

**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

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, October 11, 2012

MEETING PLACE:

Cayucos Veterans Hall
10 Cayucos Drive
Cayucos CA 93430

HOSTED BY:

Cayucos Sanitary District

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 SEPTEMBER 13, 2012 JPA MEETING

Recommendation: Approve as submitted

B. OLD BUSINESS

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

Recommendation: Receive the Status Report and direct staff accordingly

C. NEW BUSINESS

C-1 DISCUSSION OF THE PERMIT RENEWAL PROCESS FOR THE WASTEWATER TREATMENT PLANT NPDES PERMIT NO CA0047881

Recommendation: Receive the Status Report and direct staff accordingly

C-2 DISCUSSION OF A CAPITAL IMPROVEMENTS PLAN (CIP) FOR THE WWTP AND CONSIDERATION OF ENTERING INTO AN AGREEMENT WITH CANNON CORPORATION FOR DEVELOPMENT OF A CIP

Recommendation: Following discussion and consideration of this item that the Council and District Board direct staff to enter into an agreement with Cannon Corporation.

C-3 SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

ADJOURNMENT - (Next meeting will be hosted by the City of Morro Bay)

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 Rick Koon, 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: _____ October 11, 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
vacant, 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, 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

Mayor Yates called the meeting to order at 6:00 p.m. and asked the record to show all Council members are present. President Enns asked the record to show all Cayucos Sanitary District Board members present with the exception of Vice-President Hal Fones who has moved out of the district and is no longer on the Board. He stated a new Director will be seated in December.

Morro Bay staff members present were Andrea Lueker, Rob Livick, Rob Schultz, Bruce Keogh, Dylan Wade and Cindy Jacinth.

Cayucos Staff members present were Lewis Brookins 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:

- Suzanne Moyer, resident of Cayucos, expressed concern about the Wastewater Treatment Plant (WWTP). She questioned how the Righetti land purchase became a feasible alternative and expressed concern about purchasing a new site and the high cost.

- Jim Hayes, resident of Morro Bay and former Collections Supervisor for the City, spoke against moving the WWTP. He offered suggestions based on his past experience to bring the current plant into compliance. He spoke against the idea of a lift station and spoke against purchasing a new site. He also questioned what makes moving the plant a good idea. He stated money made from selling the site is not good economy based on the surrounding existing uses. He expressed concern about increased costs if the plant were moved and stated he is willing to listen to logic but all he has heard so far is emotional nonsense and stated that the JPA should take a tour of the plant before gambling with ratepayer's money.
- Sandi Tannler, resident of Morro Bay referenced a recent Youtube video in which three of the newly elected City Council members were taped talking about the WWTP which she stated violates the Brown Act and expressed concern that these new Council members have already made a decision about the WWTP. She asked what is the real agenda here and spoke against moving the plant and selling the current site.
- Joan Solu, resident of Morro Bay, spoke about information for the WWTP. She stated comments have not been made on fact. She said with staff working on sewer rates for two possible plant locations, she is requesting these rates be released to the public in the form of a sewer rate notice inserted into residents' water/sewer bill. She said this should be done for both residential and commercial sites in the City and in Cayucos and that placing this info in the hands of the consumers will help to educate and involve the citizens and prepare for the possibility of a rate increase.
- Homer Alexander, resident of Morro Bay, agreed with putting sewer rate information in a water sewer bill. He also stated the water portion will be increasing next spring and suggested this should also be mentioned.

Mayor Yates closed Public Comment period.

Smukler asked to respond to some of the comments made. He disputed any violation of the Brown Act and takes it very seriously. He stated because there was an interview done, it does not mean there was a violation of the Brown Act. He is disappointed in the evaluations done of alternative sites and agrees it is important to have open dialogue to be honest and understand the numbers in terms of affordability as well as the ability to all express ourselves and present concerns to Coastal Commissioners.

Foster presented his comments in written form and requested it be added to the WWTP website. He stated this is an important decision and requested that everyone make their comments known. He discussed costs and stated sometimes the cheapest item is not always the best value in reference to the ratepayers.

Foster asked how long it has been since there has been any debt on the WWTP project because he stated part of the reason why rates will be going up is because no money has not been set aside.

Board President Enns asked Tim Carmel for the procedure to get Foster's comments on the website. Carmel clarified the written comments can be submitted to the clerk for public record. Yates disagreed with putting opinion papers on the website.

Boardmember Foster submitted a letter to the clerk for the record.

A. CONSENT CALENDAR

A-1 MINUTES OF JUNE 14, 2012 JPA MEETING

Recommendation: Approve as submitted

MOTION: Councilmember Borchard moved to approve the minutes. Councilmember Smukler seconded and the motion passed unanimously. (5-0).

MOTION: Director Chivens moved to approve the minutes. Director Lyon seconded and the motion passed unanimously. (4-0).

A-2 WWTP OPERATIONS REPORT THROUGH JULY 2012

Recommendation: Receive and file

Smukler asked Bruce Keogh for clarification on the operations report including the influent data and potentially added costs from MWH as well the primary digester. Keogh confirmed MWH is not billing the plant for this and also Keogh explained staff had difficulty with the digester for unknown reasons and it was repaired.

MOTION: Councilmember Smukler moved to approve A-2. Mayor Yates seconded and the motion passed unanimously. (5-0).

MOTION: Director Lyon moved to approve A-2. Director Foster seconded and the motion passed unanimously. (4-0).

B. OLD BUSINESS

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

Recommendation: Receive the Status Report and direct staff accordingly

Rob Livick presented the status report and noted that Dennis Delzeit was unable to make the meeting due to his attendance at the Coastal Commission urging Commission approval of the project.

Foster questioned whether we get written reports from Susan McCabe. Livick stated her duties are being performed according the specifications of her contract. On average, staff has contact with McCabe on a weekly basis.

Yates opened Public Comment and hearing none, closed Public Comment period.

MOTION: Councilmember Borchard moved to approve the Status Report. Councilmember Smukler seconded and the motion passed unanimously. (5-0).

MOTION: Director Lyon moved to approve the Status Report. Director Chivens seconded and the motion passed unanimously. (4-0).

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.

Susan Slayton introduced the auditor Bob Crosby who reviewed the 2010/2011 WWTP Audit with Boardmembers.

Smukler asked Keogh about the 30 year life span. Keogh replied this is engineering speak and refers to useful life.

Foster asked if the plant includes the lift station or the lines. Dylan Wade clarified there are 3 assets that we jointly own, the plant, the trunk sewer on Main Street, and the outfall.

Foster discussed calculations of the audit with Bob Crosby.

Mayor Yates opened Public Comment period and hearing none, closed Public Comment period.

MORRO BAY MOTION: Councilmember Borchard moved to accept the WWTP audit report. Councilmember Smukler seconded and the motion carried unanimously. (5-0)

CAYUCOS MOTION: Director Foster moved to accept the WWTP audit report. Director Chivens seconded and the motion carried unanimously. (4-0)

C-4 SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

Smukler asked for a clear outline of costs of the different sites including future needs and rates. Borchard stated support for this agenda item.

Can take existing cost information and convert that to rates. We have info to do Morro Bay rates, but we do not have Cayucos data. Cayucos staff would need to use Morro Bay data to project Cayucos rates.

Livick clarified to project Cayucos rates would be highly speculative.

Smukler requested the capital improvement schedule be agendized. Borchard stated support.

Smukler requested discussion of Cayucos operating the WWTP plant. No Councilmembers were in support.

Enns requested information for renewal of their discharge permit.

Chivens requested staff send out information on costs to ratepayers stating he agreed with Joan Solu's public comments.

Foster requested additional information be brought back on the City of San Diego and other communities that are operating under the same discharge exemption. He questioned whether there are other communities in the same position as Morro Bay / Cayucos. He also requested a closed session to discuss options relating to land purchase.

Carmel stated the Brown Act does not allow a closed session between two public bodies to discuss land unless land negotiations were very far along. Foster then requested to agendize the hiring of a representative to negotiate various details of getting the Righetti property. Carmel stated it is early to enter land negotiations when we do not yet have a Coastal Development Permit from the Coastal Commission, but it is within the JPA's scope.

Livick asked for clarification to combine the 301H waiver into the other agenda item. Boardmembers agreed.

Rob Schultz clarified the Cayucos Board cannot direct Morro Bay staff, instead that both Morro Bay and Cayucos would need to direct staff. Yates stated Morro Bay was not in support of this item.

ADJOURNMENT

Mayor Yates adjourned the meeting at 7:19p.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: October 11, 2012

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

Recommendation: Receive the Status Report and direct staff accordingly

Activities during September 2012

The project is awaiting the scheduling of the Coastal Commission de novo hearing. Coastal Commission staff postponed the hearing that was scheduled for August 9, 2012

- During August and September MBCSD staff made repeated attempts to schedule staff level meetings with Coastal Commission staff. Coastal Commission staff declined to schedule any meetings in August or September. Finally, a "site tour" is now scheduled for October 2;
- MBCSD also made repeated requests for the de novo hearing to be rescheduled for the October Coastal Commission meeting;
- The project manager spoke under public comment at the Coastal Commission meeting in September and provided a project status report and requested that the de novo hearing be scheduled for the October meeting. The Executive Director was asked by the Commission to comment and he stated that the hearing would not be scheduled for October;
- McCabe & Company continued to communicate in meetings and phone conferences with Coastal Commissioners to provide project updates;
- The monthly status report was provided to the Regional Water Quality Control Board staff;
- The project web site was updated.

Looking Ahead-October and November 2012

The primary goal for October is to receive confirmation that the Coastal Commission hearing will be rescheduled for their November 14, 15, 16, 2012 meeting in Santa Monica.

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 Postponed by CCC staff** **August 9, 2012**
- **Coastal Commission de novo hearing, Santa Monica** **November 14, 15 16, '12**
- 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 Issue 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%

McCabe& Company) California Coastal Commission Communications/Liaison Services

- Invoice 4/11/11: \$12,500 + \$857.47³ = \$13,347.57
- Invoice 5/3/11: \$12,500 + \$98.28⁴ = \$12,598.28
- Invoice 6/3/11: \$12,500 + \$4,032⁵ = \$16,532.00

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.

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.

- Total billings from start of contract to suspension: \$42,477.85⁶
- 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: \$12,991.97⁷
- Invoice for June 2012, dated 7-23-12: \$12,500.00
- Invoice for July 2012, dated 8-23-12: \$12,500.00
- Invoice for August 2012, dated 9-23-12: \$13,728.07
- Amount billed to date: \$144,197.89
- Not to exceed limit: \$155,000
- Percent billed to date: 93%

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;
- Attended the Coastal Commission meeting and spoke under public comment;
- Interviewed with the Wall Street Journal reporter.

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: \$189,017.50
- Amount Remaining: \$ 63,982.50
- Most Recent Billing Amount (10/1/12) \$ 6,133.06
- Percentage of contract billed: 75%

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.

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.

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: October 3, 2012

subject: Discussion of the Permit Renewal Process for the Wastewater Treatment Plant NPDES Permit No. CA0047881

recommendation:

Receive the Report and direct staff accordingly.

fiscal impact:

There is no fiscal impact at this time.

summary:

This staff report is intended to provide an overview of the permit renewal process for the treatment plant. The Morro Bay/Cayucos Wastewater Treatment plant operates under a National Pollution Discharge Elimination System (NPDES) permit No. CA0047881. The NPDES permit is scheduled to expire on March 1, 2014. The permit contains a 301(h) modified discharge permit, which waives full secondary treatment. It is important to remember that a 301(h) modified discharge permit, applies only to full secondary treatment requirements for suspended solids and Biochemical Oxygen Demand (BOD). The plant operates as a full secondary treatment facility for all other constituents listed in the NPDES permit.

NPDES permits are generally issued for five years. The permit requires that MBCSD submit an application six-months prior to the expiration of the permit. As the permit became effective March 1, 2009, this would require a complete permit application be submitted by September 1, 2013 to the appropriate regulatory agencies. The type of discharge permit MBCSD is able to apply for, either a full secondary permit with interim effluent limits or a 301(h) modified permit, will determine the application process and the regulatory agencies involved. With the full secondary permit the RWQCB will be heavily involved in the permit renewal process. With a 301(h) modified discharge permit the CCC, the USEPA, US Fish & Wildlife, and other regulatory agencies will have to participate in the process.

Discussion:

8 Year Settlement Agreement

During the last permit renewal process the City and District (MBCSD) entered into an 8 Year Settlement Agreement (SA) with the RWQCB for upgrading the plant to at least full secondary treatment by March 31, 2014. The SA included a Conversion Schedule with milestones for completing the planning, design, construction and operation of the plant necessary to attain compliance with secondary treatment requirements. A copy of the Conversion Schedule is attached. The SA also provided that the RWQCB would issue a 301(h) permit to the MBCSD in March 2009. The SA states, *“The Discharger agrees not to apply for a permit that includes modifications to full secondary discharge requirements after the expiration of the Modified Discharge Permit.”* (Page 7, #4 of the SA). The reference to the Modified Discharge Permit is for the NPDES permit the plant currently operates under and that expires in March 2014.

In addition, the SA states, *“For the five (5) year period following the expiration of the Modified Discharge Permit, the RWQCB shall (i) issue a NPDES Permit that includes effluent limitations consistent with CWA full secondary treatment requirements, or any more stringent requirements that are necessary due to New Evidence or that the Discharger agrees to, and (ii) concurrently issue a 13385(j)(3) Order. The 13385(j)(3) Order shall include interim effluent limits for BOD and suspended solids that are the same as those in the Modified Discharge Permit.”* (Page 7 b. of the SA)

The SA defines a 13385(j) Order as, *“A time schedule order or cease and desist order that requires the Discharger to complete the upgrades according to the Conversion Schedule, and that meets the requirements of Water Code Section 13385(j), in order to allow the RWQCB to avoid imposing mandatory minimum penalties.”* (page 4, #6 of the SA)

The granting of a full secondary permit with interim effluent limits allows for the MBCSD to be protected from fines for not meeting full secondary effluent limits. The interim effluent limits can only be applied to one five-year permit cycle, meaning that at the end of that permit cycle, the plant would have to meet full secondary treatment requirements or face minimum mandatory penalties of at least \$3,000 per day per constituent that is violated. For example if the permit renewal date was March 31, 2014, then the plant would have to meet full secondary requirements by March 31, 2019 when the permit with the interim effluent limits expires.

Coastal Commission Permitting Process

The type of permit that the MBCSD will apply for will depend on the outcome of the on-going coastal permitting process currently before the Coastal Commission (CCC). If the CCC approves the project at the current site, then the MBCSD could apply for the full secondary permit with interim effluent limits. This would allow the MBCSD a five year window to complete the currently proposed project and reach at least full secondary requirements. MBCSD staff estimate the currently proposed project could finish design and construction within approximately three from approval of the CDP by the CCC.

If the project is denied by the CCC and an alternative site is chosen, then the MBCSD would most likely need to amend the Settlement Agreement with RWQCB and the USEPA and request that MBCSD receive one more 301(h) permit. Based on the estimates provided by Dudek in the Fine Screening Analysis, moving the project to Righetti for example, would involve a ten year project completion window. If another 301(h) is not issued under this scenario, and a full secondary permit with interim effluent limits is issued, MBCSD would be liable for any penalties incurred after the interim effluent limits expire in five years. This could result in a long period of non-compliance resulting in significant monetary penalties. This scenario would require a rapidly

expedited project schedule that would not be realistic based on the actual time expended in developing the current project, and the actual times for development of similar projects in the area.

As an alternative to paying fines for some number of years it may be possible to upgrade the existing treatment process to maximize the amount of time the discharge limitations can be met. There would be significant costs to this alternative that have not been developed beyond the original Facilities Master Plan which may warrant attention if the permit is denied.

Meeting with RWQCB

MBCSD staff is recommending that a meeting be held with both EPA and RWQCB staff to discuss the permit renewal process. However, it would be premature to discuss the situation with the regulatory agencies at this point in time, as the CCC is scheduled to hear the CDP for the project in the next few months. Once the CCC has made a decision concerning the project, then it will be easier to map out the next phases of the project and develop some clarity on the available options for the next permit renewal process.

Application Packet and Process

As stated above, the current permit expires on March 1, 2014, and an application packet is due by September 1, 2013. As noted above, the type of application will likely vary due to the direction of the proposed upgrade project. The application process for a full secondary permit with interim effluent limits and the application process for a 301(h) permit vary in the format of the application, the number of agencies involved in the permit renewal process, and the complexity and likelihood of receiving a permit. The permitting process for the 301(h) is far more complicated and requires the submittal of a supplemental document that provides the technical basis for renewal of the 301(h) modified NPDES permit. It summarizes data collected during the monitoring program for the current permit and augments information provided in previous NPDES applications and EPA's review of those applications. The Supplement follows the questionnaire format provided by the EPA in their Technical Support Documentation for Section 301(h) applications. It is a highly technical document that will be prepared by Marine Research Specialists in conjunction with plant staff, if necessary. The last 301(h) permitting cycle took 6 years and cost approximately \$170K dollars to complete.

In addition, the number of agencies involved with the permitting process is much larger with a 301(h) permit than with an application for a secondary permit with interim effluent limits. A 301(h) permit requires input and concurrence from USEPA, National Marine Fisheries, US Fish & Wildlife, and the California Coastal Commission. It is MBCSD's staffs understanding, that due to a Memorandum of Understanding between the USEPA and the RWQCB, that the RWQCB is able to issue full secondary permits without the extensive involvement of the agencies listed above. Regardless of the involvement of the other agencies the permitting process is substantially less complex and costly for the full secondary permit.

Conclusion:

Staff will continue to prepare for the upcoming permit renewal process by continuing to pursue a timely resolution to the Coastal Permitting process for the plant upgrade with the CCC. Resolution of the Coastal Permitting process will provide MBCSD with a better understanding of the future permit renewal requirements. In addition MBCSD staff will continue to communicate with RWQCB and USEPA on the permit renewal process. Staff will continue to update the Council and Sanitary District Board on the permit renewal process as information becomes available.

CONVERSION SCHEDULE

Task	Date of Completion ¹
Preliminary Activities:	
1. Issuance of Request for Consulting Engineering Proposals for Facilities Master Plan	November 11, 2005
2. Award of Consulting Engineering Contracts	April 27, 2006
Facilities Planning:	
1. Submit Final Draft Facilities Master Plan	November 30, 2007
2. Submit Final Facilities Master Plan	September 30, 2009
Environmental Review and Permitting:	
1. Complete and Circulate Draft CEQA Document	February 27, 2009
2. Obtain Coastal Development Permit	May 31, 2011
Financing:	
1. Complete Draft Plan for Project Design and Construction Financing	December 31, 2007
2. Complete Final Plan for Project Financing	June 30, 2008
3. Submit proof that all necessary financing has been secured, including compliance with Proposition 218	October 30, 2009
Design and Construction:	
1. Initiate Design	September 30, 2010
2. Issue Notice to Proceed with Construction	March 29, 2012
3. Construction Progress Reports	Quarterly (with SMRS)
4. Complete Construction and Commence Debugging and Startup	January 31, 2014
5. Achieve Full Compliance with Secondary Treatment	March 31, 2014
1. Any completion date falling on a Saturday, Sunday, or State holiday shall be extended until the next business day. The Discharger shall submit proof of completion of each task within 30 days after the due date for completion.	

Agenda No. Item C-2

Date: October 11, 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: October 10, 2012

Subject:

Discussion of a Capital Improvements Plan (CIP) for the WWTP

Recommendation:

This Department recommends that following discussion and consideration of this item that the Council and District Board direct staff accordingly.

Fiscal Impact:

There is no fiscal impact at this time. It is estimated that development of a ten year CIP could range upwards of \$90,000.

Summary:

This staff report is intended to provide a discussion of the development of a CIP for the WWTP that would cover the time period required to pursue a WWTP upgrade project. The CIP would assist the City and District in projecting budgeting requirements required to keep the current plant operating at a high level of efficiency and in compliance with regulatory requirements. This subject was a topic of discussion at the last JPA meeting. A five year CIP was developed in 2009 to assist the Sanitary District and the City in projecting expenditures for the treatment plant budget during the upgrade process for the treatment plant that was expected to be complete in March 2014. With the current delays in permitting of the project it is apparent that the upgrade will not be completed by the March 2014 target deadline. MBCSD staff recommends that development of a three to ten year CIP is critical for planning and budgeting purposes during the on-going upgrade process. The three to ten year window would correspond with current time estimates for completing the plant upgrade at the existing location (approximately three years) or developing an upgrade project at an alternative site, such as the Righetti property (approximately ten years).

Discussion:

At the September 13, 2012 JPA meeting, the subject of extending the current CIP was raised. JPA Board members requested that the current CIP be revised to provide insight into the major

O&M costs at the existing plant associated with upgrade project delays and to better assist their annual budget projections.

The City and District are currently working on an upgrade to the WWTP that was scheduled to be complete in March 2014. That project now appears to be at least three years from completion, if not longer, depending upon the outcome of the current permitting process with the California Coastal Commission (CCC). One of the original driving forces behind the upgrade has been that the plant is nearing the end of its useful life and needs to be rehabilitated and modernized. The plant will need to be maintained during the upgrade process, as the plant will have to remain functional and in compliance until the new plant is constructed, operational, and in compliance with full secondary permit requirements. This presents a potential challenge in determining the budget allocations for maintenance and equipment repair during the three to ten year window that will be required to keep the existing plant in compliance with the NPDES discharge permit. The existing law that requires \$3,000 minimum mandatory penalties for each violation of the NPDES permit is a strong incentive to remain in compliance, as the penalty amounts can rapidly increase for any extended period of non-compliance.

It should be noted that the City and District have done a good job of funding the O&M budget to keep the plant operating at a high level of performance, but unexpected failures or breakdowns have been occurring at a more regular frequency. Events at the plant during the past several years, have underscored the fact that the plant is continuing to age and may require more intensive maintenance that include electrical upgrades and structural repairs during the time period that is required for a successful plant upgrade.

Coastal Permitting Related Issues

The outcome of the on-going coastal permitting process currently before the CCC will have a profound impact on the CIP process. If the CCC approves the project at the current site, then the CIP will only have to cover a three year window as MBCSD staff estimate the currently proposed project could finish design and construction within approximately three and half years from approval of the CDP by the CCC.

If the project is denied by the CCC and an alternative site is chosen, then the CIP will have to cover a time period that may stretch as long as ten years. This time period is based on the estimates provided by Dudek in the Fine Screening Analysis, moving the project to Righetti for example, would involve a ten year project completion window.

As stated above, the primary goal of plant staff is to maintain and operate the plant at a high level of efficiency and maintain compliance with the NPDES permit. The existing law that requires \$3,000 minimum mandatory penalties for each violation of the NPDES permit is a strong incentive to remain in compliance, as the penalty amounts can rapidly increase for any extended period of non-compliance.

CIP Development

MBCSD staff met with Mr. Amando Garza and Mr. Larry Kraemer of Cannon to request a proposal for developing the CIP and discussing a scope of work. A draft proposal was received on October 9. The proposal was for the development of a ten year CIP. After a preliminary review of the draft proposal, MBCSD staff recommends that both the scope of work and the fee estimate be refined once the CCC permitting renewal process has been completed. The proposal

received was based on a conservative engineering approach that assumed the plant would need to remain in service and operational for at least ten years and that significant improvements would be required to maintain operational efficiency and compliance. MBCSD staff is optimistic that the permit renewal process will be concluded in the next few months, providing MBCSD with a better understanding of the time frame required to keep the existing plant operational and in compliance. This will allow MBCSD and Cannon to more clearly define the scope of work and determine if the CIP needs to cover a three or a ten year time period for keeping the plant operational. Cannon is estimating a three to four month time schedule for completion of the CIP, once they are given a notice to proceed.

Scope of the CIP

The draft proposal received from Cannon for developing this CIP is more robust and encompasses more of the plant structures than the CIP that was developed in 2009. As stated above, the proposal received was based on a conservative engineering approach that assumed the plant would need to remain in service and operational for at least ten years and that significant improvements would be required to maintain operational efficiency and compliance. One of the major differences with the scope of work for this CIP versus the CIP developed in 2009 is that MBCSD staff requested that structural components be included in the evaluation and development of the CIP under consideration. The 2009 CIP focused primarily on equipment related assets and did not really focus on major plant structures like digesters or the chlorine contact tank. Many of these structures were not addressed in the 2009 CIP because at that time the decision had been during development of the Facility Master Plan (FMP) in 2007 to retire and demolish those structures at the completion of the upgrade in March 2014. Plant staff does have concern with the structural integrity of some of the older structures, such as the chlorine contact tank and Digester #1, and recommend that based on the potential extended time frame for the completion of the upgrade project, that these and other plant structures need to be addressed in the development of any CIP. In addition, the lack of redundancy for the secondary clarifier makes it more difficult to perform major maintenance tasks such as installing a new drive unit for the clarifier.

During the scoping meeting, Cannon and MBCSD agreed on an approach that utilizes the framework of the existing CIP at the same time incorporating the information contained in Chapter 6 of the FMP for beginning the development of the CIP. Chapter 6 provided a good background narrative of the status and condition of the various treatment processes at the time it was written in 2006. In addition to a good narrative description of structures and equipment, it contains recommendations for rehabilitation, replacement, or retirement based on the proposed upgrade project, and provided planning level estimates for rehabilitation or replacement costs. It should be noted that the information in Chapter 6 is now over six years old and needs to be revisited as part of the CIP.

Future Use of the CIP

Similar to the CIP developed in 2009, the proposed revised CIP would be used as a planning and budgeting tool. When developing annual budgets plant staff will use the CIP as a guide for bringing projects forward and should provide reasonable planning level cost estimates for providing budgetary numbers. It is important to note that plant staff has maintained and updates a spreadsheet showing actual expenses for completed projects and maintenance tasks that were identified in the 2009 CIP. Assuming a timely CCC resolution to the permitting issues, waiting for CCC action should not result in a lengthy delay to the development of the CIP. Based on the

time schedule estimate of three to four months for completion of the CIP, it would be available for consideration in preparation of the FY13/14 budget.

As with the current budgeting practice, plant staff would review the CIP and determine if the project is warranted at that time based on structure and equipment condition and the estimate for how long the plant will have to be in operation. An example of this is the screening units at the headworks. The 2009 CIP recommended replacement in FY10/11 with a replacement cost of \$400K but the project was not pursued at that time because the replacement screens would not have been compatible with the proposed upgrade project. Staff will attempt to use the CIP in conjunction with their professional expertise in recommending projects to be included in the development for the plant's annual budget.

Capital vs Repairs from an Audit Standpoint

It should be noted that while the discussion is centered on a Capital Improvements Program, recent comments by the auditor of the plants budget that not all the "capital" costs are considered capital, but rather that they should be expensed out of the O&M budget. So for purposes of this discussion, staff is considering the CIP to be a list of major projects that highlights the required projects that need to be completed to ensure a high level of efficiency for plant performance and keep the plant in compliance with the NPDES Discharge permit.

Conclusion:

Staff recommends that prior to developing a CIP, that the permitting issues with the proposed project be resolved with the CCC. This will provide MBCSD with a better understanding of the time period required to keep the existing plant operational and in compliance. Resolution of the permitting issues will allow MBCSD staff to continue to work with Cannon on refining the scope of work, and that staff bring back a proposal from Cannon for consideration and discussion by the Council and District Board at the earliest possible opportunity.