

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

City of Morro Bay City Council:

Jamie Irons, Mayor
George Leage, Vice-Mayor
Christine Johnson, Councilmember
Nancy Johnson, Councilmember
Noah Smukler, Councilmember

AGENDA

MEETING DATE:

6:00 p.m., Thursday, March 14, 2013

MEETING PLACE:

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

HOSTED BY:

City of Morro Bay

**CALL TO ORDER AND ROLL CALL
COUNCIL AND BOARD ANNOUNCEMENTS
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 FEBRUARY 14, 2013 JPA MEETING

Recommendation: Approve as submitted

A-2 STATUS REPORT OF THE MAJOR REPAIR AND MAINTENANCE PLAN (MMRP) FOR THE WWTP

Recommendation: Receive and file

B. OLD BUSINESS

None

C. NEW BUSINESS

C-1 PRESENTATION OF THE FY 2011/2012 WWTP AUDIT

Recommendation: That the Board of Directors of the Cayucos Sanitary District and the City Council accept the audit report

C-2 STATUS REPORT ON THE DISCUSSION WITH RWQCB STAFF ON THE PERMIT RENEWAL PROCESS FOR THE WASTEWATER TREATMENT PLANT NPDES PERMIT NO CA0047881

Recommendation: Following discussion and consideration of this item that the Council and District Board direct staff accordingly

C-3 VERBAL REPORT BY THE CITY AND DISTRICT ON THE PROGRESS OF THE FUTURE WWTP

C-4 DISCUSSION OF LETTER TO ELECTED OFFICIALS AND APPROVAL

Recommendation: Approve letter and forward to elected officials

C-5 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 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.

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

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

Jamie Irons, Mayor
George Leage, Vice-Mayor
Nancy Johnson, Councilmember
Christine Johnson, Councilmember
Noah Smukler, Councilmember

MEETING DATE:

6:00 p.m., Thursday, February 14, 2013

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 6:06 p.m.

Morro Bay City Council present were Mayor Irons, Vice-Mayor George Leage, Council members, Nancy Johnson, Noah Smukler and Christine Johnson.

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

Morro Bay Staff members present were Bruce Keogh, and Rob Livick, Andrea Lueker, and Rob Schultz

Cayucos staff members present were District Council Tim Carmel, Rick Koon, and Danielle Crawford

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 introduced Cayucos newest BOD member, Dan Lloyd.

Mayor Irons and Mr. Livick introduced Morro Bay's new Capital Projects Manager, Rick Sauerwein.

President Enns then opened Public Comment.

- Richard Sadowski – Former employee of Cayucos Sanitary District, said while employed there, Wallace Engineering was doing a Flow Study in North Morro Bay & he had compiled flow data from 2003-2004 that showed Morro Bay WWTP was severely under capacity during certain severe wet weather conditions & high tourist times. Encouraged the Board to look into the matter regarding the way that the flows are calculated and charged by Cayucos & the agreement with Morro Bay / JPA.
- Betty Winholtz – Morro Bay. Said she has 3 disappointments regarding the agenda; First, that the staff report says 10 years to build plant, she does not agree with that time line; Second, sinking \$100k into the old plant to keep it going. She commented that the plant won't last that long according to comments made by Keogh 4 or 5 yrs ago that there was no way that the current plant could be made to last that long & she would like to move forward with something that is aggressive & can be done within 24 months. Third disappointment is that the agenda is not addressing whether or not Morro Bay & Cayucos are going to work together.
- Marla Jo Bruton – North Morro Bay. Said there is an article in local newspaper that came out today talking about lengthy law suits – she pleaded with Cayucos Sanitary District to put attention on collecting sewage & transporting it to a WWTP & not on their property values. Also upset that a discussion regarding partnership is not on agenda.
- Barbara Doerr – Morro Bay. Thanked the JPA & commended them for allowing public comment & following the Brown Act. Said she had been doing a survey regarding public comment, wants to change language regarding public comment.
- Bill Martony – former 30 year Cayucos resident; would like to see both sides work together toward a win/win situation. May need to rewrite JPA, feels it should be more of a “Senior/Junior” type partnership & weigh out who has the biggest burden, usage and costs associated with each.
- Linda Merrill – Morro Bay. Interesting in hearing how Cayucos & Morro Bay will work together to build us all a new WWTP. Read all staff reports and hopes all can work amicably together for a superior location and build a plant we can all be proud of. Our ocean's health depends on it.
- Kathleen Oliver – Cayucos. Wants the panel to address whether or not they are going to keep the agreement and continue working together.

Hearing no further comments President Enns closed Public Comment.

A. CONSENT CALENDAR

1. MINUTES OF NOVEMBER 8, 2012 JPA MEETING – Recommend approve as submitted.
2. WWTP OPERATIONS REPORT THROUGH DECEMBER, 2012 – Recommend received and file.

CAYUCOS MOTION: Director Lyon made a motion to approve Consent Calendar items. Director Foster seconded. Motion passed (5-0).

Mayor Irons thanked Cayucos for their hospitality & asked for a motion of the same.

Smukler wanted to note on record and have the minutes reflect that Mr. Leage is indeed the Vice-Mayor.

MORRO BAY MOTION: Councilmember Nancy Johnson made a motion to approve Consent Calendar items. Councilmember Smukler seconded. Motion passed (5-0).

B. OLD BUSINESS

None

C. NEW BUSINESS

1. DISCUSSION AND CONSIDERATION TO APPROVE FUNDING FOR IMPLEMENTATION OF ARC FLASH MITIGATION MEASURES – Recommend approve additional funding to implement Arc Flash mitigation measures

Keogh commented on his staff report summarizing that it covers a request for additional funding for the WWTP budget in the amount of \$28,500 to implement Arc Flash mitigation measures. Bruce went on to say that in July of this past year, they contracted with an electrical engineer, Dittman Associates, to perform an Incident Energy & Arc Flash study at the WWTP. He noted that it is an OSHA requirement to perform such a study and implement certain safety measures to protect workers at the treatment plant. The estimated cost for purchase and installation of an ARMS device on the main utility breaker cubicle is \$6,500 and the estimated cost for the parts, labor and shipping for the required retrofitting of the two main utility breakers is \$11,000 each breaker, \$22,000 for both.

Enns opened to the panel for questions and discussion

Christine Johnson asked why this was not previously budgeted for

Keogh stated that Arc Flash is a fairly recent program that's been instituted by OSHA and the National Fire Protection Association (NFPA). The study was performed at the WWTP early last year and there was enough funding in the budget for that study, however they wouldn't know the fiscal impact until the study was completed. He reiterated that implementation of the Arc Flash and making these changes as soon as possible is necessary for the safety of the WWTP employees.

Smukler questioned if this is an example of an expenditure (particularly the ARMS device) of a transferrable item to the new plant.

Keogh said that it may or may not be compatible.

Livick added that the new WWTP will have to be operational prior to demolishing the current location. Therefore, it would be very difficult to remove the breakers and transfer them over to the new plant while the old plant is still in operation.

Irons stated that he does have experience in Arc Flash. He said of all the new equipment will come with the appropriate Arc Flash components so it probably wouldn't be transferrable but agreed that it is something that needs to be done for safety.

Foster pointed out that it is hard to put a value on human life and anytime you can identify something to mitigate risk like that, he's for it.

Enns spoke of a safety video on YouTube that Keogh had described seeing that was frightening to him and may be a motivation in this case.

Keogh acknowledged saying he watched a YouTube video where a guy vaporizes while racking out breakers.

President Enns opened for Public Comment.

Hearing no comments, President Enns closed Public Comment.

MORRO BAY MOTION: Irons made a motion to approve Arc Flash study and funding as recommended in the staff report, agenda item **C1**. Councilmember Christine Johnson seconded. Motion passed (5-0).

CAYUCOS MOTION: Chivens made a motion to approve Arc Flash study and funding as recommended in the staff report, agenda item **C1**. Director Lyon seconded. Motion passed (5-0).

President Enns then moved on to next agenda item C2

2. DISCUSSION AND CONSIDERATION OF THE PERMIT RENEWAL PROCESS FOR THE WASTEWATER TREATMENT PLANT NPDES PER NO CA0047881 – Recommendation: Receive staff report and direct staff accordingly

Livick discussed the particulars of the current permit and application process. He said that the permit at the existing site expires March of 2014, and permit renewal requires submission of application 6 months prior to expiration date.

Keogh said that this (item C-2) is really just an informational item that needs no action. It's intended to highlight the issue and remind everyone that the permit application is due September 1st 2013, and needs to be submitted to the Regional Board in a timely manner. Currently, the plant operates under a 301(h) Modified Discharge Permit which was/is issued for 5 years (as are all NPDES permits). Moving forward, we will have to come to a decision as to what type of permit to apply for in the future. There are two options available at this time; apply for another 301(h) Modified Discharge Permit, or apply for a full secondary permit with interim effluent limits. Bruce then went on to discuss the particulars, differences, regulations, and limitations of both options. Keogh mentioned that they are meeting at a staff level with the Regional Board on March 7th at 3pm. He says the permit issues, and assumes that the settlement agreement signed back in 2008, will be discussed at this meeting. He added that they may need to renegotiate that settlement agreement because of situation we are in now.

Irons opened to the panel for questions

Smukler commented that he is looking forward to sitting down with the Regional Board and asking them questions regarding this issue. He will be looking for some detail from them about their preference and would like to make sure that we are developing a trust and a good working relationship to ensure we are avoiding fines, and keeping them and our community in the loop.

Irons asked Keogh; the 1st 301(h) permit is something that we cannot apply for again, and if we do a secondary permit with the interim effluence, that has no timeline?

Keogh responded that it would have a 5 year window as well. All NPDES permits are issued for 5 years

Lloyd thanked Mr Keogh for a very good staff report and wanted to address Ms. Winholtz question regarding the 2 year completion timeline she suggested earlier. He asked Keogh if he thought it was rational and reasonable to expect that we could fast track a new project and have a new WWTP up & running, or approved in 2 years.

Keogh replied based on his professional experience, "at this point, with the project that we've had and the WWTP we've had, I think it's going to be, it is an extremely ambitious timeline. Not to say that it can't get done, but it is an extremely ambitious timeline".

Keogh & Lloyd went on to discuss this topic in relation to the secondary permit.

Foster commented that he watched the Coastal Commission meeting and recalled that there was testimony from the Regional Water Quality Control Board and the EPA that they understood that we were behind and they were not going to press us to meet that deadline if that meant having a bad project. He then suggested/proposed that Mayor Irons appoint 1 councilmember and 1 alternate from the City Council and the President Enns appoint 1 Board member and 1 alternate to represent the JPA and accompany the staff in any meeting with the RWQCB or the EPA or these regulatory authorities. Foster feels it's important to establish dialogue and get this information directly.

Enns added that he is not at all interested in ever talking about 301(h) again, stating that any other alternative sounds better to him than that. He then directed a question to District Council, Tim Carmel asking him the significance of having 2 City Council members and 2 Board members as representation at the Regional meeting.

Carmel pointed out that the item is not on the agenda and suggested appointing an Ad Hoc committee, but said there is nothing unusual about having 2 representatives from each agency participate in significant discussions like that.

Foster clarified that he was suggesting just 1 person, plus an alternative or back up person in case the designated person couldn't attend.

Enns then read a portion from Keogh's report (Agenda Item C-2 staff report, page 2, paragraph 4). ***"The Discharger agrees not to apply for a permit that includes modifications to full secondary discharge requirements"***. Enns further explained his interpretation of this to mean that we have agreed and signed an agreement to not ask for another 301(h) and he would like to hold this to what was signed and agreed to

Keogh says he needs at least 2.5 months to prepare a permit application and would like this agendized within the next month or two.

Enns asked Carmel if this was just a discussion item and wanted to clarify that no action need be taken tonight.

Carmel answered yes, the nature of the item is a discussion item.

President Enns opened Public Comment

- David Nelson – Morro Bay. Following up on Lloyd and Keogh's earlier comments feels like we are right back to where we were before and asked if we could come up with a different plan and do it in 2 years or in a shorter timeframe. Said if we are locked into the same plant and have the same problems, how are we going to move ahead. Urged the panel to look into the other options and move ahead fast.
- Marla Jo Bruton – North Morro Bay. Attended Regional Board meeting when the JPA agreed to move in the direction to build a new plant. She said that community had asked and both Boards at that time voted and agreed that we would go to full tertiary if possible, however the MOU was not put in writing. Final point is alternatives should have been looked at and they weren't.
- Linda Merrill – asked President Enns to clarify what he read earlier, does this mean we can't go to tertiary.

Enns reread excerpt from Keogh's staff report item C-2, adding that it was a backwards way of saying that we will meet full secondary.

- Don Boatman – Morro Bay. He would like to see a new plant and wants clarification of timeline of when we would have a new plant.

Hearing no further comments President Enns closed Public Comment.
Irons opened to the panel for questions

Christine Johnson asked Mr. Keogh to discuss the letter that was sent to the chair of the Coastal Commission on December 21st from the Water Board.

Keogh did not have the letter in front of him but paraphrases; Central Coast Water Board staff is willing to discuss the timing of plant upgrades and agrees not to recommend enforcement of the settlement agreement schedule for delays due to such a discussion. Keogh went on to say that “in the settlement agreement, the Regional Board, their mandate is full secondary treatment for ocean discharges” and it is his understanding that they cannot legally impose higher standards on ocean discharges. Also noted in terms of the effluent discharge, if people want to know more about quality and quantity of what we discharge, all of those monitoring reports are on the City of Morro Bay website.

Smukler talked about what he’s observed with the Regional Board stating that at times where a community is in violation but is working very closely with them, and showing the diligence/trust that the Board is giving them that they are moving to address the problem and the Board will occasionally assign a fine but allow that fine to be mitigated by the construction of our new plant. He then asked Keogh to describe his experience with that.

Keogh’s past experience with Regional Board after ’99 - ’00 when the laws changed if you violate a constituent of the permit, there is a minimum/mandatory penalty which is \$3k per violation. Prior to that time, Regional Board staff had the discretion when a plant was in violation whether or not to penalize the discharger. We are fortunate the plant has been operating well, we’ve had very limited number of penalties over that time and in the past, we’ve been able to do supplemental/environmental projects with the penalty money that we’ve incurred and most of the time our penalties probably varied between \$3k - \$10k.

Smukler pointed out to Cayucos that Morro Bay does have their JPA subcommittee assigned, (himself and Mayor Irons) and they have been attending these meetings and would like Cayucos to have representation there as well.

Irons as for timeline, and in an effort of expediting an application process, can Morro Bay & Cayucos put on their own agenda at their respective BOD and Council meetings and vote so as to expedite the process or do we want to wait until the next JPA.

Enns replied that they have done that in the past when things needed to be done in an efficient manner. Motions must remain exactly the same and if they are amended, (by either party) and then needs to go back and forth, it can slow the process and negate the intended purpose.

Nancy Johnson stated that she does not see the point in doing the two separate motions because there is a week between the meeting on 3/7/13 and the JPA on 3/14/13 and feels that should be enough time.

Keogh agreed it would be plenty of time, noting that the reports may come out a day or two later than normal

Enns also agreed with Nancy that it can be done within the timeframe next month. Enns then thanked Bruce for his schedule of the project that we’ve been on since 2005 and pointed out that regardless of the site he doesn’t feel we have dragged our feet in the process and it took us that long to get to where we are.

Lloyd questioned Keogh regarding the RWQCB and whether or not they would terminate ocean outfall.

Keogh doesn't believe we've ever asked that question directly.

Some discussion continued between Lloyd and Keogh.

Chivens commended Keogh on the information he has provided tonight so far, is in favor of moving forward to expedite the timeline, and would like a synopsis of the 3/7/13 meeting as soon feasibly possible.

Carmel made a brief comment noting a critical distinction that the Council and Board should be aware of regarding the NPDES Permit (that's required) but the Regional Board is equally insisting that we adopt a conversion schedule which won't be a part of the permit itself that will either require an amendment to the settlement agreement, or through a time schedule order, or by cease and desist order.

Irons clarified Carmel's comments reiterating that he's bringing to their attention the NPDES permit as well as the Regional Quality Control Board permit.

Carmel said the NPDES Permit is separate which has to do with operating the current plant, but both issues will have to be discussed when sitting down with Regional. He emphasized a time schedule needed for new project as soon as possible.

Enns concluded item C-2 and requested 10 minute break

Meeting reconvened, President Enns called the meeting back to order at 7:33pm and moved on to item C-3

3. DISCUSSION AND CONSIDERATION OF A MAJOR MAINTENANCE & REPAIR PLAN (MMRP) FOR THE WWTP – Recommendation: Receive staff report and direct staff accordingly

Enns asked Keogh to discuss his staff report.

Keogh said in essence, this item is the development of a capital improvements program for the current treatment plant but gave it a slightly different title for auditor purposes in an effort to avoid the word "capital". This will be a list of major projects that they will pursue which will help the District and the City develop budgets as we come into each fiscal year. He then went over his staff report with detail.

Mayor Irons opened to the panel for questions.

Nancy Johnson had a question regarding the in house vs. the outsourced option. She understands that the in house option would be less expensive, but wanted to know which of the two choices would be done more rapidly.

Keogh said the in house option may take slightly longer. Will get a quicker response from outside consultant because that's their sole focus, they wouldn't be trying to fit it into their regular work schedule as MB staff would be, but feels either option would come out to be about the same (timeframe) in the end.

Foster doesn't feel that the Dudek report should be the basis for determining a 10 year study because that report and it's 10 year development window was intended for moving the plant to the Righetti property and the costs associated with that. He then commented on item C-3 (Staff Report pg 4, number 6) asking for an example of a significant financial liability on the MBCSD due to failure of any WWTP processes.

Livick gave an example if a bearing going out on a secondary clarifier and the arm stopped turning. He says they wouldn't be able to completely treat the effluent which may present a violation of the discharge permit requirements and there would be certain liabilities due to that failure.

Discussions went on between Foster, Livick and Keogh regarding WWTP equipment failure, and the liabilities and financial penalties that would be associated with such.

Enns asked Keogh when he started with the plant.

Keogh replied since '95

Enns is very confident in Keogh, Koon and Livick to at least layout a plan and bring in a consultant as needed to at least do the preliminary work and assist us in doing our budget for next year

President Enns opened Public Comment

- Don Boatman – Morro Bay. Experienced PG&E maintenance foreman wants to know if this is a maintenance conversation, or modification and rebuilding conversation.
- Marla Jo Bruton – North Morro Bay. Wants elected officials on the panel to look into what Cannon's task is and if it's to rebuild this plant to secondary in 10 years. Public deserves to know exactly what Cannon is working on at this point and since 2009.
- Barbara Doerr – Morro Bay. Supports in house recommendation. Was appalled when she saw the MMRP for 8 to 10 years. Said need to build a new plant, move expeditiously, work together cooperatively and set a realistic 6 year plan.
- Barry Branin – Morro Bay. Said Keogh does a fantastic job maintaining the plant. Wants to see an annual or 2 year budget for maintenance.
- Bill Martony – Morro Bay. Confused about whether they are talking about upgrading the existing plant to a higher water quality or not.
- Nancy Bast – Morro Bay. Thinks phasing the maintenance makes sense so that we don't have to look at 8 to 10 years. Says has a bad taste for consultants and we have the talent in house.

Hearing no further comments President Enns closed Public Comment

Irons opened to the panel for questions

Christine Johnson asked Keogh to respond to "phasing" and what that calendar would look like.

Keogh elaborated on his staff report saying that the MMRP is basically a list of major maintenance projects and that they changed the terminology per auditor's request due to the nature of the work (miscategorized under Capital Improvement Projects) vs. maintenance.

Discussion on this topic continued between Livick, Christine Johnson, Keogh, Smukler and Irons

Lloyd, Lyon and Chivens all concurred that they are in favor of utilizing in house staff vs. a consultant.

CAYUCOS MOTION: Lloyd made a three-part motion to Item C3; Direct staff to prepare a time sensitive and prioritized MMRP for the WWTP with an anticipated rolling 2 year budget; That the JPA solicit proposals from a qualified firm, or firms, to provide technical advice and analysis on an as needed basis as determined by the Morro Bay WWTP Division Manager and the Cayucos Sanitary District Manager; and that the Morro Bay WWTP Division Manager and Cayucos Sanitary District Manager report back to the JPA on a semi-annual basis on the progress and costs associated with the MMRP

Lyon seconded. Motion passed (5-0).

MORRO BAY MOTION: Smukler made a motion to Item **C3**; Direct staff to prepare a time sensitive and prioritized MMRP for the WWTP with an anticipated rolling 2 year budget; That the JPA solicit proposals from a qualified firm, or firms, to provide technical advice and analysis on an as needed basis as determined by the Morro Bay WWTP Division Manager and the Cayucos Sanitary District Manager; and that the Morro Bay WWTP Division Manager and Cayucos Sanitary District Manager report back to the JPA on a semi-annual basis on the progress and costs associated with the MMRP
Irons seconded. Motion passed (5-0).

MORRO BAY AMENDED MOTION: Smukler made an amended motion to Item **C3**; Direct staff to prepare a time sensitive and prioritized MMRP for the WWTP with an anticipated rolling 2 year budget; That the JPA solicit proposals from a qualified firm, or firms, to provide technical advice and analysis on an as needed basis as determined by the **Morro Bay Public Services Director** and the Cayucos Sanitary District Manager; and that the **Morro Bay Public Services Director** and Cayucos Sanitary District Manager report back to the JPA on a semi-annual basis on the progress and costs associated with the MMRP
Christine Johnson seconded. Motion passed (5-0).

CAYUCOS AMENDED MOTION: Lloyd made an amended motion to Item **C3**; Direct staff to prepare a time sensitive and prioritized MMRP for the WWTP with an anticipated rolling 2 year budget; That the JPA solicit proposals from a qualified firm, or firms, to provide technical advice and analysis on an as needed basis as determined by the **Morro Bay Public Services Director** and the Cayucos Sanitary District Manager; and that the **Morro Bay Public Services Director** and Cayucos Sanitary District Manager report back to the JPA on a semi-annual basis on the progress and costs associated with the MMRP
Foster seconded. Motion passed (5-0).

President Enns moved to next agenda item **C-4**

4. DISCUSSION AND CONSIDERATION REGARDING NEXT STEPS FOR THE WWTP UPGRADE PROJECT – Recommendation: Receive staff report and direct staff accordingly

Enns stated that Cayucos recognizes Morro Bay as the host City in the new WWTP and asked to know what their vision is moving forward.

Irons opened discussion among Morro Bay panel

Leage said he would like to wait until later to make his comment.

Nancy Johnson said “no comment”.

Smukler says would be beneficial for both sides to discuss goals moving forward as there are obviously things they want to address. He mentioned hearing rumors of Cayucos exercising their option to move separate from operating a plant together and he would like to address that as soon as possible and would like Cayucos to move quickly. Additionally, he wanted to let Cayucos know that Morro Bay is already in the process of evaluating and getting an appraisal for the Righetti site. Noted that they would need to re-open JPA agreement and discuss how to break up costs moving forward.

Christine Johnson said they have JPA audit but it’s not current and asked when they should expect to see the

JPA audit for FY 11/12.

Irons said glad to move forward. Puts question of partnership back to Cayucos. He would like to move forward as partners and wants to proceed with Cayucos.

Lloyd commented that exercising the option of going separate ways should be expected and shows due diligence to our Cayucos rate payers. However, it's imperative to him that the objective is to move forward jointly.

Foster agreed with Ms. Winholtz comment and thinks it's an opportune time to take a look at the JPA agreement, has read the JPA agreement several times and still cannot discern whether it takes the consensus of both parties or either party to withdraw from and develop an alternative plant.

Lyon said the Board has a responsibility to the rate payers to do this at the least possible cost for the best possible product. She thinks identification of location and the acquisition costs associated with the property needs to come first, before all of this other discussion.

Chivens is pleased with the diverse backgrounds on both sides and feels this will be an asset moving forward. He agrees with Lloyd in the need to consider financing. His main message is that the slate is clean so let's work together and do something that's achievable.

President Enns opened Public Comment

- Bob Doerr – Morro Bay. Wants to know if moving plant or not.
- David Nelson – Morro Bay. Agrees with Bob. Forget all the old ideas and plans. State Water Board holding workshops, and grant money is out there. Need a place to put the plant, where's the land.
- Barry Branin – Morro Bay. Let's not start from scratch. Design of plant is critical but simple. Land is crucial, where are we going to put it? Why can't it be a 5 year plan, 3 years to figure out location and obtain permit, 2 years to build it.
- Bill Martony – Morro Bay. Location is number one, keep location as number one item, and choose a location that will work for both parties.
- Barbara Doerr – Morro Bay. Asked City of Morro Bay to get out there, get an option to purchase the Righetti site before it's gone and give Cayucos an ultimatum regarding JPA "are you in, or are you out"? Also suggested looking into and obtaining grants.
- Richard Margetson – Cayucos. Strong proponent of one plant, not two. Keep in mind the Coastal Commission will insist on recycled water component.
- Kathy Oliver – Cayucos. Would like Morro Bay to come to Cayucos with an identified site, and a reclaimed water plan.
- Marla Jo Bruton – North Morro Bay. Consensus is working together and not dividing our communities. Wants her community to move forward regardless of working together or not and would like to know from each (Cayucos especially), what their intensions are.

Hearing no further comments President Enns closed Public Comment

Lloyd made a comment stating "we're together until we are not together" and as far as he's concerned we're moving straight ahead with a joint JPA and we're looking for those sites.

Foster would like to identify 10 of the most recent state of the art WWTP plants and for staff to explain why they are state of the art plants. Would like to have a global search for what's out there.

Lyon says in the interest of all rate payers it's our job to move forward as quickly as possible, identify a project and not waste anymore time.

Chivens concurred with Lyon and wants to see Cayucos represented in whatever is happening right now working together and moving forward.

Enns expressed that we do know that we're not building a new plant where the existing one is and Cayucos is very curious as to where we will move the WWTP. Cayucos is trying to respect Morro Bay's feelings about their community and where they would like this plant, and what are the particulars of plant they are looking to develop. Would like to know if alternative sites are being looked into, questioning whether Righetti is the only site being assessed, and if so, why it is the only site being evaluated after out of 16 previously recommended sites in the Dudek report.

Leage commented that that was exactly what he wanted to hear from Cayucos. Praised Enns' comments and noted that he too thought Cayucos should have been engaged in the discussions regarding the Righetti site and was also disappointed they weren't involved.

Nancy Johnson echoed Leage's comments concluding that we need to work together to move this forward.

Smukler thinks progress has been made tonight. He spoke about the Righetti assessment and location evaluation. Asked Cayucos for clarity on moving forward, said he is getting mixed messages regarding Morro Bay taking the lead and Cayucos being upset at the direction they took.

Christine Johnson feels based on the diverse population in Morro Bay she recognizes that the rates are or will be the number one concern to the rate payers and emphasized the need to get communication out to the rate payers each step of the way as things progress.

Irons concluded item **C-4** and requested 10 minute break

Meeting reconvened, Mayor Irons called the meeting back to order at 9:54pm

Irons again thanked Cayucos for the hospitality and gesture via the Valentine's Day treats and took responsibility for discussing the Righetti site at their Council meeting and said he will ensure that communication is conveyed a little bit better in the future.

Irons then moved on to item **C-5**

5. SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

Lloyd suggested Morro Bay and Cayucos each create work plans to identify priorities and how to proceed, then get together and merge those lists.

Smukler suggests an update on meetings with the Regional Water Board leading to a rough project timeline based on those discussions, an overview of the current JPA agreement, review the fine screening analysis information, wants Cayucos to have their representatives selected for the subcommittee, and lastly, goals and criteria.

Nancy Johnson requested delay of 2 or 3 of Smukler's item submissions due to the length of time it would take to address each item in a JPA meeting and said she likes the proposal from Cayucos coming back to the next JPA with some work plans from each side.

ADJOURNMENT

President Enns adjourned the meeting at 10:09 p.m.

Minutes Recorded by:

Danielle Crawford, Cayucos Sanitary District

3/6/2013

X



STAFF REPORT

MORRO BAY-CAYUCOS JPA 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: February 7, 2013

Subject:

Status Report of a Major Maintenance & Repair Plan (MMRP) for the WWTP

Recommendation:

This Department recommends that this report be received and filed.

Fiscal Impact:

There is no fiscal impact at this time.

Summary:

This staff report is intended to provide an update on the development of the MMRP for the WWTP. At the February 14, JPA meeting the Council and District Board approved of the development of an MMRP and made the following motion:

- Direct staff to prepare a time sensitive and prioritized MMRP for the WWTP with an anticipated rolling 2 year budget;
- That the JPA solicit proposals from a qualified firm, or firms, to provide technical advice and analysis on an as needed basis as determined by Morro Bay's Public Services Director and Cayucos Sanitary District Manager;
- And that the Morro Bay Public Services Director and Cayucos Sanitary District Manager report back to the JPA on a semi-annual basis on the progress and costs associated with the MMRP.

Discussion:

Development of a MMRP will assist the City and District in projecting the budgeting of expenditures required to keep the current plant operating in compliance with regulatory requirements.

MBCSD staff has conducted a kick-off meeting for development of the MMRP. They discussed strategy for development of the MMRP and establishing a time schedule for bringing this information back to the JPA for consideration and discussion. In addition, staff has begun reviewing Chapter 6 of the Facility Master Plan (FMP), the Electrical Facilities Overview

(Appendix H) of the FMP, and the previous CIP developed by Cannon Engineering to begin the process of identifying projects and prioritizing them.

MBCSD staff recommends that it is premature to solicit proposals from a qualified firm, or firms, to provide technical advice and analysis, until further work is performed on the preliminary steps of the MMRP. In the interim period staff can begin work developing the RFP to solicit proposals from qualified firms.

Conclusion:

MBCSD staff will continue to bring a status report on the development of the MMRP at future JPA meetings.

Agenda No. Item C-1

Date: March 14, 2013

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: March 4, 2013

Subject: FY 2011/12 WWTP Audit

Recommendation:
Accept the WWTP audit report.

Fiscal Impact:
None

Summary:
Bob Crosby, CPA, will discuss the MB/CSD Wastewater Treatment Plant's 2011/12 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, 2012**

Draft

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

TABLE OF CONTENTS

	<u>PAGE</u>
<u>MANAGEMENT DISCUSSION AND ANALYSIS</u>	i-ii
 <u>AUDITED FINANCIAL STATEMENTS</u>	
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
 NOTES TO THE FINANCIAL STATEMENTS	 5-8
 <u>SUPPLEMENTAL INFORMATION</u>	
Combining Schedule of Allocated Expenses	9-10
Schedule of Member Balance Due Accounts	11

Draft

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT

JOINT POWERS AGREEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2012

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, 2012. 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, 2012, with comparative information for June 30, 2011:

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

	2012	2011
Current and other assets	\$ 154	\$ 200
Capital assets, net	3,454	3,280
Total assets	<u>3,608</u>	<u>3,480</u>
Accounts payable	85	133
Other liabilities	69	67
Total liabilities	<u>154</u>	<u>200</u>
Net assets:		
Invested in capital assets, net of related debt	3,454	3,280
Unrestricted	-	-
Total net assets	<u>\$ 3,454</u>	<u>\$ 3,280</u>

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, 2012

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

	2012	2011
Charges for services	\$ 2,400	\$ 2,847
Plant operations	(2,877)	(3,030)
Increase (decrease) in net assets	(477)	(183)
Non-operating transfers	651	489
Change in net assets	174	306
Net assets - July 1	3,280	2,974
Net assets - June 30	\$ 3,454	\$ 3,280

Capital assets. The Treatment Plant's investment in capital assets as of June 30, 2012 amounts to \$3,454,090, 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)

	2012	2011
Plant	12,764	12,764
Machinery and equipment	1,500	1,500
Vehicles	59	59
Construction in progress	2,130	1,480
Less accumulated depreciation	(12,999)	(12,523)
Net capital assets	\$ 3,454	\$ 3,280

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, 2012, 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, 2012, 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 Schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Morro Bay-Cayucos Wastewater Treatment Plant. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

CROSBY COMPANY
Certified Public Accountant

December 18, 2012

Draft

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2012

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

ASSETS	<u>2012</u>	<u>2011</u>
<i>Current assets:</i>		
Accounts receivable	\$ 111,345	\$ 90,524
Due from members	31,329	109,488
Prepaid expenses	10,951	
Total current assets	153,625	200,012
<i>Noncurrent assets:</i>		
Capital assets		
Construction in progress	2,129,851	1,480,723
Plant	12,764,471	12,764,471
Machinery and equipment	1,499,740	1,499,740
Vehicles	58,547	58,547
Less accumulated depreciation	(12,998,519)	(12,523,219)
Total noncurrent assets	3,454,090	3,280,262
Total assets	\$ 3,607,715	\$ 3,480,274
LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable	\$ 84,820	\$ 133,072
Accrued liabilities	63,792	66,940
Deferred revenue	5,013	
Total liabilities	\$ 153,625	\$ 200,012
<i>Net assets:</i>		
Invested in capital assets	\$ 3,454,090	\$ 3,280,262
Total net assets	\$ 3,454,090	\$ 3,280,262

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

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

	<u>2012</u>	<u>2011</u>
Allocated revenues:		
Revenue	\$ 2,400,391	\$ 2,847,585
Total allocated revenue	2,400,391	2,847,585
Allocated expenses:		
Salaries	465,278	497,059
Employee costs	302,358	303,469
Allocated costs	77,261	103,765
Operating supplies	254,511	253,063
Depreciation	475,300	477,906
Repairs and maintenance	113,789	151,457
Contractual services	691,570	375,017
Professional development	1,350	1,685
Professional services	100,933	485,104
Communications	1,751	1,757
Utilities/waste disposal	158,837	166,148
Insurance	214,347	189,982
Licenses, fees and permits	20,125	23,144
Total allocated expenses	2,877,410	3,029,556
Operating loss	(477,019)	(181,971)
Miscellaneous member transfers/reclassifications		
Capitalized expenses (construction in progress)	649,128	784,444
Year-end net asset allocation	1,719	(295,935)
Total miscellaneous member transfers/reclassifications	650,847	488,509
Changes in net assets:	173,828	306,538
Net assets-beginning:	3,280,262	2,973,724
Net assets-ending:	\$ 3,454,090	\$ 3,280,262

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
<i>Cash flows from operating activities:</i>		
Cash received from allocated revenue	\$ 2,379,570	\$ 2,883,510
Payments to employees	(468,919)	(492,140)
Other payments	(1,912,370)	(2,095,435)
Net cash provided (used) by operating activities	(1,719)	295,935
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(649,128)	(784,444)
Net cash used by capital and related financing activities	(649,128)	(784,444)
<i>Cash flows from non-capital and related financing activities:</i>		
Miscellaneous member transfers/reclassifications	650,847	488,509
Net cash provided by non-capital and related financing activities	650,847	488,509
<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	\$ (477,019)	\$ (181,971)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	475,300	477,906
Net changes in assets and liabilities		
Accounts receivable	(20,821)	(90,212)
Due from members	78,159	387,016
Prepaid expense	(10,951)	
Accrued interest receivable		1,022
Accounts payable	(48,252)	(305,756)
Accrued liabilities	(3,148)	7,930
Deferred revenue	5,013	
Net cash provided (used) by operating activities	\$ (1,719)	\$ 295,935

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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.

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, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

Budgets and Budgetary Accounting

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

Estimates

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

Accounts Receivable

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

Capital Assets

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

Treatment Facilities	30 years
Equipment	5-19 years

Compensated Absences

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

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 3: CASH AND CASH EQUIVALENTS

All Plant transactions are made through the City of Morro Bay's pooled cash account. A year-end net asset allocation adjustment is 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, 2012, are as follows:

Members

City of Morro Bay	\$ (118,423)
Cayucos Sanitary District	<u>149,752</u>
Total	<u>\$ 31,329</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, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Plant	\$ 12,764,471	\$ -	\$ -	\$ 12,764,471
Machinery and Equipment	1,499,740			1,499,740
Vehicles	<u>58,547</u>			<u>58,547</u>
Subtotal - Capital assets	14,322,758	-	-	14,322,758
Construction in Progress	<u>1,480,723</u>	<u>649,128</u>		<u>2,129,851</u>
Subtotal - Accumulated Depreciation	<u>(12,523,219)</u>	<u>(475,300)</u>		<u>(12,998,519)</u>
Capital assets, net	<u>\$ 3,280,262</u>	<u>\$ 173,828</u>	<u>\$ -</u>	<u>\$ 3,454,090</u>

Depreciation expense was \$475,300 for the year ending June 30, 2012.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6: COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Morro Bay-Cayucos Wastewater Treatment Plant's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

SUPPLEMENTAL INFORMATION

Draft

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
COMBINING SCHEDULE OF ALLOCATED EXPENSES
For the Year Ended June 30, 2012

Allocated expenses

Salaries
Employee costs
Allocated costs
Operating supplies
Depreciation
Repairs and maintenance
Contractual services
Professional development
Professional services
Communications
Utilities/waste disposal
Insurance
Licenses, fees and permits

Totals

Allocated Expenses		
<u>Plant Operating Expenses</u>	<u>Construction in Progress Totals</u>	<u>Total Allocated Expenses</u>
\$ 465,278	\$ -	\$ 465,278
277,612	24,746	302,358
15,662	61,599	77,261
252,633	1,878	254,511
475,300	-	475,300
113,789	-	113,789
197,312	494,258	691,570
1,350	-	1,350
34,286	66,647	100,933
1,751	-	1,751
158,837	-	158,837
214,347	-	214,347
20,125	-	20,125
\$ 2,228,282	\$ 649,128	\$ 2,877,410

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT

JOINT POWERS AGREEMENT

COMBINING SCHEDULE OF ALLOCATED EXPENSES

CONSTRUCTION IN PROGRESS

For the Year Ended June 30, 2012

	Allocated Expenses				Construction in progress Totals
	Project Management	California Coastal Commission Appeal	Upgrade Design	Environment Permit	
Allocated expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Employee costs		18,035	5,734	977	24,746
Allocated costs		50,248	9,546	1,805	61,599
Operating supplies		1,878			1,878
Depreciation					-
Repairs and maintenance					-
Contractual services		494,258			494,258
Professional development					-
Professional services	61,527		5,120		66,647
Communications					-
Utilities/waste disposal					-
Insurance					-
Licenses, fees and permits					-
Totals	\$ 61,527	\$ 564,419	\$ 20,400	\$ 2,782	\$ 649,128

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
SCHEDULE OF MEMBER BALANCE DUE ACCOUNTS
For the Period July 1, 2011 through June 30, 2012

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, 2011 through June 30, 2012 are presented below. Capital and other costs are allocated based on the contractual percentage.

	City of Morro Bay	Cayucos Sanitary District	Total	City of Morro Bay	Cayucos Sanitary District	Total
Balance due from members at June 30, 2011				\$ (85,533)	\$ 195,021	\$ 109,488
Operating Expenditures						
July 1 - September 30, 2011	75.92%	24.08%	100%	267,256	84,767	352,023
October 1 - December 31, 2011	77.62%	22.38%	100%	396,003	114,179	510,182
January 1 - March 31, 2012	78.16%	21.84%	100%	293,677	82,062	375,739
April 1 - June 30, 2012	78.31%	21.69%	100%	398,628	110,410	509,038
Subtotal of operating expenditures	77.50%	22.50%	100%	1,355,564	391,418	1,746,982
Capital Costs						
Total allocated to capital costs	72.00%	28.00%	100%	407,206	158,358	565,564
100% Allocated to Morro Bay	100%		100%	83,564		83,564
Subtotal of capital costs				490,770	158,358	649,128
Other Allocations						
AGP Video Invoice	100.00%	-	100%	6,000		6,000
Total allocated expenses July 1, 2011 through June 30, 2012				1,852,334	549,776	2,402,110
Amounts reimbursed July 1, 2011 through June 30, 2012				(1,885,224)	(595,045)	(2,480,269)
Total amount allocated June 1, 2011 through June 30, 2012				(32,890)	(45,269)	(78,159)
Balance due from members at June 30, 2012				\$ (118,423)	\$ 149,752	\$ 31,329
Recapitulation						
Fourth quarter invoice due at June 30, 2012				\$ 7,357	\$ 158,197	\$ 165,554
Lease receivable at June 30, 2012				(2,407)	(8,445)	(10,852)
Cash allocation at June 30, 2012				(123,373)		(123,373)
Balance due from members at June 30, 2012				\$ (118,423)	\$ 149,752	\$ 31,329

See Independent Auditor's report

Agenda No. Item C-2

Date: March 14, 2013

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: March 12, 2013

SUBJECT

Status Report on the Discussion with RWQCB Staff on the Permit Renewal Process for the Wastewater Treatment Plant NPDES Permit NO CA0047881

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.

SUMMARY

This staff report is intended to provide a summary of the meeting on March 7, between MBCSD staff and RWQCB staff. The topic of the meeting was to discuss the status of the WWTP project and to discuss permit renewal related issues.

DISCUSSION

The Morro Bay/Cayucos Wastewater Treatment Plant (WWTP) operates under National Pollution Discharge Elimination System (NPDES) permit No.CA0047881. The permit includes a 301(h) modified discharge permit, which waives full secondary treatment requirements. RWQCB staff confirmed that the actual expiration date of the permit is February 28, 2014 and that an application for a new permit needs to be submitted 180 days prior to the expiration date of the permit. This means that an application must be submitted no later than September 1, 2013.

MBCSD staff stated to RWQCB staff that they would be applying for a full secondary treatment permit with interim effluent limits. Discussion followed concerning the type of permit that RWQCB could issue, and RWQCB staff stated that it would either be a full secondary permit with interim effluent limits or a full secondary permit with a Time Schedule Order or Cease and Desist Order. Either of these permit variations would allow the plant to continue to operate as it currently does while protecting the City and District from Minimum Mandatory Penalties during the life of the permit for not meeting full secondary requirements for total suspended solids or BOD. As with all NPDES permits, these permits are issued for five year periods. In the event

that the WWTP project is not completed within this five year permit cycle, RWQCB staff indicated there may be ways to grant an extension on the Time Schedule Order or Cease and Desist Order for a period of up to five years depending on the status of the project, thus protecting the City and District from Minimum Mandatory Penalties.

There was also discussion concerning the application packet and what sort of data and facility information would be required with the submittal. RWQCB staff indicated that the full secondary application process is far simpler and more streamlined than a 301(h) modified discharge application. They stated that USEPA would not be directly involved in the permit renewal process, but that they would be provided an opportunity to comment on the draft permit when it is available for review. RWQCB staff will be providing a permit application packet and sample applications from other facilities; so MBCSD staff can begin to make preparations for the application process.

There was a limited discussion on the Settlement Agreement (SA) and the force majeure status. RWQCB staff indicated that further discussion concerning the SA and the force majeure status would need to be conducted. They did indicate that a new SA would need to be negotiated. RWQCB staff encouraged MBCSD to continue to work diligently and to provide a schedule of major milestones by this summer that includes major milestones for the next year. MBCSD staff agreed to continue to provide force majeure updates detailing project related activities on a monthly basis.

There was a discussion concerning potential funding sources for the relocation of the plant. RWQCB staff stated the best source of funding currently is through the Regional Water Management Group through the Integrated Regional Water Management plan, a County led group of Agencies within the County. They deal with application for and distribution of Prop 84 grant funding. There was discussion concerning State Revolving Fund (SRF) loan funding, and that the City had received a Small Community Wastewater Grant in the past, but currently the median household income of Morro Bay residents precluded the City from reapplying.

RWQCB staff encouraged MBCSD to look at the long term picture and to continue to pursue the project quickly as possible, as the public and some environmental organizations are continuing to follow the status of the project and our discharge permit. They also stated they want to be helpful in any way they can be of assistance and not to hesitate to contact them if issues arise.

CONCLUSION:

Staff will review the materials to be provided by RWQCB staff and make preparations for submittal of a permit renewal application by the September 1, 2013 deadline. Staff will continue to update the Council and Board on the permit renewal process as information becomes available.



City of Morro Bay Cayucos Sanitary District

Morro Bay, CA 93442
(805) 772-6200

February 27, 2013

Assembly Member
Senator _____

Dear _____

The City of Morro Bay and the Cayucos Sanitary District) are embarking on a new and exciting path replacing our aging Waste Water Treatment Plant. As a result of the California Coastal Commission denial based on significant coastal hazards and the relocation of major public infrastructure projects from beach areas, we will be moving the plant from its existing location to another more inland location that has yet to be determined.

We are writing as a proactive measure to alert you and your office to this project and to also let you know that we will likely be seeking additional funding for this significant public infrastructure project. This endeavor will likely be the most expensive project the two communities have undertaken and we anticipate needing grants, and/or low interest loans to develop and construct the plant. Securing critical financial assistance will enable us to keep rate increases to our communities to a palatable level.

As we continue to make progress with this project, we will keep you and your office informed. We sincerely appreciate your efforts to put our communities on your “radar screen” for any funding opportunities that may be available or become available in the near future. The residents of Morro Bay and Cayucos greatly appreciate all of your help.

Sincerely,

Jamie L. Irons George League Christine Johnson Nancy Johnson Noah Smukler

ADMINISTRATION
595 Harbor Street

ADMINISTRATIVE SERVICES
595 Harbor Street

FIRE DEPT.
715 Harbor Street

PUBLIC SERVICES
955 Shasta Avenue

HARBOR DEPT.
1275 Embarcadero Road

CITY ATTORNEY
595 Harbor Street

POLICE DEPT.
850 Morro Bay Boulevard

RECREATION & PARKS
1001 Kennedy Way

March 7, 2013
Page 2

Mayor	Vice Mayor	Councilmember	Council Member	Councilmember
Robert Enns President	Dan Chivens Vice President	Shirley Lyons Director	Michael Foster Director	Dan Lloyd Director