

**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
R.H. Bud McHale, Vice-President
Harold Fones, Director
Michael Foster, Director
Shirley Lyon, Director

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

Janice Peters, Mayor
Betty Winholtz, Vice-Mayor
Noah Smukler, Councilmember
Carla Borchard, Councilmember
Rick Grantham, Councilmember

MINUTES

MEETING DATE:

6:00 p.m., Thursday, March 19, 2009

HOSTED BY:

City of Morro Bay

MEETING PLACE:

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

CALL TO ORDER AND ROLL CALL

Mayor Peters called the meeting to order at 6:00 p.m. and asked that the record show all Council members present.

Mr. Enns welcomed Noah Smukler and Carla Borchard as new members to the CSD. Introduced new Board Member Michael Foster, who will finish Nat Ramando's term, who recently passed.

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the governing bodies on Morro Bay-Cayucos Wastewater Treatment Plant (WWTP) business matters may do so at this time. By the conditions of the Brown Act, the governing bodies may not discuss issues not on the agenda, but may set items for future agendas. When recognized by the Chair, please come forward to the podium and state your name and address for the record. Comments should be limited to three minutes.

Mayor Peters opened Public Comment.

Richard Sadowski – Reviewed his professional experience. Feels Sanitary District is being operated as an Enterprise Fund, which encourages deferred maintenance. Indicated Mr. Enns should step down as a result of his business completing sewer extensions.

Patrick Sparks – Presented a project utilizing on site collection system similar to the current system which utilized an oxidation ditch. Displayed an alternate design which he felt would result in a reduced energy footprint. Raised the potential to realize re-use for agricultural irrigation water, or the growth of energy related products such as algae. Requested to be placed on the agenda to provide a more thorough presentation.

Tom Murphy – Reviewed his professional experience and provided information on the Reclamator system. Requested support in obtaining the money from the Stimulus Package. Stated he has been asked to provide a proposal to do a demonstration project for the entire state.

Mayor Peters closed Public Comment.

A. CONSENT CALENDAR

1. Minutes of September 4, 2008 Meeting – Recommend approve
2. Wastewater Treatment Plant (WWTP) Operations Report through January, 2009 – Recommend receive and file
3. Status Report on NPDES Permit Renewal Process – Recommend receive and file
4. Status Report on the EIR for the WWTP Upgrade project – Recommend receive and file
5. Status Report on the Design Process for the WWTP Upgrade Process – Recommend receive and file
6. Financial Status Report as of December 31, 2008

Winholtz requested Items A-1, A-2, A-4 and A-5 be pulled for review.

MOTION: Grantham, Winholtz 2nd to approve Agenda items 3 and 6 as stated. VOTE: 5-0

MOTION: McHale, Fones 2nd to approve Agenda items 3 and 6 as stated. VOTE: 5-0

MOTION CARRIES.

1. Minutes of September 4, 2008 Meeting

Winholtz inquired of Tim Carmel regarding Page 3, 4th line in the bottom paragraph of the minutes whether the last paragraph, “Carmel affirmed that he had been presented with...”, Should read, “he had *not* been presented with.”. Carmel confirmed that it should.

MOTION: Winholtz, Grantham 2nd to approve Item #1 as corrected. VOTE: 5-0

MOTION: McHale, Lyon 2nd to approve Item #1 as corrected. VOTE: 5-0

MOTION CARRIES.

2. Wastewater Treatment Plant (WWTP) Operations Report through January, 2009

Winholtz suggested Keogh not submit summary portion of monthly report, but simply provide month to month detail. Enns expressed his agreement with this suggestion.

MOTION: Winholtz, Grantham 2nd moved that the JPA direct Keogh to change his reporting style for the Waste Water Treatment Plant Monthly updates to eliminate the summary and provide only the monthly detail reports; and approve of Item A-2 as revised. VOTE: 5-0

MOTION: McHale, Fones 2nd, moved that the JPA direct Keogh to change his reporting style for the Waste Water Treatment Plant Monthly updates to eliminate the summary and provide only the monthly detail reports; and approve of Item A-2 as revised. VOTE: 5-0

MOTION CARRIES.

4. Status Report on the EIR for the WWTP Upgrade project

Winholtz stated the item was pulled as a public notification of the status of the EIR which will be available in April or May. Winholtz asked for clarification of where the public may access the information. Keogh confirmed the EIR will be available on the Waste Water Treatment Plant website, Library, Public Services Department, and ASAP Reprographics. Keogh believes that a stakeholder notification will also be issued notifying of its availability.

MOTION: Winholtz, Smukler 2nd to approve the Status Report on the EIR for the WWTOP Upgrade project. VOTE: 5-0

MOTION: McHale Foster 2nd to accept the Status Report on the EIR for the WWTOP Upgrade project. VOTE: 5-0

MOTION CARRIES.

5. Status Report on the Design Process for the WWTP Upgrade Process

Winholtz asked if design and construction can proceed without flow determination. Keogh confirmed Master Facility Plan assumptions will be reviewed by the designer, who may modify at that time. Design will move forward with approximately a four month period, for proposals, evaluate, etc. before letting contracts, during which time the Ad Hoc Committee reviewing the allocation may be reconvened.

MOTION: Winholtz, Grantham 2nd moved acceptance of Item A-5. VOTE: 5-0

MOTION: McHale, Fones 2nd moved acceptance of Item A-5. Enns commented that the RFQ was anticipated for release on May 31, 2010, that Keogh has suggested that it will be released May 31, 2009 and offered his thanks. VOTE: 5-0

MOTION CARRIES.

B. OLD BUSINESS

1. Discussion of a Five Year Capital Improvement Plan for the WWTP and Consideration of Entering into an Agreement with Cannon Associates for Development of a CIP

Keogh stated the District requested the Plan at the last JPA meeting for ease in projecting expenditures for budgeting, for both the Sanitary District and the Waste Water Treatment Plant. The recommendation resulting from discussions between City and District staff and counsel in consideration of time constraints was to contract for the study. Keogh approached Larry Kramer of Cannon Associates who is very familiar with the process and both communities and has done work for the City in the past, and a proposal was provided for review. Contract terms are a do not exceed amount of \$10,000.00 to be billed on a time and materials basis, and funds are available in the budget. Keogh recommended that following discussion and consideration, JPA direct Staff to enter into an agreement with Cannon Associates. Foster asked if there was sufficient specificity on what is being built to do a CIP at this time. Keogh responded that during the five year window compliance and maintenance will still be required. Winholtz stated she will be voting against on general principle, feeling the work should be completed in house due to a tight budget. Enns stated he would support Cannon doing the study so that they could budget correctly. Mayor Peters stated she would be in favor of contracting with Cannon Associates.

MOTION: Grantham, Borchard 2nd, to approve entering into an agreement with Larry Kramer of Cannon Associates in an amount not to exceed \$10,000.00 for development of a CIP. VOTE: 4-1, Winholtz opposed.

MOTION: Foster, Fones 2nd, to approve entering into an agreement with Larry Kramer of Cannon Associates in an amount not to exceed \$10,000.00 for development of a CIP. VOTE: 5-0

MOTION CARRIES.

C. NEW BUSINESS

1. Invoice for 4th Quarter of FY 2007/2008, and 1st and 2nd Quarters of FY 2008 – 2009 – Recommend Approve
2. Audit Presentation for FY 05/06 and FY 06/07 - Recommend Approve
3. Schedule Next Joint Meeting and Agenda Items

1. Invoice for 4th Quarter of FY 2007/2008, and 1st and 2nd Quarters of FY 2008 – 2009

Susan Slayton presented the Staff Report. City has paid the expenses on the identified invoices and is requesting reimbursement. Enns commented that the item was discussed in detail at their regular meeting and they are prepared to approve the invoices.

MOTION: Enns, McHale 2nd to approve the invoices as presented. VOTE: 5-0

MOTION CARRIED.

Winholtz reviewed the JPA requirement that Quarterly Invoice Reports come through the Board. Due to the infrequency of meetings, this results in a delay in payment of two or three quarters. Inquired as to whether the District would be amenable to amending the JPA to allow the invoices to be mailed directly when prepared. Enns responded that the meeting itself is more important than the bill. The JPA states that a Quarterly Meeting will be required. Invoices are to be paid within 30 days of the meeting. The District is not interested in making a change. Schultz noted that this is not an agenda item, recommended the item return as a future agenda item.

2. Audit Presentation for FY 05/06 and FY 06/07

Susan Slayton introduced the auditor Bob Crosby of Crosby and Cindrich who was available to answer any questions.

Crosby stated the main change is that the report now conforms to all of the GASB 34 standards regarding management discussion and analysis. The financial statements are a little bit old. Management statement allows for additional comments. Auditor's report on Page 1 is a clean opinion, no disclaimers regarding deviation from GASB 34.

Winholtz asked if there was a capital improvement fund. Crosby confirmed the audit reflects only the income and expenditures for the JPA. Winholtz asked about the increase in liabilities. Crosby confirmed it is primarily an insurance allocation correction related to an allocation that the City was covering in the past (period from July 1, 2005 through June 30, 2007) recorded as a payable. Foster asked whether the District was informed regarding the new allocation. Bonnie clarified that the District shared the opinion there were errors in the insurance allocation and related to the Master Policy of the City not being consistent with the fiscal year. A breakdown was provided by the City and it appeared reasonable. Foster asked why this is coming forward now. Slayton responded there was a delay in the City's audit of almost one year as a result of a fixed asset inventory. The City audit for 2007/08 is underway, final copy of the audit anticipated by May 1, 2009.

Foster asked for an explanation of the \$248,000 cash line item. Slayton responded that the City in past years had been allocating funds based upon a budget amount rather than actual expenditures. The funds belong to the City due to the budget exceeding actual expenditures. Future transfers will be exactly what is due, the balance at the end of the year would then be a negative balance based upon monies due from the WWTP. Slayton clarified that the City would reduce contributions based upon the overage to return cash to the City's sewer fund. Foster asked for clarification that the \$248,000 figure is then incorrect. Slayton confirmed. New account will reflect a receivable/payable accounting rather than a cash account. Crosby stated the adjustment is simply a balance sheet entry to adjust the cash into a due to/due from type situation and will not change the other numbers. Foster asked whether the cash balance had been audited or confirmed. Slayton noted that in previous discussions, Bonnie had agreed that the District had paid only what is due. Further analysis was requested by the District, City agreed to prepare. Enns said that until the audit has been evaluated, the District would prefer to receive rather than approve the audit. Crosby indicated that the 2007/08 audit could be completed immediately upon completion of the City audit.

MOTION: Winholtz, Grantham 2nd to approve the audit presentation for 2005/06 and 2006/07. VOTE: 5-0

Enns requested Carmel's assistance, who clarified that if mirror motions are not made, the audit will not be approved. Schultz indicated the same motion should be made, and when it fails, it will go to super vote. Carmel disagreed and felt there is a fairly large adjustment and the District is entitled to make any motion they like. The JPA requires a mirror motion to do business. Schultz indicated that the City has accepted the audit and the motion will not come back for reconsideration. Foster felt the audit might be incorrect and based upon analysis Crosby may feel it needs to be restated. Enns indicated the District would like to accept the City's motion, do some discovery, and if appropriate the District will make a motion at their next meeting that will mirror the City's.

3. Schedule Next Joint Meeting and Agenda Items

Future Agenda Items

1. Consideration of an amendment to the JPA regarding the payment schedule.
2. Audit Presentation

Winholtz encouraged the Ad Hoc Committee to proceed with their meetings, and proposed a status report at the next meeting.

Enns commented on the performance of the Treatment Plant, and shared comments from the District's Marine Biologist, Doug Coates. The report is submitted to the Water Quality Control Board and the EPA.

“Summary stated effluent monitoring during 2008 documented a year of exceptionally high operational performance by the Treatment Plant. In 2008, key measures of treatment performance were the best recorded since the monitoring began two decades ago. More importantly the plan has consistently outperformed its historical efficiency for the past five years with each successive year outpacing the prior year. In 2008, the average solids concentration within effluent were the lowest on record, while the solids removal rate was the highest every measured.”

Enns thanked Keogh for the job he is doing.

Mayor Peters inquired about a meeting date for the next meeting, which was scheduled for June 4, 2009.

Rick Grantham welcomed Michael Foster, commenting on Nat's absence at the table and conveyed sincere thoughts and condolences to the Board and Nat's family.

ADJOURNMENT - (Next meeting will be hosted by the Cayucos Sanitary District)

The meeting was adjourned at 7:15 p.m.

Minutes recorded by: _____
Christine Rogers