$407.60 airfare; \$45.54 car rental; \$8.83 gas; \$30 taxi.

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:	\$182,884.44
▪ Amount Remaining:	\$ 70,115.56
▪ Most Recent Billing Amount (9/1/12)	\$ 9,918.00
▪ Percentage of contract billed:	72%

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: September 4, 2012

subject: FY 2010/11 WWTP Audit

recommendation:
Accept the WWTP audit report.

fiscal impact:
None

summary:
Bob Crosby, CPA, will discuss the MB/CSD Wastewater Treatment Plant's 2010/11 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, 2011**

DRAFT

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2011

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, 2011. 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, 2011, with comparative information for June 30, 2010:

	2011	2010
Treatment Plant's Net Assets (Amounts expressed in \$1,000s)		
Current and other assets	\$ 200	\$ 498
Capital assets, net	3,280	2,974
Total assets	3,480	3,472
Accounts payable	133	439
Other liabilities	67	59
Total liabilities	200	498
Net assets:		
Invested in capital assets, net of related debt	3,280	2,974
Unrestricted	-	-
Total net assets	\$ 3,280	\$ 2,974

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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, 2011

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

	2011	2010
Charges for services	\$ 2,847	\$ 2,081
Plant operations	(3,030)	(2,589)
Increase (decrease) in net assets	(183)	(508)
Non-operating transfers	489	724
Change in net assets	306	216
Net assets - July 1	2,974	2,758
Net assets - June 30	\$ 3,280	\$ 2,974

Capital assets. The Treatment Plant's investment in capital assets as of June 30, 2011 amounts to \$3,280,262, net of accumulated depreciation. This investment in capital assets includes the buildings, machinery, equipment, vehicles and construction in progress.

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

	2011	2010
Plant	12,764	12,764
Machinery and equipment	1,500	1,500
Vehicles	59	59
Construction in progress	1,480	696
Less accumulated depreciation	(12,523)	(12,045)
Net capital assets	\$ 3,280	\$ 2,974

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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.

Independent Auditor's Report

Governing Bodies

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

I have audited the accompanying financial statements of the business-type activities of the Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement), a component unit of the City of Morro Bay and the Cayucos Sanitary District, as of and for the year ended June 30, 2011, which collectively comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morro Bay-Cayucos Wastewater Treatment Plant's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Morro Bay-Cayucos Wastewater Treatment Plant as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through ii, are not a required part of the basic financial statements but are supplementary information required by U.S. Generally Accepted Accounting Principles. I have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

DRAFT

CROSBY COMPANY
Certified Public Accountant

May 24, 2012

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

**STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS**

As of June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

ASSETS	<u>2011</u>	<u>2010</u>
<i>Current assets:</i>		
Accounts receivable	\$ 90,524	\$ 312
Due from members	109,488	496,504
Accrued interest receivable		1,022
Total current assets	200,012	497,838
<i>Noncurrent assets:</i>		
Capital assets		
Construction in progress	1,480,723	696,279
Plant	12,764,471	12,764,471
Machinery and equipment	1,499,740	1,499,740
Vehicles	58,547	58,547
Less accumulated depreciation	(12,523,219)	(12,045,313)
Total noncurrent assets	3,280,262	2,973,724
Total assets	\$ 3,480,274	\$ 3,471,562
LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable	\$ 133,072	\$ 438,828
Accrued liabilities	66,940	59,010
Total liabilities	\$ 200,012	\$ 497,838
<i>Net assets:</i>		
Invested in capital assets	\$ 3,280,262	\$ 2,973,724
Total net assets	\$ 3,280,262	\$ 2,973,724

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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, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Operating revenue	\$ 2,847,585	\$ 2,080,458
Total revenue	2,847,585	2,080,458
Operating expenses:		
Salaries	497,059	468,401
Employee costs	303,469	269,937
Allocated costs	103,765	84,859
Operating supplies	253,063	244,899
Depreciation	477,906	497,179
Repairs and maintenance	151,457	123,183
Contractual services	375,017	211,385
Professional development	1,685	1,803
Professional services	485,104	288,764
Communications	1,757	1,963
Utilities/waste disposal	166,148	167,380
Insurance	189,982	206,884
Licenses, fees and permits	23,144	22,329
Total operating expenses	3,029,556	2,588,966
Operating loss	(181,971)	(508,508)
Non-operating revenues		
Transfers	488,509	723,943
Changes in net assets:	306,538	215,435
Net assets-beginning:	2,973,724	2,758,289
Net assets-ending:	\$ 3,280,262	\$ 2,973,724

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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, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
<i>Cash flows from operating activities:</i>		
Cash received from operating revenue	\$ 2,883,510	\$ 2,084,678
Payments to employees	(492,140)	(466,936)
Other payments	(2,095,435)	(1,629,071)
Net cash provided (used) by operating activities	295,935	(11,329)
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(784,444)	(712,614)
Net cash used by capital and related financing activities	(784,444)	(712,614)
<i>Cash flows from non-capital and related financing activities:</i>		
Transfers-in	488,509	723,943
Net cash provided by non-capital and related financing activities	488,509	723,943
<i>Net change in cash:</i>	-	-
<i>Cash and cash equivalents-beginning:</i>	-	-
<i>Cash and cash equivalents-ending:</i>	\$ -	\$ -
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating loss	\$ (181,971)	\$ (508,508)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	477,906	497,179
Net changes in assets and liabilities		
Accounts receivable	(90,212)	4,220
Due from members	387,016	(126,623)
Accrued interest receivable	1,022	
Accounts payable	(305,756)	118,287
Accrued liabilities	7,930	4,116
Net cash provided (used) by operating activities	\$ 295,935	\$ (11,329)

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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, 2011**

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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is presented for comparative purposes only. Additional detailed information is presented in the prior year financial statements from which the summarized information was derived.

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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, 2011

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

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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, 2011**

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, 2011, are as follows:

Members

City of Morro Bay	\$	(85,533)
Cayucos Sanitary District		<u>195,021</u>
Total	\$	<u>109,488</u>

NOTE 5: CAPITAL ASSETS

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

<u>Capital Assets</u>	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance at June 30, 2011</u>
Plant	\$ 12,764,471	\$ -	\$ -	\$ -	\$ 12,764,471
Machinery and Equipment	1,499,740				1,499,740
Vehicles	58,547				58,547
Subtotal - Capital assets	14,322,758				14,322,758
Construction in Progress	696,279	784,444			1,480,723
Subtotal - Accumulated Depreciation	(12,045,313)	(477,906)			(12,523,219)
Capital assets, net	<u>\$ 2,973,724</u>	<u>\$306,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,280,262</u>

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Depreciation expense was \$477,906 for the year ending June 30, 2011.

See Independent Auditor's Report

SUPPLEMENTAL INFORMATION

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

SCHEDULE ALLOCATING OPERATING EXPENSES

For the Period July 1, 2010 through June 30, 2011

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, 2010 through June 30, 2011 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>City of Morro Bay</u>	<u>Cayucos Sanitary District</u>	
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	
Balance due from members at June 30, 2010			\$ 207,484	\$ 289,020	\$ 496,504
<u>Operating Expenditures</u>					
July 1 - September 30, 2010	75.17%	24.83%	239,971	79,266	319,237
October 1 - December 31, 2010	72.75%	27.25%	376,203	140,915	517,118
January 1 - March 31, 2011	71.76%	28.24%	180,532	71,045	251,577
April 1 - June 30, 2011	76.10%	23.90%	519,991	163,309	683,300
Subtotal of allocated expenditures	73.95%	26.05%	1,316,697	454,535	1,771,232
2007/2008 Earthquake Billing	76.43%	23.57%	134,709	41,543	176,252
100% Allocated to Morro Bay	100.00%	-	7,250		7,250
Total allocated to operating expenditures			1,458,656	496,078	1,954,734
<u>Capital Costs</u>					
Total allocated to capital costs	72.00%	28.00%	520,458	202,400	722,858
100% Allocated to Morro Bay	100%		61,586		61,586
Amounts reimbursed through June 30, 2011			(2,333,717)	(792,477)	(3,126,194)
Total amount allocated through June 30, 2011			(293,017)	(93,999)	(387,016)
Balance due from members at June 30, 2011			(85,533)	195,021	109,488

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