

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

AGENDA

MEETING DATE:

6:00 p.m., Thursday, June 12, 2014

HOSTED BY:

Cayucos Sanitary District

MEETING PLACE:

Cayucos Veterans Hall
10 Cayucos Drive
Cayucos, CA 93430

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 these joint 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 13, 2014 JPA MEETING

Recommendation: Approve as submitted

A-2 WWTP OPERATIONS REPORT THROUGH APRIL, 2014

Recommendation: Receive and file

A-3 STATUS REPORT ON THE NPDES PERMIT RENEWAL PROCESS

Recommendation: Receive and file

B. OLD BUSINESS

B-1 STATUS REPORT OF THE MAJOR REPAIR AND MAINTENANCE PLAN (MMRP) FOR THE WWTP

Recommendation: Receive and file

C. NEW BUSINESS

C-1 VERBAL REPORT AND DISCUSSION BY THE CITY AND DISTRICT ON THE PROGRESS OF THE FUTURE WWTP

C-2 REVIEW OF PORTION OF CITY OF MORRO BAY PROPOSED FISCAL YEAR 14/15 BUDGET RELATED TO OPERATION OF WWTP

Recommendation: The Morro Bay City Council (Council) and Board of Directors of the Cayucos Sanitary District (Board) discuss the described proposed budget, consider any changes recommended by Board Members and the Council and Board accept the described proposed budget, with changes as may be agreed to.

C-3 PRESENTATION OF THE FISCAL YEAR 2012/13 AUDIT

Recommendation: Accept the Fiscal Year 2012/13 Audit

C-4 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.

President Enns opened Public Comment.

- Doug Claasen – Morro Bay, manager and an owner of the Morro Dunes RV Park. In the past he was concerned about where the plant will be built and the smell but it sounds like the plant won't be staying there. He said he's heard talk that Cayucos wanting to operate it, but feels if the City can't do it, the plant shouldn't stay there at all. He said he has several packets of signatures from people that stayed at the park. He handed copies of petitions to Cayucos staff, Danielle Crawford, then asked if anyone is going to try to operate the current plant.

Hearing no further comments President Enns closed Public Comment and moved onto the consent calendar.

A. CONSENT CALENDAR

1. MINUTES OF DECEMBER 12, 2013 JPA MEETING
Recommend approve as submitted.
2. WWTP OPERATIONS REPORT THROUGH DECEMBER, 2013
Recommend receive and file.
3. STATUS REPORT ON THE NPDES PERMIT RENEWAL PROCESS
Recommend receive and file.
4. FINANCIAL STATUS REPORT THROUGH DECEMBER 31, 2013
Recommend receive and file.

Enns asked the panel if anyone wishes to pull one of the items for separate discussion.

Smukler mentioned wanting a review and discussion of the RWQCB meeting and asked if that would fall under item A-3.

Enns answered "no" and said that will be discussed under item C-1 (New Business).

Irons said he had nothing to "pull" with regard to item A-2, but wanted to recognize the Waste Water Treatment team for working diligently on the emergency generator malfunction and commended them on a job well done.

Enns asked to formally pull A-2 for separate discussion then asked for a motion on A-1, A-3, and A-4.

MORRO BAY MOTION: Councilmember Smukler made a motion to approve Consent Calendar Items A-1, A-3, and A-4. Vice-Mayor Johnson seconded. Motion passed (4-0).

CAYUCOS MOTION: Director Lloyd made a motion to approve Consent Calendar Items A-1, A-3, and A-4. Director Foster seconded. Motion passed (5-0).

Enns asked for verbiage clarification of item A-2. On page three, the fifth paragraph currently states "**Enns Electric**" however, President Enns wanted to clarify that the name is misspelled and should read "**Ens Electric**" (owned by Mike Warholm) adding that there is no affiliation with "Enns Construction".

Keogh confirmed this was a typo and apologized for the error.

CAYUCOS MOTION: Director Lyon made a motion to approve Consent Calendar Item A-2 as amended. Director Lloyd seconded. Motion passed (5-0).

MORRO BAY MOTION: Vice-Mayor Johnson made a motion to approve Consent Calendar Item A-2 as amended. Councilmember Smukler seconded. Motion passed (4-0).

B. OLD BUSINESS

1. STATUS REPORT OF THE MAJOR REPAIR AND MAINTENANCE PLAN (MMRP) FOR THE WWTP – Recommend receive and file.

Keogh gave an overview of the MMRP status report noting recent areas of accomplishments, and highlighting some of the projects that are ongoing at this time. He talked about repairs performed on Digester#2 and touched on the RFP for the Headworks Influent Screening Project. Keogh also discussed the Reconditioning of the Chlorine Building, the Interstage Pump and Valve project, and said that Black and Veatch (B&V) completed the electrical equipment assessment and evaluation. He said that he brought a video with him to show some of the projects but the room was not set up to be able to view it so he will schedule it with AGP ahead of time and it should be available at the next JPA meeting.

Report received

Enns asked Koon if he would like to add anything to the MMRP discussion.

Koon said that Cayucos was well informed of the electrical happenings over the holidays and will elaborate on the other two items (the digester coating and the headworks screening) when items C-2 and C-3 are discussed later on.

Irons pointed out that he was especially impressed with some of the comments and recommendations given in the Black and Veatch executive summary and agreed with their approach in solving the issues at hand.

Smukler asked Keogh if he would elaborate on the necessity of the MMRP projects in an attempt to address some public concerns regarding the money that is currently being spent on maintaining the plant.

Keogh said maintaining the plant's operational efficiency and reliability is paramount and said they are trying to be as cost effective as they can in bringing projects forward.

Koon added that they had gone over the MMRP with the RWQCB at their recent meeting and they appeared encouraged and very pleased with what Morro Bay and Cayucos was doing.

C. Johnson thanked everyone for being diligent about the cost savings for the necessary repairs and said she is happy that the CSD and MB are working closely with Mike Nunley and feels that to be an additional level of security.

Enns commented to C. Johnson stating that he recalls the timeline for the new plant would have been March 2014 and said he assumes that they would not have spent any money on the old one after that.

President Enns opened for Public Comment.

Hearing no comments, President Enns closed Public Comment and moved onto item C-1.

C. NEW BUSINESS

1. VERBAL REPORT AND DISCUSSION BY THE CITY AND DISTRICT ON THE PROGRESS OF THE FUTURE WWTP.

Enns said that there was a meeting with the RWQCB that both the Morro Bay staff, and the Cayucos staff attended. The Cayucos Ad-Hoc committee, consisting of Dan Lloyd and Robert Enns, has met. He asked Lloyd to say a few words regarding the Ad-Hoc meeting. Enns stated that Koon and Carmel were present at the RWQCB meeting also and asked them to comment as well.

Lloyd said the Cayucos Ad-Hoc committee met to discuss issues related to direction of the Cayucos Sanitary District and their options for research on various treatment styles, such as package treatment plant options. They also discussed siting options for a new treatment plant within Cayucos as well as right of way issues related to that. Lloyd said no action was taken, they are in “discovery mode” identifying pros and cons of the various site options and that they are keeping their options open.

Carmel said that the Morro Bay staff and Cayucos staff, along with the RWQCB and the County, all had a very productive meeting last Friday. He said they went over virtually all the issues they are facing, particularly emphasizing coordination of their respective projects (individually and together). Carmel said that most of the key players attended this meeting, and that it was sort of a top-level strategy meeting as to how to move forward most effectively. There was an emphasis on the CMC site, a regional direction, and teamwork.

Koon said that there is a meeting scheduled tomorrow morning between Cayucos and Morro Bay staff to go over the outcome of last Friday's RWQCB meeting and what can be done moving forward.

Livick discussed some activities that the City of Morro Bay has engaged in since the previous JPA meeting. He said that they reached out to a couple of consultants that they have relationships with. They contacted Cleath Harris Associates (a hydro geological consultant) to look at the benefits to the City's well fields if there was a discharge in Chorro Creek and received a proposal from him. They also received a proposal from the Rickenbach/Nunley team to move the project forward and at last Tuesday's meeting, the Council authorized additional money to fund those two contracts.

C. Johnson had some general questions in follow up to Carmel's earlier comments. First, she asked if someone could expand and give some more information regarding the pending legislation on recycled water.

Koon said that it became obvious to him with the current drought we are in, the legislation is starting to push forward through the assembly and everything with recycled water is being driven by the drought. He referred to the “Steinberg bill” and talked about San Diego being the only other agency right now that has a 301(h) permit. Koon added that San Diego is building satellite plants and they have 3 test cases, one that is using potable reclaimed water in a reservoir situation, and the other two are dealing with groundwater and the reuse after it goes into the groundwater.

Carmel added that the focus of that legislation is direct reuse of reclaimed water. He said that the “toilet to tap” taboo is going away and although there is a prohibition on it at this time, they are thinking within six months to a year, there may not be a prohibition on it.

C. Johnson thanked Carmel and Koon for their comments and asked Carmel to clarify his report where he mentioned “clear sense of regulatory expectations”.

Carmel responded by saying “they said do it focused, do it quickly, continuously”, and “meaningfully”, in terms of progress. He said reclamation was key and the focus was to move on and make sure you’re documenting accordingly.

Koon added that the ability to come up with a cohesive project description sooner rather than later was emphasized as far as access to available funding out there and the faster we can get together and get a project description out there, the faster we get our name on the list. He said there are not a lot of names on the list right now, but they told us there would be quite a few very soon because of the drought.

C. Johnson asked Livick to clarify when he mentioned, “the discharge agency has rights to water” in his report, who the “discharge agency” would be in a shared facility at CMC.

Livick responded by saying he guesses it would depend on who holds the permit on that discharge and how the agreement is written. He then gave a couple of different scenarios regarding this.

C. Johnson asked if there is a timeline between the State Department of Corrections, and the County of San Luis Obispo about transitioning that plant.

Livick said they didn’t talk about a real firm timeline, but he thinks they have a meeting set up in Sacramento within the next few weeks regarding the operations. He said the County is mainly interested in potable water.

Some discussion on the topic continued between Carmel, C. Johnson, Livick, Smukler and Mayor Irons.

Koon said Morro Bay and Cayucos are meeting on February 14, 2014 to discuss all of this and to come up with a timeline. He added that Regional and County are moving in different direction because of the water shortage.

Smukler asked if Cayucos is still interested in attending some of their exploratory meetings regarding other options such as Morro Valley.

Koon said that will also be part of the discussion tomorrow.

C. Johnson asked Carmel if there would have to be some sort of legislation reversed in order to transfer any operation of a wastewater treatment facility from a State Corrections agency to a local agency.

Carmel said there will be some sort of special legislation necessary and that it couldn’t be done at this point because the State cannot serve local entities.

Lloyd commented that he is encouraged by the conversations going on between their respective staffs, the County and the RWQCB; because of the drought situation, there may be better funding.

President Enns opened Public Comment.

- Richard Sadowski – Morro Bay. Said according to the consultant Morro Bay hired, the regional/CMC option was not the best so he feels like it's the tail wagging the dog with Cayucos running the show again when Morro Bay is supposed to be the lead agency. He suggested a new JPA agreement and referred to the report he submitted 7 years ago outlining the shortcomings with the current one.

Hearing no further comments, President Enns closed Public Comment concluding item C-1 and requested a 10-minute break.

President Enns called the meeting back to order at 7:04pm and moved on to item C-2.

2. AWARD OF CONTRACT TO VULCAN INDUSTRIES, INC. OF MISSOURI VALLEY, IA, FOR THE PROPOSAL NO. MB2014-WW01 HEADWORKS SCREENS EQUIPMENT PROCUREMENT – Recommend City Council and Sanitary District Board award the Proposal contract to Vulcan Industries, Inc. in the amount of \$316,280.00.

Enns would like to hear staff discussions and make one motion on items C-3, C-4, and C-5.

Irons corrected to C-2, C-3, and C-4.

Keogh said with regard to items C-2 and C-3, he would like to introduce and have Rick Sauerwein discuss.

Sauerwein asked the Board and Council to award a contract to Vulcan Industries, Inc. in the amount of \$316,280.00 for a procurement of headworks screens and a washer compactor. He said a very thorough RFP went out on January 5, 2014. After the proposal due date of January 27, 2014, they met with equipment providers and then invited those bidders to interview on February 5, 2014 to give presentations on the specialties of their equipment. The adjusted price range of those proposals ranged from \$291,686.00 to \$367,069.00. He said choosing Vulcan was a unanimous decision by the judging panel and added that Vulcan has a very long and impressive record of accomplishment in the headworks industry.

Smukler said that they had ruled out the likelihood that this piece of equipment could be potentially transferrable to new plant and asked Sauerwein if the possibility has changed.

Sauerwein said it would be very premature to make that judgment when we don't know exactly what kind of a new plant we'll be dealing with but that they will definitely take advantage of that if the opportunity presents itself.

Irons asked if there was a market for used headworks screening and did they check around for that.

Livick thinks there is a market for that and he thinks Paso Robles will be selling their headworks screening unit, but the timing just doesn't work out because they aren't quite done with it yet. He added that there is nothing currently on the market to satisfy their needs.

Lloyd said we don't know where we are going, or how we are going to deal with it, but we do know one thing and that is that our existing infrastructure all feeds to one location and that location is where we are putting the screening. He thinks it's premature to consider that it's not going to have some viable utility into the future.

Foster said he read Rick Sauerwein's criteria on his proposal and methodology for selection. Foster thought it was very rational, thorough, and commended Sauerwein and the staff for their efforts.

Enns then moved to item C-3

3. AWARD OF CONTRACT TO COR-RAY PAINTING COMPANY, OF SANTA FE SPRINGS, CA FOR THE PROJECT NO. MB-2014-WW02 DIGESTER #2 COATING PROJECT – Recommend City Council and Sanitary District Board award the Project contract to Cor-Ray Painting Company in the amount of \$98,920.00.

Sauerwein said they are seeking approval to award a competitive contract for the coating of Digester #2 to Cor-Ray Painting Company. The invitation for bid went out; ten companies were interested and visited the plant on February 4, 2014. They received six proposals ranging from \$98,920.00 to \$211,000.00. He said they did have concerns about Cor-Ray's ability to perform. They did an extensive check of references, and got some glowing feedback regarding Cor-Ray's previous work. He said adding 25% contingency to this contract for additional work is a bit unusual, but feels the circumstances they are dealing with dictates that necessity. He added that whenever you go inside a digester, there is an existing coating there, and until you peel that coating back and get down to the bare concrete, you can't be sure what additional challenges you will be facing.

Irons commended Sauerwein for being so thorough, and asked if the 25% contingency was by contractor recommendation or recommended by staff.

Sauerwein said staff recommended the 25% contingency based on their consultant meetings.

Enns asked Carmel to clarify if a motion needs to specifically include the 25% contingency because item C-3 is not written that way on the agenda.

Carmel said yes, specifically.

Enns then moved on to item C-4.

4. BUDGET REVISION FOR ELECTRICAL REPAIRS AT THE WWTP – Recommend reallocation of the funds budgeted for replacement of the biofilter distribution arms to fund electrical repairs at the WWTP.

Keogh commented that Les and the guys did a great job during some emergency electrical repairs that occurred between December 11th through December 23rd, 2013 while Keogh was out. He said during that process, they incurred about \$23,000.00 in repair costs, which they took out of the operational budget approved at the beginning of the FY. He said that unfortunately puts a big dent in the spending on some of their discretionary repairs. He went into detail regarding some of the more pressing repairs needed, and recommends reallocating the \$50,000.00 originally earmarked for replacing the distributor arms in FY 13/14 to the more pressing items. He said that right now the electrical issues are a higher priority but that they would still need an encumbrance of \$50,000.00 in FY 14/15 for its original intended purchase of the distributor arms.

Irons commended Keogh's team/crew and gave them kudos on a job well done.

Foster said it sounded like a safety issue and wants it done right away.

Enns wanted clarification on the transfer of funds and the budget line item in question. He stated he thinks it would be more clear where the money is spent each FY if it is not moved around. He suggested leaving the \$50,000.00 where it is, and inserting additional budget line items to capture and specify the additional needs in this FY.

Keogh concurred keeping the \$50,000.00 earmarked the way it is and adding new project line item(s) to encompass the costs incurred for these additional expenses.

Koon agreed and said that he and Keogh had talked about it and agreed to work within the 1.04 million dollar budget, they are just asking to delay biofilter arms purchase. They won't transfer any monies; they will just create this new project so that the \$50,000.00 can be rolled over to next FY.

Smukler wants to be clear this would mean that when they come back to discuss the MMRP and look at the next cycle, they would be discussing the biofilter arms and any new proposals that are necessary.

Foster said he thinks this is more in the nature of a repair, adding that it doesn't seem like this is an upgrade.

Enns said that his impression was that it was more of an emergency repair.

Keogh said yes, and the reason they bring it back to the board for discussion is because the JPA does address the ability of staff to allocate more than \$10,000.00 without board approval and it seemed prudent before they just shifted projects.

President Enns opened for Public Comment.

Hearing no comments, President Enns closed Public Comment.

Enns asked for a motion on items C-2, C-3, and C-4 with the following changes; under C-3 to add that we authorize the staff discretion in awarding additional work as may be required up to a 25% contingency, and, on item C-4, we are delaying the replacement of the biofilter distribution arms for the next MMRP.

CAYUCOS MOTION: Director Foster made a motion to approve Agenda Items C-2, C-3, and C-4 with the following changes; item C-3 to add that we authorize the staff discretion in awarding additional work as may be required up to a 25% contingency; and on item C-4, we are delaying the replacement of the biofilter distribution arms for the next MMRP. Director Chivens seconded. Motion passed (5-0).

MORRO BAY MOTION: Councilmember Johnson made a motion to approve Agenda Items C-2, C-3, and C-4 with the following changes; item C-3 to add that we authorize the staff discretion in awarding additional work as may be required up to a 25% contingency; and on item C-4, we are delaying the replacement of the biofilter distribution arms for the next MMRP. Vice-Mayor Johnson seconded. Motion passed (4-0).

Enns then moved on to item C-5

5. SCHEDULE NEXT JOINT MEETING AND AGENDA ITEMS

Enns asked if anyone had recommendations on items for the next agenda, or suggestions for when the next JPA meeting should be held.

Koon said they really hadn't had an opportunity to discuss it yet.

Keogh suggested keeping it the second Thursday of the next month and they will see at that time if they have any action items to bring forward. That way if they need to have a meeting they will have one, and if not, they will confirm with the Mayor and Board President as to the necessity of that meeting.

Enns said that works for Cayucos.

Irons said that works for Morro Bay and asked if Council had any comments on that.

C. Johnson clarified that the next meeting date would be March 13, 2014.

Enns said that the next JPA is tentatively set for March 13, 2014, Morro Bay hosting.

ADJOURNMENT

President Enns adjourned the meeting at 7:34 p.m.

Minutes Recorded and Respectfully Submitted By:

X

Danielle Crawford
Administrative Services Billing Manager

STAFF REPORT

**CITY OF MORRO BAY-CAYUCOS SANITARY DISTRICT
WASTEWATER TREATMENT PLANT (WWTP)**

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

FROM: Bruce Keogh, Morro Bay Wastewater Division Manager

DATE: June 6, 2014

SUBJECT: WWTP Operations Report through April, 2014

RECOMMENDATION:

This Department recommends this report be received and filed.

FISCAL IMPACT:

None

SUMMARY:

Attached, find copies of the Morro Bay-Cayucos WWTP reports, for January to April 2014 and the WWTP flow summary, through April 2014. This information updates the item from the February 13, 2014 meeting.

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY JANUARY 2014

Flow for the month of January averaged 0.888 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 86.3 % to 94.6 % for the month, with an average removal of 91.2 % for the month. BOD removal ranged from 75.6 % to 86.2 % for the month, with an average removal of 80.7 % for the month. The rainfall for the month was less than 0.01 inches. For the month of January, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

During the month of January, staff continued work on the process for repairing and rehabilitating digester #2.

Activities included:

- Continued operation of the well pumps in three of the dewatering wells at the plant. The wells lower the ground water levels around digester #2 while repairs are preformed upon the digester.
- Plant staff continued with the process for removal or rebuilding of numerous valves on digester #2 used to transfer sludge within the digester sludge recirculation system.
- During the month of January, plant staff provided numerous job walks to prospective bidders for the RFP for the sandblasting and coating of digester #2. The RFP was public noticed on January 5 and proposals are due on February 4.
- Staff continued to develop a strategy for repairing the heat exchanger for digester #2. Staff descaled the interior of the heat exchanger and ordered parts for repairing the hot water jacket on the heat exchanger.

The City and District received five proposals for the procurement of new influent screens and a washer compactor unit at the headworks. The proposals were based on an RFP that was public noticed on January 5. The proposals will be evaluated by a technical evaluation panel and the top ranked proposal will be recommended for award of contract at the February 13 JPA meeting.

During the procurement process for the screens, a second RFP will be developed for hiring a contractor to install the screen units.

During the month of January, staff received the final Electrical Equipment Assessment conducted by Black & Veatch (B&V). The assessment of the plant's electrical system was conducted by an electrical engineer from B&V on November 12 and 13, 2013. Staff did provide comments to B&V on the draft report and B&V has incorporated those comments where appropriate. The Electrical Assessment also takes into consideration the recent electrical issues noted with the main breakers, switch gear, and auxiliary generator. This incident did not change their overall assessment of the plant's electrical systems, although they did provide recommendations on certain components of the switchgear system. Overall the study concludes that all major components of the existing electrical system are in good working condition and no major repair or replacement is required at this time. The study also summarizes maintenance recommendations for the existing system that include routine maintenance activities for various components.

On January 13, Mr. Paul Reiger conducted the annual inspection of the plants boilers. As a result of the inspection he made adjustments to the actuators on both boilers which regulates the gas pressure feeding the boilers to ensure proper combustion. He provided recommendations for future maintenance procedures that can be accomplished in the next fiscal year.

On January 15, plant staff test ran the emergency auxiliary generator under full load conditions. The switch from utility power to generator power and back to utility power was successful with no problems noted.

On January 22, plant staff discovered a small broom handle wedged in the cutter cartridge of the muffin monster located in the influent channel. They were able to remove the broom handle and no damage was reported to the muffin monster. The broom handle was from a contractor who had been rehabilitating and coating numerous manholes within Morro Bay.

On January 30, staff replaced the batteries for the switchgear for the emergency auxiliary generator. The batteries are on a work order for replacement every two years.

On January 2, staff from Alpha Electric replaced the time clock use to control sludge pump #2. They also replaced the time clock used to control the drive unit for the chlorine contact tank.

On January 1, at 1420 hours, staff responded to a high chlorine residual alarm at the plant. They made minor adjustments to the dosing pumps and calibrated the chlorine residual analyzers. They performed a detailed inspection and no other problems were noted. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for December 2013
- The Discharge Monitoring Forms (DMR) for Semiannual Effluent Sampling Chemical and Bioassay Analysis for January 1, 2014 to June 30, 2014

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

- The December 2013 Monthly Monitoring Data
- Semiannual Effluent Sampling Chemical and Bioassay Analysis Results January 2014

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/January2014

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY FEBRUARY 2014

Flow for the month of February averaged 0.924 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 90.1 % to 96.5 % for the month, with an average removal of 93.0 % for the month. BOD removal ranged from 84.1 % to 88.9 % for the month, with an average removal of 86.6 % for the month. The rainfall for the month was 3.31 inches. For the month of February, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

During the month of February, staff continued work on the process for repairing and rehabilitating digester #2.

Activities included:

- Continued operation of the well pumps in three of the dewatering wells at the plant. The wells lower the ground water levels around digester #2 while repairs are preformed upon the digester.
- Plant staff continued with the process for removal or rebuilding of numerous valves on digester #2 used to transfer sludge within the digester sludge recirculation system.
- Plant staff reinstalled the gas recirculation piping on digester #2.
- The City Council and Cayucos Sanitary District Board awarded a contract for sandblasting and coating of Digester #2 to Cor-Ray Painting Company at their February 13 JPA meeting.
- Staff developed and began implementing a cost effective strategy for repairing the heat exchanger for digester #2.

The City Council and Cayucos Sanitary District Board awarded a contract for the procurement of new influent screens and a washer compactor unit at the headworks to Vulcan Industries. On February 20, the representative for Vulcan Industries toured the plant to verify the field measurements for the screens and washer compactor. During the procurement process for the screens, a RFP will be developed for hiring a contractor to install the screen units. The tentative schedule calls for the screens and washer compactor to be installed in September 2014.

The 2013 Annual Report of sludge production and disposal activities was submitted to the Environmental Protection Agency (EPA) Region IX in San Francisco on February 18. Per the instructions from EPA the report was submitted electronically. The report was also distributed to the RWQCB and San Luis Obispo County Environmental Health Agency. The report covered the amount of sludge generated and the method of disposal. Annual biosolids production for 2013 was 275.1 dry metric tons. Of the 275.1 dry metric tons produced in 2013, 192.9 dry metric tons (5.2 dry metric tons from storage plus 187.7 dry metric tons produced in 2013) were transported to McCarthy Family Farms, Inc., Liberty Composting Inc., and facility. There are approximately 87.4 dry metric tons (approximately 213 cu yds) of biosolids in storage at the Morro Bay/ Cayucos Treatment Plant at this time. Of the stored material, 29.7 dry metric tons is from normal sludge handling operations and the other 57.7 dry metric tons represents the material removed during the cleaning of digester #2. All biosolids generated at the wwtp were either transported to the Liberty Composting Inc., facility or are in storage at the plant.

On February 11, Mr. Jim Maxham working on behalf of the California Joint Powers Insurance Authority conducted an infrared inspection of the facilities electrical power distribution system. Using an infrared camera, electrical equipment is scanned under load in order to locate hot spots caused by equipment defects including but not limited to loose or dirty connections, phase imbalance, defective fuses or faulty circuit breakers. Mr. Maxham provided a report to plant staff that identified three "hot spots" with recommendations for repairs.

On February 21, staff from Perrys Motors installed a rebuilt motor on grit pump #1 P2501.

On February 3, staff from San Luis Powerhouse performed the quarterly maintenance and inspection on the emergency auxiliary generator. No problems were noted during the inspection.

On February 25, staff submitted the 2013 Emissions and Throughput Data for the Morro Bay WWTP to staff at the Air Pollution Control District.

On February 2, at 1922 hours, staff responded to a low chlorine residual alarm at the plant. They made minor adjustments to the dosing pumps and calibrated the chlorine residual analyzers. They performed a detailed inspection and no other problems were noted. Staff noted the low residual was likely caused by above average flows due to heavy rain at the time. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time.

On February 3, at 0045 hours, staff responded to a high chlorine residual alarm at the plant. They made minor adjustments to the dosing pumps and calibrated the chlorine residual analyzers. They performed a detailed inspection and no other problems were noted. Staff noted the high residual was likely caused by the adjustments they performed earlier in the night during above average flows caused by heavy rain. The rains had dissipated by the time the high chlorine residual alarm was received. Staff noted that the change in the alarm set point for the chlorine residual alarm was effective in prompting a quick response time.

No instantaneous max flow value was recorded on February 17, due to issues with the video chart recorder used to record flow data and chlorine residuals. Staff noted the fault with the video chart recorder and switched to the redundant recorder, but there was a several hour lapse in the morning when peak flows normally occur. Staff is consulting with the manufacturer for possible corrective actions.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for January 2014

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

- The January 2014 Monthly Monitoring Data

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/February2014

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY

MARCH 2014

Flow for the month of March averaged 0.898 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 85.4 % to 93.4 % for the month, with an average removal of 89.6 % for the month. BOD removal ranged from 84.0 % to 88.6 % for the month, with an average removal of 86.5 % for the month. The rainfall for the month was 0.99 inches. For the month of March, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

During the month of March, staff continued work on the process for repairing and rehabilitating digester #2. Activities included:

- Continued operation of the well pumps in three of the dewatering wells at the plant. The wells lower the ground water levels around digester #2 while repairs are preformed upon the digester.
- Plant staff continued with the process for replacement or rebuilding of numerous valves on digester #2 used to transfer sludge within the digester sludge recirculation system.
- Repairs and replacement of sludge recirculation piping.
- Execution of a contract with Cor-Ray Painting Company for sandblasting and coating of Digester #2. The project is scheduled to begin in April and should take four to six weeks to complete.
- Staff completed the repairs to the heat exchanger for digester #2 that included installation of saddles and piping to repair badly corroded pipe, installation of new valves on the hot water loop, and installation of a new 3-way valve and hot water circulation pump. The final step in the repair process is to have an insulation contractor install new insulation on the heat exchanger. This work is scheduled for April.
- Video inspection of the draw off pipes and sludge transfer lines to ensure they are clear of debris.

During March, the City and District continued with activities related to the procurement of new influent screens and a washer compactor unit at the headworks. Vulcan Industries provided submittals for the influent screens and washer compactor for City and District review and comment. During the procurement process for the screens, a RFP will be developed for hiring a contractor to install the screen units. The tentative schedule calls for the screens and washer compactor to be installed in September 2014.

On March 23, staff drained primary clarifier #2 for inspection. Mr. Mike Nunley of Mike Nunley & Associates performed an inspection of the clarifier and will provide recommendations on repairs to the clarifier as part of the Major Repair and Replacement Program (MMRP). Staff from NV5 (NV5 is a lab specializing in structural testing procedures) is scheduled to take core samples at strategic locations on primary clarifier #2, primary clarifier #1, and the secondary clarifier.

On March 25, plant staff shut flow down to the solids contact tank and secondary clarifier at 0100 hours while performing a project to remove and install a new twelve inch butterfly valve and associated piping on the twelve inch pipe line that feeds the solids contact tank from the interstage pump station. While the secondary clarifier was offline, staff filled the primary clarifier that had been drained on March 23; this resulted in no effluent being discharged while the repairs were being performed. The plant was back on-line and flowing at 0945 hours. While the solids contact tank was off line, staff also replaced the 6" Waste Activated Sludge pipe that feeds WAS pump #2.

On March 12, staff from Gleim Crown Pumps installed 3W pump #P7602. The pump had been pulled on December 4 for rebuilding. Following installation of 3W pump #P7602, staff from Gleim Crown removed biofilter recirculation pump #P4502 and took it back to their shop for repairs.

On March 28, staff from Gleim Crown installed biofilter recirculation pump #P4502. The pump had been pulled on March 12 for warranty work to determine why the pump shaft had a severe vibration. The cause of the vibration had been a misalignment between the motor base and the upper motor seat on the pump. Plant staff set up a temporary by-

pass pumping line off the secondary effluent pumps to assist in getting additional flow to the biofilters, while the pump is off-line.

During the month of March, staff from Doug Allred Construction rerouted the drains from the roofs of Motor Control Centers B, C, and D so that they did not run above the existing control panels within the MCCs. Rerouting of the drain lines was a recommendation contained within the Electrical Equipment Assessment performed by Black & Veatch.

On March 26, plant staff test ran the emergency auxiliary generator under full load conditions. The switch from utility power to generator power and back to utility power was successful with no problems noted. During the switch over, plant staff and staff from Alpha Electric did further investigation of the load shedding control system.

On March 30, staff received the reconditioned DS-420 main breaker from the manufacturer. The breaker had been shipped out on March 3 to the manufacturer for testing and reconditioning. This breaker will serve as a spare breaker for the main utility and emergency auxiliary main breakers.

On March 24, staff from Kones Cranes performed the quarterly inspection of the three cranes at the plant. Staff is waiting for the inspection report at this time.

On March 9, staff from Alpha Electric installed new hour meters on the control systems for the flash mixer, the secondary drive unit #Col6101, hot water circulation pump #P9222, and biofilter recirculation pump #P4503.

On March 29, staff noted a fault with the existing alarm auto dialer. Staff with assistance from Alpha Electric completed the transition to a new auto dialer system by switching the alarm circuits to the new auto dialer that had recently been installed. The new auto dialer is operating as designed.

On March 6 and 7, Mr. David Zevely, gave presentations at the Scenic Coast Association of Realtors Bimonthly Education Meetings held in Cambria and Morro Bay. The presentation included a summary of the progress on the new water reclamation facility and the sewer fee schedules for the City and Sanitary District. The presentation also provided public outreach on *toxoplasma gondii*, best management practices for cat litter including not flushing cat litter, information on the County wide pharmaceutical take back program, proper disposal of FOG, collection system do's and don't's, information on the household hazardous waste facility at the plant, and the lateral inspection program.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for February 2014

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

- The February 2014 Monthly Monitoring Data

On March 18, plant staff provided a tour to thirteen students and twelve parents from the Templeton School District.

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/March2014

The City of Morro Bay-Cayucos Wastewater Treatment Plant

MONTHLY OPERATIONS SUMMARY

APRIL 2014

Flow for the month of April averaged 0.916 Million Gallons per Day (MGD).

Removal of suspended solids ranged from 84.3 % to 95.2 % for the month, with an average removal of 91.8 % for the month. BOD removal ranged from 81.2 % to 90.0 % for the month, with an average removal of 86.1 % for the month. The rainfall for the month was 0.5 inches. For the month of April, the plant was in compliance with the discharge and receiving-water limitations specified in the NPDES discharge permit. Other than normal operations and maintenance, the following items are noteworthy:

During the month of April, staff continued work on the process for repairing and rehabilitating digester #2. Activities included:

- Continued operation of the well pumps in three of the dewatering wells at the plant. The wells lower the ground water levels around digester #2 while repairs are preformed upon the digester.
- Plant staff continued with the process for replacement or rebuilding of numerous valves on digester #2 used to transfer sludge within the digester sludge recirculation system.
- Repairs and replacement of sludge recirculation piping.
- Staff from Cor-Ray Painting Company started the sandblasting and coating of Digester #2. The sandblasting and coating is scheduled to be complete in mid-May.
- Staff from Speiss Construction removed the gas lances and associated equipment from Digester #2, for repairs and coating.
- Plant staff completed the repairs to the heat exchanger for digester #2. Staff from R&M Insulation completed the installation of new insulation on the heat exchanger on April 25.
- Plant staff expects to begin filling the digester and beginning the steps necessary to bring the digester on-line in during the second half of May.

During April, the City and District continued with activities related to the procurement of new influent screens and a washer compactor unit at the headworks. On April 23, Staff at Mike Nunley and Associates (MKN) toured the plant to verify field measurements for the submittals provided by Vulcan Industries. MKN provided comments on the submittals on behalf of the City and District to Vulcan Industries. During the procurement process for the screens, a RFP will be developed for hiring a contractor to install the screen units. The tentative schedule calls for the screens and washer compactor to be installed in September 2014.

On April 17, plant staff shut down flow to the solids contact tank and secondary clarifier at 0100 hours while performing a project to remove and install a new fourteen-inch butterfly valve and associated piping on the discharge piping of biofilter effluent pump #P4504. While the flow was shut down to the interstage pumping station (location of the pump and valving), staff filled primary clarifier #2 that had been drained on April 15; this resulted in no effluent being discharged while the repairs were being performed. The plant was back on-line and flowing at approximately 0930 hours. Staff also disassembled and inspected the 14" check valves on biofilter effluent pumps #P4504 and #P4505.

On April 16, staff from NV5 (NV5 is a lab specializing in structural testing procedures) took core samples at strategic locations on primary clarifier #2 (drained in preparation for the valve replacement project noted above), primary clarifier #1, and the secondary clarifier for further analysis. Following removal of the cores, they patched the core holes with a quick dry concrete compound. When primary clarifier #2 was refilled on the morning of April 17, plant staff noted that the patch on the core that was below the waterline was leaking and they were forced to retrain the clarifier for further repairs by NV5. NV5 staff repatched the leaking repair and the clarifier was refilled and placed back on-line on the morning of April 18.

On April 7, staff from SLO Powerhouse performed the annual maintenance service on the plants emergency auxiliary generator. No problems were noted during the inspection and service.

On April 3, staff from Dependable Fire Protection completed the annual service of all the fire extinguishers at the plant.

The following reports were submitted to the appropriate agencies:

- The Discharge Monitoring Forms (DMR) for March 2014

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

- The March 2014 Monthly Monitoring Data
- The First Quarter Receiving –Water Survey February 2014
- 2013 Annual Report

On April 23, staff from the City, the District, the Regional Water Quality Control Board (RWQCB), and the property owner, Mr. Steve Macelvaine, toured the site at Rancho Colina as part of alternative site analysis to select the optimal site for locating the new Water Reclamation Facility.

On April 7, Mr. John Gunderlock attended a Best Practices in Personnel Management sponsored by the California Joint Powers Insurance Authority.

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

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

Bruce Keogh
Wastewater Division Manager
Lab/C/Bruce/Monthlys/April2014

2012	Total Plant Flow		Cayucos Flow Total			Morro Bay Flow Total			# of days	Dates
	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%		
JAN	34.443	1.111	7.444	0.240	21.6%	26.999	0.871	78.4%	31	Jan 1-Jan 31, 2012
FEB	30.478	1.051	6.440	0.222	21.1%	24.038	0.829	78.9%	29	Feb 1-Feb 29, 2012
MAR	33.971	1.096	7.711	0.249	22.7%	26.260	0.847	77.3%	31	March 1 - 31, 2012
APR	35.523	1.184	8.573	0.286	24.1%	26.950	0.898	75.9%	30	April 1 - April 30, 2012
MAY	33.393	1.077	7.390	0.238	22.1%	26.003	0.839	77.9%	31	May 1 - 31, 2012
JUNE	40.101	1.337	7.687	0.256	19.2%	32.414	1.080	80.8%	30	June 1-30, 2012
JULY	46.989	1.516	9.832	0.317	20.9%	37.157	1.199	79.1%	31	July 1-31, 2012
AUG	34.343	1.108	8.191	0.264	23.9%	26.152	0.844	76.1%	31	August 1-31, 2012
SEPT	28.167	0.939	6.825	0.228	24.2%	21.342	0.711	75.8%	30	September 1-30, 2012
OCT	27.793	0.897	6.788	0.219	24.4%	21.005	0.678	75.6%	31	October 1-31, 2012
NOV	26.892	0.896	6.295	0.210	23.4%	20.597	0.687	76.6%	30	November 1-30, 2012
DEC	29.608	0.955	8.023	0.259	27.1%	21.585	0.696	72.9%	31	December 1-31, 2012
ANNUAL AVERAGES	33.475	1.097	7.600	0.249	22.9%	25.875	0.848	77.1%		
2013	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%	# of days	Dates
JAN	31.654	1.021	8.141	0.263	25.7%	23.513	0.758	74.3%	31	Jan 1-Jan 31, 2013
FEB	27.890	0.962	6.431	0.222	23.1%	21.459	0.740	76.9%	29	Feb 1-Feb 29, 2013
MAR	30.827	0.994	7.341	0.237	23.8%	23.486	0.758	76.2%	31	March 1 - 31, 2013
APR	28.201	0.940	7.122	0.237	25.3%	21.079	0.703	74.7%	30	April 1 - April 30, 2013
MAY	28.627	0.923	6.310	0.204	22.0%	22.317	0.720	78.0%	31	May 1 - 31, 2013
JUNE	29.489	0.983	6.493	0.216	22.0%	22.996	0.767	78.0%	30	June 1-30, 2013
JULY	34.606	1.116	10.289	0.332	29.7%	24.317	0.784	70.3%	31	July 1-31, 2013
AUG	30.808	0.994	8.119	0.262	26.4%	22.689	0.732	73.6%	31	August 1-31, 2013
SEPT	27.756	0.925	6.769	0.226	24.4%	20.987	0.700	75.6%	30	September 1-30, 2013
OCT	27.480	0.886	6.529	0.211	23.8%	20.951	0.676	76.2%	31	October 1-31, 2013
NOV	27.351	0.912	6.628	0.221	24.2%	20.723	0.691	75.8%	30	November 1-30, 2013
DEC	27.685	0.893	6.340	0.205	22.9%	21.345	0.689	77.1%	31	December 1-31, 2013
ANNUAL AVERAGES	29.365	0.963	7.209	0.236	24.4%	22.155	0.726	75.6%		
2014	Total Flow	Daily Flow	Total Flow	Daily Flow	%	Total Flow	Daily Flow	%	# of days	Dates
JAN	27.535	0.888	6.380	0.206	23.2%	21.155	0.682	76.8%	31	Jan 1-Jan 31, 2013
FEB	25.884	0.893	6.560	0.226	25.3%	19.324	0.666	74.7%	29	Feb 1-Feb 29, 2013
MAR	27.825	0.898	7.020	0.226	25.2%	20.805	0.671	74.8%	31	March 1 - 31, 2013
APR	27.489	0.916	6.733	0.224	24.5%	20.756	0.692	75.5%	30	April 1 - April 30, 2013
MAY		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	May 1 - 31, 2013
JUNE		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	30	June 1-30, 2013
JULY		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	July 1-31, 2013
AUG		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	August 1-31, 2013
SEPT		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	30	September 1-30, 2013
OCT		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	October 1-31, 2013
NOV		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	30	November 1-30, 2013
DEC		0.000		0.000	#DIV/0!	0.000	0.000	#DIV/0!	31	December 1-31, 2013

STAFF REPORT

**CITY OF MORRO BAY-CAYUCOS SANITARY DISTRICT
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, Morro Bay Wastewater Division Manager

DATE: June 5, 2014

SUBJECT: Status Report on the Permit Renewal Process for the Wastewater Treatment Plant
NPDES Permit No. CA0047881

RECOMMENDATION:

This Morro Bay Public Services Department recommends this report be received and filed.

FISCAL IMPACT:

To date, the fiscal impact has been \$4,147.25 for consultant support services for the permit renewal effort. The FY 13/14 WWTP budget contains funds for the permit renewal effort.

SUMMARY:

This staff report is intended to provide an update on the permit renewal process for the Morro Bay/Cayucos Wastewater Treatment Plant since the February 2013 joint meeting of the City Council and District Board. The Morro Bay/Cayucos Wastewater Treatment Plant (plant or WWTP) operates under National Pollution Discharge Elimination System (NPDES) permit No. CA0047881. The NPDES permit expired on March 1, 2014. The existing NPDES permit has been administratively extended while the renewal process is on-going. The existing NPDES permit includes a 301(h) modified discharge permit, which waives full secondary treatment requirements; it is important to note that the 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 the City and Sanitation District (MBCSD) submit an application, six-months prior to the expiration of the permit. Because the permit became effective March 1, 2009, a complete application packet was delivered to Regional Water Quality Control Board (RWQCB) on August 26, 2013. A copy of the entire application packet can be viewed on the City website at www.morro-bay.ca.us/npdes. A copy of the application packet was also forwarded to the Environmental Protection Agency (EPA).

DISCUSSION:

Per the direction of the Council and District Board, the application packet submitted to the RWQCB is for a full secondary permit with interim effluent limits. This application does not include an application for a 301(h) modified discharge permit.

Staff is currently waiting for RWQCB staff and their EPA subcontractor to finish drafting the NPDES permit. RWQCB staff is hoping to receive a draft permit in June. Once RWQCB staff has completed the draft permit, RWQCB staff has stated MBCSD will get an opportunity to review the draft permit and provide comment to RWQCB prior to public noticing the draft permit.

MBCSD staff met with RWQCB staff and staff from SLO County on February 7 and March 21 to discuss the potential for the City and/or District to develop a regional facility at California Mens Colony (CMC), as well as to discuss the draft permit. The majority of the discussions at those meetings were centered on the alternatives analysis for siting a new Water Reclamation Facility (WRF) in various locations including the sites identified in the Rickenbach Options Report, as well as CMC. In addition those meetings included discussions on funding opportunities and project schedule as they relate to the new WRF. RWQCB staff did provide permit renewal updates, reiterating they were still waiting for their EPA subcontractor to finish drafting the permit.

The granting of a full secondary permit with interim effluent limits allows for 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 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 September 2014, then the plant would have to meet full secondary requirements by September 2019, when the permit with the interim effluent limits expires. However, RWQCB staff has indicated, after the first five-year permit cycle, they may be able to extend the interim effluent limits another five years to allow MBCSD more time to complete the development of a new WRF and provide protection from potential minimum mandatory penalties. There is a major caveat to receiving some form of extension after the initial five-year permit; significant progress needs to have been made in the siting of the new WRF, if not under construction,

As the permit renewal process progresses, MBCSD will need to have discussions regarding adoption of a new conversion schedule through an enforceable instrument approved by the RWQCB. Similar to the existing Settlement Agreement, a new settlement agreement will likely include a conversion schedule with milestones for completing the planning, design, construction and operation of the new WRF.

CONCLUSION:

Staff will continue to update the Council and Board on the permit renewal process as information becomes available.

STAFF REPORT

CITY OF MORRO BAY-CAYUCOS SANITARY DISTRICT WASTEWATER TREATMENT PLANT (WWTP)

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

FROM: Bruce Keogh, Morro Bay Wastewater Division Manager

DATE: June 6, 2014

SUBJECT:

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

RECOMMENDATION:

Morro Bay and Cayucos Sanitary District staffs recommend this report be received and filed.

FISCAL YEAR:

No fiscal impact at this time as a result of this report. Fiscal impact is addressed through the budget process.

BACKGROUND:

This staff report is intended to provide an update on the development of the MMRP for the WWTP. At the February 14, 2013, joint meeting the Council and District Board approved 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;
- The City and District 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
- The Morro Bay Public Services Director and Cayucos Sanitary District Manager report back to the Council and District Board on a semi-annual basis on the progress and costs associated with the MMRP.

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.

Staff's primary focus has continued to be on execution of the projects contained within the FY 13/14 WWTP budget and development of the budget for FY14/15. The FY 13/14 budget contains \$1.04M in funding for MMRP projects presented during the budget hearing at the JPA meeting. Staff has continued to work on the implementation schedule for the projects funded in the FY 13/14 budget. This staff report includes a description of recommended MMRP projects and funding for FY14/15.

DISCUSSION

Digester #2 Repair

Cor-Ray painting completed the sandblasting and coating project per the specifications contained within the Request for Proposals on May 6, 2014. The project was successfully completed on budget with only two small change orders totaling \$4,400. The project also included repairs to the gas lances on the digester gas recirculation system. MCS Inspection group provided coating inspection throughout the project.

Plant staff completed the work tasks and repairs for projects required to bring the digester back on-line. Prior to filling the digester and bringing it back on-line, they proofed all valving and piping to ensure no debris or obstructions and to ensure there were no leaks where piping or valving had been repaired or replaced.

Plant staff is currently in the process of bringing the digester back on-line. This process should take approximately ten weeks to get the digester in a position where it can be used as the primary digester.

Headworks Influent Screening Project

The headworks influent screening project remains on schedule. MKN and Vulcan Industries worked through the submittal of the shop drawings and Vulcan Industries was given approval for fabrication of the equipment. The fabrication of the equipment will take nineteen weeks and the equipment is scheduled to arrive in late August.

MKN has developed a draft set of plans and specifications (bid package) for hiring a contractor to install the screen units. City and District staff have provided comments on the draft set of plans and specifications.

Chlorine Contact Basin Improvements

Based on increases to the cost estimates for various aspects of the chlorine contact tank improvements, staff has opted to delay the completion of the draft bid package for the purchase and installation of new chains and flights as well as various concrete repairs to the basin. Plant staff drained the chlorine contact tank on May 14, 2014 for further assessment and investigation of tank components and condition. Engineers from both MKN and B&V were on site to observe the tank and provide input to better define the scope of work for the project. While the tank was drained, plant staff made minor repairs as time allowed.

Development of MMRP Projects and Budget for FY 14/15

The agenda for the June 12, 2014, JPA meeting contains an item for consideration of the FY 14/15 WWTP budget for the Council and Boards review and approval. The MMRP budget for FY 14/15 projects is estimated at \$596K. Coupled with the carry-over of funds for the headworks screen project (\$425K) and the chlorine contact project (\$200K), this would bring the total MMRP budget for FY14/15 to \$1.221M.

The following narrative provides a summary of the MMRP projects funded in the FY13/14 budget and a brief discussion of the projects proposed for FY14/15.

Five MMRP projects were identified and funded in the FY 13/14 budget. Three of the projects, the cleaning and coating of digester #2, the interstage pump and valve project and the reconditioning of the chlorine building were successfully completed.

The other two MMRP projects, the headworks screening project and the chlorine contact tank equipment replacement project, identified in the FY13/14 budget are on-going at this time and are expected to be completed in September or October of 2014 (FY14/15).

- 1) The Headworks Influent Screen Project: This project is on-going at this time with the screens procurement process underway and scheduled for delivery in August, 2014. An RFP is being prepared by Nunley and Associates for installation of the screening equipment in September, 2014. The payment for, and installation of, the screens by an outside contractor will occur in FY 14/15; the original project was budgeted in FY13/14 at \$500,000. Approximately \$75,000 has been expended in engineering services to date so \$425,000 will need to be carried over into the FY14/15 budget to complete the project.
- 2) The Chlorine Contact Tank Equipment Replacement Project: This project is also on-going at this time. Plant staff is working with staff from MKN and B&V to better refine the scope of work. Staff anticipates this project will occur in FY14/15; the original project was budgeted in FY 13/14 at \$200,000. This \$200K will need to be carried over into the FY14/15 budget for completion.

New MMRP projects for the FY14/15 fiscal year:

Based on a review of the MMRP coupled with the experience gleaned from the repair of digester #2 and input from B&V and MKN on the MMRP, staff is recommending the following MMRP projects be included in the FY14/15 budget. As stated earlier, the MMRP budget for FY14/15 projects is estimated at \$596K. Coupled with the carry-over of funds for the headworks screen project (\$425K) and the chlorine contact project (\$200K), this would bring the total MMRP budget to \$1.221M.

- 1) The cleaning and coating of digester #1: This will provide funding for the cleaning and coating of digester #1; in addition structural analysis and potential structural repair work will be required. This project also includes funding for piping and valving repairs on digester #3 and digester #2 and replacement of various equipment required to operate the digesters. Cost estimates for the various components are: \$180,000 for cleaning and coating digester #1; \$50,000 for the purchase of valves and piping for digester recirculation and transfer lines on digester #1; \$60,000 for piping repairs to Digester #3 and #2; and, \$20,000 for replacement of the sludge recirculation pump on digester #3. In addition, there is a list of equipment and components that will need to be repaired or replaced. These repairs would coincide with the digester cleaning and rehabilitation project and include the replacement of the spark arrestors and vacuum/ pressure relief valves on the top of all three digesters (\$15,000) and purchase of three hot water circulation pumps for the hot water loop used to heat the digesters (\$6,000). All items are vital for the operational and safety components of the anaerobic digestion process. The total estimated cost for cleaning, rehabilitation, and equipment repair and replacement for digester #1 is \$331,000.
- 2) Rehabilitation of primary clarifier #2: This will provide funding for the highest priority projects on primary clarifier #2 and includes repairs to the metal framework on the flights and skimmer cage assembly; repair and replacement of piping and valving; and other associated repairs. Estimated cost for these projects is \$50,000.
- 3) Purchase and Installation of New Distributor Arms on Biofilter Improvement Project: This will provide funding for several projects to improve biofilter #2 and the interstage pump

station to include the purchase and installation of new distributor arms on biofilter #2 and replacement of the main bearing on the turntable (\$65,000). The biofilter arms are badly corroded and have exceeded their useful life. These units are a critical component of the secondary treatment system.

Funds will also be used to install flood walls around the periphery of the two biofilters and interstage pumps to prevent inundation during a flooding event (\$150,000).

Total cost estimate for this work is \$215,000.

CONCLUSION:

Staff will continue to bring a status report on the development and implementation of the MMRP at future joint Council and District Board meetings.

STAFF REPORT

**CITY OF MORRO BAY/CAYUCOS SANITARY DISTRICT
WASTEWATER TREATMENT PLANT (WWTP)**

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

From: Susan Slayton, Finance Director

Date: May 27, 2014

Subject: Review of Portion of City of Morro Bay Proposed Fiscal Year 2014/15
Budget Related to the Operation of the Wastewater Treatment Plant

RECOMMENDATION

The Morro Bay City Council (Council) and Cayucos Sanitary District Board of Directors (Board) discuss the described proposed budget, consider any changes recommended by Board Members and the Council and Board accept the described proposed budget, with any conceptually agreed-to changes to be formally approved by the Board and Council at the meetings at which their respective budget is adopted.

SUMMARY

Staff from the City of Morro Bay presents the portion of the 2014/15 City budget to the Board of Directors of the Cayucos Sanitary District. Detailed notes on the revenues and expenditures are attached.

FISCAL IMPACT

Below is the budget as present to the CSD and City Council in the proposed budget document:

Expenses:	
Operations	\$ 2,111,734
Capital outlay MMRP projs	1,221,000
General Fund administration	<u>30,000</u>
Total expenses	<u>3,362,734</u>
Revenues:	
Services	<u>3,362,734</u>
Revenues over/under expenses	\$ <u>0</u>

Discussion

The budget figures cited above were presented to the City Council at its June 5, 2014 budget hearing. The same information was forwarded to the CSD for consideration and review.

Budget Notes for FY14-15

These notes provide an explanation for all the line items in the budget. The notes include which line items have changed from the preceding years-fiscal budget or provide further discussion for clarification. Staff attempted to prioritize the projects that they believe need immediate attention in this fiscal year. Staff is concentrating on projects that are required to keep the plant operating efficiently and safely. Further information will be available as the Major Repair and Maintenance Plan (MMRP) is developed, refined, and projects implemented. Discussions of the projects that are above and beyond basic O&M costs are included at the end of the line item discussion.

Upgrade Related Expenses:

It is important to note that major tasks required to develop a new Water Reclamation Facility will be on-going or commencing in FY14/15. The WWTP upgrade related expenses for preliminary activities required to relocate the plant will be included and tracked through the Sewer Fund, as they are City only expenses at this point. The funds recommended for developing the new WRF in FY 14/15 are based on the cash flow schedule provided by Mike Nunley & Associates. Additional funding may be required depending on the tasks required to complete the relocation project.

The FY14/15 budget cycle will be the second full budget cycle for the relocation of the treatment facility. As the issue is brought before the JPA, direction and action plans may be recommended that will require allocating additional funding during the FY14/15 fiscal year.

MMRP:

Staff reviewed the MMRP presented in February 2013 and the 5-Year CIP program developed by Cannon Associates as part of the budget preparation process. Staff is recommending that not all items identified in the MMRP or 5-Year CIP be included in the FY14/15 budget. Staff is only recommending those projects that are necessary to keep the plant operating efficiently and safely.

Status of MMRP projects funded in the FY13/14 Budget Cycle

Five MMRP projects were identified and funded in the FY 13/14 budget. Three of the projects, the cleaning and coating of digester #2, the interstage pump and valve project and the reconditioning of the chlorine building were completed in FY13/14.

The other two MMRP projects, the headworks screening project and the chlorine contact tank equipment replacement project, identified in the FY13/14 budget are on-going at this time and are expected to be completed in September or October of 2014 (FY14/15).

- 1) The Headworks Influent Screen Project: This project is on-going at this time with the screens procurement process underway and scheduled for delivery in August 2014. A RFP is being prepared by Nunley and Associates for installation of the screening equipment in September 2014.. The payment for the screens and the installation of the screens by an outside contractor will occur in FY 14/15 although the original project was budgeted in FY 13/14 at \$500,000. Approximately \$75,000 has been expended in engineering services to date so \$425,000 will need to be carried over into the FY14/15 budget to complete the project.
- 2) The Chlorine Contact Tank Equipment Replacement Project: This project is also on-going at this time. An RFP is being developed for purchase and installation of the required equipment. Staff anticipates this project will occur in FY 14/15 although the original project was budgeted in FY 13/14 at \$200,000. This \$200K will need to be carried over into the FY14/15 budget for completion of this project.

New MMRP projects for the FY 14/15 fiscal year:

Based on a review of the MMRP coupled with the experience gleaned from the repair of digester #2 and input from B&V and MKN on the MMRP, staff is recommending the following MMRP projects be included in the FY 14/15 budget. The MMRP budget for FY 14/15 projects is estimated at \$596K.

Coupled with the carry over of funds for the headworks screen project (\$425K) and the chlorine contact project (\$200K) this would bring the total MMRP budget to \$1.221M.

FY 14/15 MMRP Projects

There are three new MMRP projects anticipated for the plant in FY14/15.

- 1) The cleaning and coating of digester #1: This project would provide funding for the cleaning and coating of digester #1, in addition structural analysis and potential structural repair work will be required. This project also includes funding for piping and valving repairs on digester #3 and digester #2. This project also includes replacement of various equipment required to operate the digesters. Cost estimates for the various components are: \$180,000 for cleaning and coating digester #1; \$50,000 for the purchase of valves and piping for digester recirculation and transfer lines on digester #1; \$60,000 for piping repairs to Digester #3 and #2; \$20,000 for replacement of the sludge recirculation pump on digester #3; Coupled with this is a list of equipment and components that will need to be repaired or replaced. These components would coincide with the digester cleaning and rehabilitation project. Funding would be used to replacement the spark arrestors and vacuum/ pressure relief valves on the top of all three digesters (\$15,000); purchase of three hot water circulation pumps for the hot water loop used to heat the digesters (\$6,000) and the. All items are vital operational and safety components of the anaerobic digestion process. Estimated cost for cleaning, rehabilitation, and equipment repair and replacement for digester #1 is \$331,000.
- 2) Rehabilitation of primary clarifier #2: This project would provide funding for the highest priority projects on primary clarifier #2. Repairs would include repairs to the metal framework on the flights and skimmer cage assembly; repair and replacement of piping and valving, and other associated repairs. Estimated cost for these projects is \$50,000.
- 3) Purchase and Installation of New Distributor Arms on Biofilter Improvement Project : This project would provide funding for several projects to improve biofilter #2 and the interstage pump station: A) The purchase and installation of new distributor arms on biofilter #2 and replacement of the main bearing on the turntable (\$65,000). The biofilter arms are badly corroded and have exceeded their useful life. These units are a critical component of the secondary treatment system. This project was deferred from the FY13/14 budget to cover the costs of the emergency repairs to the auxiliary generator. B) Funds would be used to install flood walls around the periphery of the two biofilters and interstage pumps to prevent inundation during a flooding event (\$150,000). Total cost estimate for this work is \$215,000.

Pro Rata Share of Flow

Operating expenses for the plant are paid by the City and District on a pro rata share of flow. For the FY 12-13 through February (eight months of the fiscal year) the flow breakdown is 25% for the CSD and 75% for the City.

Personnel:

4110-Regular Pay: Increase this line item to \$521,119 from \$507,147 per figures provided by finance. These figures could vary slightly based on the outcome of the on-going labor negotiations with the employment groups at the City.

4120-Overtime: Maintain this line item at \$10,000. This reflects historic expenditure levels. Overtime expenses were up slightly in FY13/14 due to maintenance projects and emergency repairs.

4515-Standby Pay: Maintain this line item to \$13,050. The present MOU states that standby pay will be paid at a rate of \$35 per day, and at a rate of \$60 per day for eleven selected holidays per the MOU for SEIU employees (plant operators). This figure could vary slightly based on the outcome of the on-going labor negotiations with the employment groups at the City.

4599-Other: Maintain this line item at \$1,000, it reflects historical spending.

4910-Employer Paid Benefits: Increase this line item to \$294,661 from \$292,590 per finance recommendations. These figures could vary slightly based on the outcome of the on-going labor negotiations with the employment groups at the City.

4999-Labor Applied: Provided by finance.

Supplies:

5101- Janitorial: Maintain this line item at \$1,500, it reflects historic budgeting levels.

5105 – First Aide: Maintain at \$500, it reflects historic budget levels.

5108 – Communication Supplies: Increase this line item to \$2,000 from \$1,000; funding would be for the replacement of radios at the plant.

5109 – Uniforms: Maintain this line item at \$12,000. Funding would be allocated to uniforms (annual cost of \$8,400), the MOU required boot allowance (\$1,200). Additional funding is for the purchase of upgrades to equipment for confined space entry, and other safety related equipment.

5110-Fuel, Oil, Lubricants: Maintain this line item at \$5,000 to reflect historic spending levels and increased fuel and oil costs. This line item covers fuel costs for the two plant trucks, diesel fuel for the emergency generator, fuel for the front-end loader when we use it, and miscellaneous oils, greases and lubricants for plant equipment. Staff has more closely tracked fuel costs for the vehicles and loader, which average approximately \$150 per month. Any additional funds reflect expenditures for oils and lubricants required for equipment maintenance from this line item.

5112-Laboratory Supplies/ Chemicals: Increase this line item to \$32,000 from \$16,500. The funds will cover costs associated with the operation of a State certified laboratory, including annual quality assurance tests required by ELAP and the USEPA. Daily lab procedures have increased due to ELAP requirements and increased in-house monitoring required to keep the plant operating efficiently. The increase in funds will be used to purchase a new autoclave (\$14,000) and a new analytical balance (\$2,000). Both these pieces of equipment are critical lab components, are near the end of their useful life and are no longer cost effective to repair.

5120-Chemical Supplies: Maintain this line item at \$130,000 to reflect historic expenditure levels. Sodium hypochlorite prices have increased dramatically over the past years and remain very volatile due to the market price for caustic (a basic ingredient of hypochlorite). In addition, the delivery fees for both sodium hypochlorite and sodium bisulfite have increased due to higher fuel costs. Plant staff also purchases freeze dried beneficial bacteria (for the secondary or biological processes) and microorganisms from this account, these bugs help stabilize the biological processes following a plant upset. They have been instrumental in keeping the plant performing at an efficient level.

5125 – Repair/ Maintenance: Maintain this line item at \$1500. Funds in this line item are for asphalt, sand, and other supplies used for road and facilities maintenance and have increased due to increased repairs to underground piping.

5175 – Computer Supplies: Maintain this line item at \$2500. It reflects historic budget levels for purchase of required computer supplies and will allow two of the four computers used at the plant to be replaced.

5199 - Misc Supplies: Maintain this line item at \$1500. It reflects historic budget levels.

5301 – General Office Supplies: Maintain this line item at \$2,500. Funding covers office supplies as well as toners and inks for copiers and printers.

5303 – Books: Maintain this line item at \$100. It reflects historic budget levels.

5305 – Forms: No funds budgeted.

5501 – Ground Supplies: Maintain this line item at \$2,500. Funds in this line item are for expenses related to grounds maintenance at the plant.

5502 – Building Maint. Supplies: Increase this line item to \$30,000 from \$12,000. Funds in this line item would replace area lighting fixtures within buildings as well as outside area lights with in the plant (\$15,000). Funds would also be used for repairs to roofs and vent systems (\$5K) and for repair or replacement of doors (\$10,000).

5503 – Rolling Stock: No funds budgeted.

5504-Machinery and Equipment Supplies: Increase this line item to \$195,000 from \$71,000. The funds in this line item allow for in-house repairs of plant equipment by staff required to keep the plant operating efficiently and with in regulatory compliance. Historically this line item has been budgeted at \$60,000. Repair and maintenance costs are expected to increase as the plant ages. The additional \$135,000 in funds are for the following projects. The projects are for the Secondary Effluent Pump Rebuild Project (\$35,000); the purchase of a new Return Activated Sludge (RAS) Blower (\$5,000); Replacement of the Ferrous Chloride Tank (\$20,000); Purchase a New Aeration Air (AA) Blower (\$20,000); Disinfection and Dechlorination Repairs and Replacement Project (\$32,500); Sump Pump Repair at Lower Headworks (\$10,000); Purchase of a New Composite Sampler (\$7,500); and Grit Piping Repairs (\$5,000).

5530-Small Tools: Maintain this line item at \$2,000. The increased funds will allow staff to purchase the tools required to properly and professionally maintain the equipment in the plant.

Services:

6101 Legal: Maintain this line item at \$200. It reflects historic budget levels.

6103 – Financial Audits: Maintain this line item at \$6,000. It reflects historic budget levels.

6104 – Engineering Services: Maintain this line item at \$50,000. Historically funding in this line item was for engineering services required for minor projects or emergency repairs such as the Flood Study and Arc Flash Studies completed in FY12/13. Funding in this line item will assist with specialized engineering needs such as structural or electrical engineering required during the MMRP.

6105-Consulting Services: Maintain this line item at \$25,000. Funds in this line item are for consulting services required for permit compliance related issues, emergency repairs, and the wwtp upgrade process. Funds in this line item will be available for the upcoming permit renewal process.

6106-Contractual Services: Increase this line item to \$213,000 to \$211,000. The annual contract with Marine Research Specialists for the Offshore Monitoring Program contains an annual escalator that is referenced to the Engineering News Record inflation index. Applying the 2.2% increase in the February ENR to the FY13/14 base cost budget increases base cost for FY 14/15 to \$212,608. If this annual increase remains steady into July, the Base Program Costs is estimated at approximately 213,000. Any additional funds would cover any extra scope costs incurred.

6125 – Professional Development: Maintain at \$2500, it reflects historic budgeting levels. Funds in this line item are for mandatory staff training, and other schools and training programs.

6160 - Vehicle Inspection: Maintain at \$250, it reflects historic budgeting levels.

6161-License and Permit Fees: Maintain this line item at \$6,000. Plant staff recommends that this line item contain funds for possible mandatory fines. The \$6,000 included in this line item has been set aside for the payment of two minimum mandatory penalties at \$3,000 per penalty.

6162-Mandated Fees/Inspections: Maintain this line item at \$35,000. Fees paid out of this line item include: fees for the NPDES permit (\$10,743), Waste Discharge Permit Fee (\$4,798), APCD permit (\$1,737), SLO County Hazardous Materials permit (\$437), annual outfall inspection and maintenance fees (inspection, buoy replacement, and maintenance related activities) (\$12,000), Operator certificate renewal fees (\$2,000), and ELAP certification fees (\$2,500).

6199-Other Professional Services: Maintain this line item at \$1500. It reflects historic budget levels.

6201 – Telephone: Maintain at \$2000, it reflects historic budgeting levels.

6220 – Postage: No funds budgeted in this line item.

6231- Pager Service: Maintain this line item at \$0. Plant personnel have switched from a pager to a cell phone for after hours emergency notification.

6301-Electricity: Maintain this line item at \$120,000. This reflects expenditures in this line item over the last two fiscal years.

6302-Natural Gas: Maintain this line item at \$5,000. This reflects expenditures in this line item over the last two fiscal years and the reduced costs are the result of increased efficiency of the boilers that are run almost exclusively off the methane gas produced in the digesters.

6303- Water: Maintain this line item at \$7500. This reflects expenditures in this line item over the last two fiscal years.

6305 – Disposal: Maintain this line item at \$600. Funds are for garbage disposal from the plant.

6307-Disposal of Sludge: Increase this line item to \$15,000 from \$12,500. Increase in funding will be used for disposal of increased sludge volume from digester cleaning. The additional funds are allocated for required sampling and analysis and any unforeseen contingencies.

6399 Other Utility: Maintain this line item at \$12,000. Funds for this line item are for grit disposal.

6401-General Liability: Provided by risk management.

6411-Property Damage Insurance: Provided by risk management.

6472- Other Insurance: Provided by risk management.

6473-Vehicle Insurance: Provided by risk management.

6499-Other Insurance Premiums: Provided by risk management.

6502- Shipping: Maintain this line item at \$2,500. Funds are used for shipment of equipment during repairs and maintenance.

6510 – Meetings: Maintain this line item at \$0. Funds in this line item are covered under 6125 professional development.

6514 – Travel Expense: Maintain at \$1500, it reflects historic budgeting levels and provides funding for travel while attending conferences, seminars, and training programs.

6519 – Association Membership: Maintain this line item at \$500, it reflects historic budgeting levels. Funding in this line item allows operations staff to be members of the California Water Environment Association.

6601-Outside Equipment Repair and Maint: Decrease this line item to \$95,000 from \$213,500. Historically this line item has been budgeted at \$60,000. These funds allow for the repair and maintenance of equipment by contractors as required throughout the year. Staff has identified projects that are above and beyond the funds historically budgeted. The additional \$28,000 in funding is for the following projects. Electrical Repairs or Improvements recommended in the Black & Veatch Electrical Assessment (\$20,000); Boiler Repair and Maintenance (\$15,000);

6602 – O/S Structural: Maintain this line item at \$20,000. The funds are for temporary flood control measures at the existing plant. Funds in this line item are also for building and facility maintenance by contractors.

6603 - O/S Ground:

6604 – O/S/ Vehicle: Increase this line item to \$5,000 from \$2,500. Funds in this line item are for the repair of the plants vehicles and the additional funds will be used for service and repair to the front end loader.

6810 – Equip Rental: Maintain this line item at \$2,500. Funds are for emergency rental equipment in the event of unforeseen circumstances.

7201 - Vehicle Acqui:

8510 – T/Gen Fund: Finance to provide.

8530 – T/Spec Rev: Finance to provide.

8710 – Loss on inv: Finance to provide.

8720 – Rent Dist: Finance to Provide

8721 – Payment O/A: Per finance.

8730 – Deprn: Finance to provide

8735 – Gain/Loss on assets: Finance to provide

Project Descriptions for Line Items 5504 and 6601:

Secondary Effluent Pump Rebuild Project: Line item 5504: This project includes the rebuilding of the two secondary effluent pumps used to pump secondary effluent from the interstage to the secondary clarifier. These pumps are on a five year schedule for rebuilding. Estimated cost is \$35,000.

Purchase of a new Return Activated Sludge (RAS) Blower: Line item 5504: This project would replace one of the existing two RAS blowers currently in operation. The other blower was replaced in FY13/14. This blower is approaching the end of its useful life. These units are a critical component of the secondary treatment system. Estimated cost is \$5,000.

Electrical Repairs or Improvements recommended in the Black & Veatch Electrical Assessment: Line item 6601: This project would be for the installation of strip heaters in the electrical panels for the Motor Control Centers. This should help prevent moisture and corrosion in the electrical panels extending their useful life. Funds would also be used for the repair or relocation of the electrical subpanel for the Chlorine building: This panel is badly corroded and in need of replacement or relocation. Total Estimated cost is \$20,000.

Boiler Repair and Maintenance: Line Item 6601: This project would entail an inspection and repair of the burners and boiler controls. The boilers were rebuilt in 2009, and are in need of maintenance and repair. The last rebuild resulted in major savings due to increased boiler efficiency and resulted in the digesters being heated only with digester gas. Estimated cost is \$15,000.

Replacement of the Ferrous Chloride Tank: Line item 5504: This project would replace the existing chemical storage tank with a larger double walled containment tank. The larger tank is due to the collections system switching to a different odor control chemical that is non-hazardous. The wwtp anaerobic digestion system requires ferrous chloride (an iron salt) to control hydrogen sulfide within the digester gas fed to the boilers to satisfy the wwtp's APCD permit. Estimated cost is \$20,000

Purchase a New Aeration Air (AA) Blower: Line item 5504: This would replace one of the existing two AA blowers currently in operation. This blower is approaching the end of its useful life. These units are a critical component of the secondary treatment system. Estimated cost is \$20,000.

Disinfection and Dechlorination Repairs and Replacement Project: Line item 5504: This project would replace various pieces of equipment required for the disinfection and dechlorination process. These are a vital piece of equipment for documenting regulatory compliance. The funds would be used for the purchase of four chemical dosing pumps (\$10,000); purchase of a total chlorine residual analyzer, this would replace one of the two existing meters (\$10,000); purchase of a new sodium bisulfite chemical storage tank heater to replace the existing unit (\$7,500); and purchase of chemical feed piping and valving to replace the existing piping and valving (\$5,000). Total estimated cost is \$32,500.

Sump Pump Repair at Lower Headworks: Line item 5504: This project would be for the rebuilding of one of the two sump pumps in the lower headworks. The other sump pump was rebuilt in 2011. Estimated cost \$10,000.

Purchase of a New Composite Sampler: Line item 5504: Funds would be for the replacement of one of the two samplers currently in service. The samplers are a vital piece of equipment for documenting regulatory compliance: Estimated cost \$7,500

Grit Piping Repairs: Line item 5504: This project is to repair or replace the piping for the aeration system of the aerated grit chamber. The piping is extremely corroded and in need of repairs. Estimated cost is \$5,000

Budget Worksheet Report

Account Number	Description	2011 Actual Amount	2012 Actual Amount	2013 Actual Amount	2014 Amended Budget	2015 Proposed Budget
Fund	599	MB/CS Waste Water Fund				
Revenue						
Department	1111	Undistributed/Non-Dept.				
Department	5255	Wastewater Treatment				
<u>Revenues From Current Services</u>						
3401	Sale of Copies & Books	\$0.00	\$0.00	\$0.00	\$0.00	-
3499	Other Rev/Current Svc	\$2,847,585.17	\$2,402,110.15	\$2,078,975.13	\$3,649,267.00	-
Total: Revenues From Current Services		\$2,847,585.17	\$2,402,110.15	\$2,078,975.13	\$3,649,267.00	-
<u>Miscellaneous Revenues</u>						
3913	Sale of Real Property	\$0.00	\$0.00	\$6,834.38	\$0.00	-
3922	Refunds/Adj/Restitution	\$0.00	\$0.00	\$0.00	\$0.00	-
3990	Other Misc. Revenues	\$0.00	\$0.00	\$0.00	\$0.00	-
Total: Miscellaneous Revenues		\$0.00	\$0.00	\$6,834.38	\$0.00	-
Department Total: Wastewater Treatment		\$2,847,585.17	\$2,402,110.15	\$2,085,809.51	\$3,649,267.00	-
Department	7710	Interfund Transactions				
<u>Interfund Revenue Transfers</u>						
3802	Intrafund Revenue Trans.	\$0.00	\$0.00	\$110,817.21	\$0.00	-
3860	Trans. From Enterprise	\$0.00	\$0.00	\$0.00	\$0.00	-
3880	Trans. From Trust/Agency	\$0.00	\$0.00	\$0.00	\$0.00	-
Total: Interfund Revenue Transfers		\$0.00	\$0.00	\$110,817.21	\$0.00	-
Department Total: Interfund Transactions		\$635.00	\$0.00	\$110,817.21	\$0.00	-
Revenue Totals		\$2,848,220.17	\$2,402,110.15	\$2,196,626.72	\$3,649,267.00	-
Expenses						
Department	5255	Wastewater Treatment				
<u>Personnel Services</u>						
4110	Regular Pay	\$466,336.01	\$439,097.23	\$482,390.59	\$507,147.00	521,119
4120	Overtime Pay	\$16,446.73	\$10,185.93	\$16,061.04	\$10,000.00	10,000
4310	Part-Time Pay	\$0.00	\$0.00	\$0.00	\$0.00	-
4510	Acting Pay	\$0.00	\$0.00	\$0.00	\$0.00	-
4515	Standby Pay	\$12,740.00	\$12,950.00	\$12,775.00	\$12,775.00	13,050
4520	Cafeteria Pay	\$0.00	\$0.00	\$0.00	\$0.00	-
4599	Other Pay	\$677.33	\$3,044.46	\$815.40	\$600.00	1,000
4910	Employer Paid Benefits	\$274,789.08	\$277,418.14	\$275,502.72	\$292,590.00	294,660

Budget Worksheet Report

Account Number	Description	2011 Actual Amount	2012 Actual Amount	2013 Actual Amount	2014 Amended Budget	2015 Proposed Budget
4999	Labor Costs Applied	\$658.64	\$0.00	\$293.54	\$0.00	1,000
<u>Total: Personnel Services</u>		<u>\$771,647.79</u>	<u>\$742,695.76</u>	<u>\$787,838.29</u>	<u>\$823,112.00</u>	<u>840,829</u>
<u>Supplies</u>						
5101	Janitorial Supplies	\$1,222.10	\$1,322.07	\$767.42	\$1,250.00	\$1,500.00
5105	First Aide Supplies	\$335.95	\$201.70	\$326.78	\$500.00	\$500.00
5108	Communication Supplies	\$0.00	\$310.32	\$431.92	\$1,000.00	\$2,000.00
5109	Uniforms/Safety Equipment	\$8,589.11	\$11,641.35	\$15,326.19	\$12,000.00	\$12,000.00
5110	Fuel Oil & Lubricants	\$3,855.89	\$5,517.86	\$5,714.93	\$5,000.00	\$5,000.00
5112	Lab Supplies	\$16,857.77	\$17,478.03	\$17,305.21	\$16,500.00	\$32,000.00
5120	Chemical Supplies	\$116,103.10	\$113,971.81	\$118,272.68	\$130,000.00	\$130,000.00
5125	Repairs/Maint. Materials	\$463.28	\$0.00	\$0.00	\$1,500.00	\$1,500.00
5175	Computer Operating Supp.	\$402.53	\$1,382.91	\$2,548.24	\$2,500.00	\$2,500.00
5199	Misc. Operating Supplies	\$1,938.47	\$1,686.24	\$1,061.77	\$1,500.00	\$1,500.00
5301	General Office Supplies	\$1,222.54	\$886.30	\$1,113.43	\$2,500.00	\$2,500.00
5302	Copying Supplies	\$325.59	\$297.94	\$0.00	\$0.00	\$0.00
5303	Books & Manuals	\$120.00	\$65.67	\$74.00	\$100.00	\$100.00
5305	Forms Printing	\$0.00	\$0.00	\$8.85	\$0.00	\$0.00
5501	Grounds Maint. Supplies	\$1,203.59	\$1,956.97	\$1,476.99	\$2,500.00	\$2,500.00
5502	Building Maint. Supplies	\$15,680.38	\$6,182.09	\$5,308.00	\$12,000.00	\$30,000.00
5503	Rolling Stock Supplies	\$94.56	\$58.31	\$151.95	\$0.00	\$0.00
5504	Machinery/Equip/Supplies	\$70,043.38	\$82,143.56	\$139,091.95	\$90,000.00	195,000
5530	Small Tools	\$1,458.79	\$1,998.48	\$2,052.36	\$2,000.00	\$2,000.00
<u>Total: Supplies</u>		<u>\$239,917.03</u>	<u>\$247,101.61</u>	<u>\$311,032.67</u>	<u>\$280,850.00</u>	<u>420,600</u>
<u>Services</u>						
6103	Financial Audits	\$10,400.00	\$5,900.00	\$5,900.00	\$6,000.00	\$6,000.00
6104	Engineering Services	(\$27,487.53)	\$27,325.00	\$9,895.00	\$50,000.00	\$50,000.00
6105	Consulting Services	\$880.00	\$0.00	\$3,312.55	\$25,000.00	\$25,000.00
6106	Contractual Services	\$196,406.74	\$197,312.15	\$209,984.18	\$211,000.00	213,000
6125	Professional Development	\$1,685.13	\$1,350.35	\$3,881.16	\$2,500.00	\$2,500.00
6160	Vehicle Inspections	\$0.00	\$0.00	\$0.00	\$250.00	\$250.00
6161	Licenses & Permits	\$0.00	\$0.00	\$0.00	\$6,000.00	\$6,000.00
6162	Mandated Fees/Inspections	\$20,155.42	\$20,124.56	\$19,751.50	\$35,000.00	\$35,000.00
6199	Other Professional Svc	\$1,671.80	\$1,061.30	\$1,031.16	\$1,500.00	\$1,500.00
6201	Telephone	\$1,756.77	\$1,751.21	\$2,345.54	\$2,000.00	\$2,000.00
6220	Postage	\$122.05	\$125.25	\$49.48	\$0.00	\$0.00

Budget Worksheet Report

Account Number	Description	2011 Actual Amount	2012 Actual Amount	2013 Actual Amount	2014 Amended Budget	2015 Proposed Budget
6300	Utilities	\$0.00	\$0.00	\$458.57	\$0.00	\$0.00
6301	Electricity	\$129,277.92	\$126,316.62	\$132,035.98	\$120,000.00	\$120,000.00
6302	Natural Gas	\$3,388.92	\$3,750.20	\$4,403.55	\$5,000.00	\$5,000.00
6303	Water	\$6,562.34	\$4,490.29	\$5,941.79	\$7,500.00	\$7,500.00
6305	Disposal	\$750.30	\$695.07	\$846.25	\$600.00	\$600.00
6307	Disposal of Sludge	\$11,369.58	\$11,262.76	\$7,363.40	\$12,500.00	\$15,000.00
6399	Other Utilities	\$14,798.53	\$12,321.75	\$10,976.75	\$12,000.00	\$12,000.00
6401	General Liability	\$42,031.00	\$50,316.00	\$50,316.00	\$51,272.00	\$51,272.00
6411	Property Damage Ins.	\$1,130.00	\$1,130.00	\$1,130.00	\$1,151.00	\$1,151.00
6472	Other Ins./Employee Bond	\$0.00	\$134.00	\$134.00	\$134.00	\$134.00
6473	Vehicle Insurance	\$244.00	\$244.00	\$244.00	\$244.00	\$244.00
6499	Earthquake & Flood Insurance	\$350,051.15	\$162,523.48	\$163,471.92	\$169,154.00	\$169,154.00
6502	Shipping & Moving	\$462.90	\$916.85	\$1,412.23	\$2,500.00	\$2,500.00
6510	Meetings & Conferences	\$110.70	\$271.60	\$63.92	\$0.00	\$0.00
6511	Mileage Reimbursement	\$415.92	\$0.00	\$220.12	\$0.00	\$0.00
6514	Travel Expense	\$1,791.20	\$91.48	\$1,121.50	\$1,500.00	\$1,500.00
6519	Association Membership	\$0.00	\$0.00	\$0.00	\$500.00	\$500.00
6601	Outside Equip. Repair/Mat	\$127,644.69	\$76,471.53	\$145,490.71	\$221,000.00	\$95,000.00
6602	Outside Structural Repair	\$21,950.95	\$34,799.23	\$3,810.19	\$20,000.00	\$20,000.00
6604	Outside Vehicle Repair/Maint	\$1,398.00	\$2,518.03	\$6,925.32	\$2,500.00	\$5,000.00
6710	Notices & Publications	\$0.00	\$0.00	\$607.52	\$0.00	\$0.00
6720	Medical Examinations	\$0.00	\$0.00	\$45.00	\$0.00	\$0.00
6810	Equipment Rental	\$0.00	\$0.00	\$138.24	\$2,500.00	\$2,500.00
<u>Total: Services</u>		<u>\$918,968.48</u>	<u>\$743,202.71</u>	<u>\$793,307.53</u>	<u>\$969,305.00</u>	<u>850,305</u>
<u>Capital Outlay</u>						
7102	Buildings & Structures	\$0.00	\$0.00	\$0.00	\$1,040,000.00	1,221,000
<u>Total: Capital Outlay</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1,040,000.00</u>	<u>1,221,000</u>
<u>Other Expense</u>						
8720	Rent Distribution	\$0.00	\$0.00	\$0.00	\$0.00	
8721	Payment To Other Agency	\$21,750.65	\$14,985.25	\$19,178.83	\$36,000.00	30,000
8730	Cap. Asset Depreciation	\$477,905.92	\$475,299.98	\$485,124.57	\$0.00	30,000
<u>Other</u>						
8711	Non Capital Asset Expense	\$0.00	\$0.00	\$2,235,192.63	\$0.00	
<u>Total: Other</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$2,235,192.63</u>	<u>\$0.00</u>	<u>-</u>
<u>Total: Other Expense</u>		<u>\$499,656.57</u>	<u>\$490,285.23</u>	<u>\$2,739,496.03</u>	<u>\$36,000.00</u>	<u>30,000</u>

Budget Worksheet Report

Account Number	Description	2011 Actual Amount	2012 Actual Amount	2013 Actual Amount	2014 Amended Budget	2015 Proposed Budget
Department Total: Wastewater Treatment		\$2,430,189.87	\$2,223,285.31	\$4,631,674.52	\$3,149,267.00	3,362,734
Department	7710	Interfund Transactions				
<u>Interfund Transfers</u>						
8410	Intrafund Expense Trans.	\$0.00	\$0.00	\$110,817.21	\$0.00	
8501	Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00	
8510	Transfer To General Fund	\$0.00	\$0.00	\$0.00	\$0.00	
8540	TRFR To Capital Imp Fund	\$0.00	\$0.00	\$0.00	\$0.00	
<u>Total: Interfund Transfers</u>		\$0.00	\$0.00	\$110,817.21	\$0.00	-
Department Total: Interfund Transactions		\$0.00	\$0.00	\$110,817.21	\$0.00	-
Expense Totals		\$2,871,137.93	\$2,239,756.19	\$4,770,758.60	\$3,649,267.00	3,362,734

STAFF REPORT

CITY OF MORRO BAY-CAYUCOS SANITARY DISTRICT WASTEWATER TREATMENT PLANT (WWTP)

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

from: Susan Slayton, Administrative Services Director

date: May 29, 2014

subject: FY 2012/13 WWTP Audit

recommendation:

Accept the WWTP audit report.

fiscal impact:

None

summary:

The MB/CSD Wastewater Treatment Plant's 2012/13 audit report is attached. Our auditor, Bob Crosby, is in attendance to present the 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, 2013**

Draft

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

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CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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

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

Independent Auditor's Report

Governing Bodies

Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement)
Morro Bay, California 93442

Report on the Financial Statements

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, 2013, which collectively comprise the organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities of the Joint Powers Agreement, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *ii*, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Morro Bay-Cayucos Wastewater Treatment Plant basic financial statements. The schedule of member balance due accounts on page 9 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. I have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

January 23, 2014

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2013

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, 2013. 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, 2013, with comparative information for June 30, 2012:

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

	2013	2012
Current and other assets	\$ 130	\$ 154
Capital assets, net	900	3,454
Total assets	1,030	3,608
Accounts payable	52	85
Other liabilities	78	69
Total liabilities	130	154
Net assets:		
Invested in capital assets, net of related debt	900	3,454
Unrestricted	-	-
Total net assets	\$ 900	\$ 3,454

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, 2013

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

	2013	2012
Charges for services	\$ 2,079	\$ 2,400
Plant operations	(2,543)	(2,877)
Increase (decrease) in net assets	(464)	(477)
Loss on disposal of assets	(2,229)	
Non-operating transfers	139	651
Change in net assets	(2,554)	174
Net assets - July 1	3,454	3,280
Net assets - June 30	\$ 900	\$ 3,454

Capital assets. The Treatment Plant's investment in capital assets as of June 30, 2013 amounts to \$900,405 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)

	2013	2012
Plant	12,764	12,764
Machinery and equipment	1,500	1,500
Vehicles	65	59
Construction in progress	33	2,130
Less accumulated depreciation	(13,462)	(12,999)
Net capital assets	\$ 900	\$ 3,454

Additional information on capital assets can be found in Note 5 on page 7.

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.

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

STATEMENTS OF NET ASSETS

PROPRIETARY FUNDS

As of June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

ASSETS	<u>2013</u>	<u>2012</u>
<i>Current assets:</i>		
Accounts receivable	\$ 8,150	\$ 111,345
Due from members	109,857	31,329
Prepaid expenses	11,975	10,951
Total current assets	129,982	153,625
<i>Noncurrent assets:</i>		
Capital assets		
Construction in progress	33,742	2,129,851
Plant	12,764,471	12,764,471
Machinery and equipment	1,499,740	1,499,740
Vehicles	64,517	58,547
Less accumulated depreciation	(13,462,065)	(12,998,519)
Total noncurrent assets	900,405	3,454,090
Total assets	\$ 1,030,387	\$ 3,607,715
 LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable	\$ 52,472	\$ 84,820
Accrued liabilities	72,115	63,792
Deferred revenue	5,395	5,013
Total liabilities	\$ 129,982	\$ 153,625
<i>Net assets:</i>		
Invested in capital assets	\$ 900,405	\$ 3,454,090
Total net assets	\$ 900,405	\$ 3,454,090

The accompanying notes are an integral part of these financial statements

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

For the Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<i>Allocated revenues:</i>		
Revenue	\$ 2,078,975	\$ 2,402,110
Total allocated revenue	2,078,975	2,402,110
<i>Allocated expenses:</i>		
Salaries	512,042	465,278
Employee costs	289,768	302,358
Allocated costs	61,038	77,261
Operating supplies	324,812	254,511
Depreciation	485,125	475,300
Repairs and maintenance	156,364	113,789
Contractual services	239,161	691,570
Professional development	3,881	1,350
Professional services	71,776	100,933
Communications	2,346	1,751
Utilities/waste disposal	162,026	158,837
Insurance	215,296	214,347
Licenses, fees and permits	19,751	20,125
Total allocated expenses	2,543,386	2,877,410
Operating loss	(464,411)	(475,300)
<i>Miscellaneous revenues/member transfers</i>		
Gain on disposal of equipment	6,834	
Member transfers - capitalized costs	139,084	649,128
Total miscellaneous revenues/member transfers	145,918	649,128
<i>Changes in net assets before extraordinary item:</i>	(318,493)	173,828
<i>Extraordinary item:</i>		
Loss on disposal of construction in progress	(2,235,192)	
<i>Changes in net assets after extraordinary event:</i>		
<i>Net assets-beginning:</i>	3,454,090	3,280,262
<i>Net assets-ending:</i>	\$ 900,405	\$ 3,454,090

Draft

The accompanying notes are an integral part of these financial statements

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<i>Cash flows from operating activities:</i>		
Cash received from allocated revenue	\$ 2,182,170	\$ 2,379,570
Payments to employees	(505,407)	(468,919)
Other payments	(1,656,049)	(1,910,651)
Net cash provided (used) by operating activities	20,714	-
<i>Cash flows from capital and related financing activities:</i>		
Acquisition and construction of capital assets	(167,768)	(649,128)
Proceeds from sale of equipment	7,970	
Net cash used by capital and related financing activities	(159,798)	(649,128)
<i>Cash flows from non-capital and related financing activities:</i>		
Member transfers - capitalized costs	139,084	649,128
Net cash provided by non-capital and related financing activities	139,084	649,128
<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	\$ (464,411)	\$ (475,300)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	485,125	475,300
Net changes in assets and liabilities		
Accounts receivable	103,195	(20,821)
Due from members	(78,528)	78,159
Prepaid expense	(1,024)	(10,951)
Accounts payable	(32,348)	(48,252)
Accrued liabilities	8,323	(3,148)
Deferred revenue	382	5,013
Net cash provided (used) by operating activities	\$ 20,714	\$ -

The accompanying notes are an integral part of these financial statements

MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 Principles 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, 2013**

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.

Draft

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, 2013**

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/(TO) MEMBERS

Amounts due from/(to) Members at June 30, 2013, are as follows:

Members

City of Morro Bay	\$	(31,045)
Cayucos Sanitary District		<u>140,902</u>
 Total	 \$	 <u>109,857</u>

NOTE 5: CAPITAL ASSETS

Draft

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

<u>Capital Assets</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Plant	\$ 12,764,471	\$ -	\$ -	\$ 12,764,471
Machinery and Equipment	1,499,740			1,499,740
Vehicles	<u>58,547</u>	<u>28,684</u>	<u>(22,714)</u>	<u>64,517</u>
Subtotal - Capital assets	14,322,758	28,684	(22,714)	14,328,728
Construction in Progress	<u>2,129,851</u>	<u>139,084</u>	<u>(2,235,193)</u>	<u>33,742</u>
Subtotal - Accumulated	16,452,609	167,768	(2,257,907)	14,362,470
Depreciation	<u>(12,998,519)</u>	<u>(485,124)</u>	<u>21,577</u>	<u>(13,462,066)</u>
Capital assets, net	<u>\$ 3,454,090</u>	<u>\$ (317,356)</u>	<u>\$ (2,236,330)</u>	<u>\$ 900,404</u>

Depreciation expense was \$485,124 for the year ending June 30, 2013.

**MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT
JOINT POWERS AGREEMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

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, 2012, from which the summarized information was derived.

NOTE 7: EXTRAORDINARY ITEM

The financial statements indicate an extraordinary item involving a loss on the disposal of a construction in progress project. This loss was to the denial of the wastewater treatment plant project upgrade. The California Coastal Commission denied the project in January 2013, resulting in a loss to the Joint Powers Agreement of \$2,235,192.

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SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF MEMBER BALANCE DUE ACCOUNTS
For the Period July 1, 2012 through June 30, 2013**

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, 2012 through June 30, 2013 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
<u>Balance due from members at June 30, 2012</u>				\$ (118,423)	\$ 149,752	\$ 31,329
<u>Operating Expenditures</u>						
July 1 - September 30, 2012	77.31%	22.69%	100%	268,245	84,767	353,012
October 1 - December 31, 2012	74.96%	25.04%	100%	361,904	114,179	476,083
January 1 - March 31, 2013	75.75%	24.25%	100%	359,316	82,062	441,378
April 1 - June 30, 2013	76.92%	23.08%	100%	538,294	110,410	648,704
Subtotal of operating expenditures	77.50%	23.76%	101%	1,527,759	391,418	1,919,177
<u>Capital Costs</u>						
Total allocated to capital costs	72.00%	28.00%	100%	48,243	18,761	67,004
100% Allocated to Morro Bay	100%		100%	43,813		43,813
Subtotal of capital costs				92,056	18,761	110,817
Total allocated expenses July 1, 2012 through June 30, 2013				1,619,815	410,179	2,029,994
Amounts reimbursed July 1, 2012 through June 30, 2013				(1,532,437)	(419,029)	(1,951,466)
Total amount allocated June 1, 2012 through June 30, 2013				87,378	(8,850)	78,528
<u>Balance due from (to) members at June 30, 2013</u>				\$ (31,045)	\$ 140,902	\$ 109,857

Independent Auditor's Report

Governing Bodies
Morro Bay-Cayucos Wastewater Treatment Plant (Joint Powers Agreement)
Morro Bay, California 93442

Report on the Financial Statements

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, 2013, which collectively comprise the organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities of the Joint Powers Agreement, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.