

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

City of Morro Bay City Council:

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

AGENDA

MEETING DATE:

6:00 p.m., Thursday, April 8, 2010

HOSTED BY:

City of Morro Bay

MEETING PLACE:

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

CALL TO ORDER AND ROLL CALL

PUBLIC COMMENT PERIOD

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

A. CONSENT CALENDAR

1. Minutes of February 16, 2010 JPA Meeting – Recommend approve.
2. Wastewater Treatment Plant (WWTP) Operations Report through February, 2010
Recommend receive and file
3. Status Report on Design Process – Recommend receive and file
4. Status Report on the Environmental Review Process – Recommend receive and file

B. NEW BUSINESS

1. Discussion and Consideration to Contract for a Project Manager for the Upgrade Process
2. Discussion on State Revolving Fund (SRF) Loan for WWTP upgrade
3. Discussion to Determine Whether to Have a Presentation from PERC Water at a Future JPA Meeting
4. Schedule Next Joint Meeting and Agenda Items

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

Copies of staff reports and other public documentation relating to each item of business for this meeting are available for inspection at Morro Bay City Hall at 595 Harbor Street and the Cayucos Sanitary District at 200 Ash Ave. A copy of this packet is available from the City of Morro Bay for copying at Mills Copy Center and from the Cayucos Sanitary District for a copy and duplication charge. Any person having questions regarding any agenda items may contact Bruce Keogh, Wastewater Division Manager (City of Morro Bay) at 772-6261 or Bill Callahan, District Manager (Cayucos Sanitary District) at 995-3290.

Materials related to an item on this Agenda submitted to the Morro Bay/Cayucos Wastewater Treatment Plant Joint Powers Authority after distribution of the agenda packet are available for public inspection at; Public Services Office at 955 Shasta Avenue, Morro Bay, CA 93442; Morro Bay Library at 625 Harbor Street, Morro Bay, Ca 93442; Mills/ASAP Reprographics at 495 Morro Bay Boulevard, Morro Bay, CA 93442 during normal business hours.

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Carla Borchard, Councilmember
Noah Smukler, Councilmember
Betty Winholtz, Councilmember
Rick Grantham, Councilmember

MINUTES

MEETING DATE:

6:00 PM Tuesday, February 16, 2010

HOSTED BY:

Cayucos Sanitary District

MEETING PLACE:

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

CALL TO ORDER AND ROLL CALL: President Enns called the meeting to order at 6:10PM and asked staff member, Margaret Nesby to take roll.

Morro Bay City Council Mayor Janice Peters, Council members Carla Borchard, Noah Smukler and Rick Grantham were present for roll call; Betty Winholz arrived at 6:15PM.

Cayucos Sanitary District Board members President Robert Enns, Vice President Bud McHale, Directors Hal Fones, Shirley Lyon and Michael Foster were all present.

PUBLIC COMMENT PERIOD

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

President Enns opened public comment. There were no Public Comments.

President Enns closed public comments.

A. CONSENT CALENDAR

1. Minutes of November 5, 2009 JPA Meeting – Recommend approve.
2. Wastewater Treatment Plant (WWTP) Operations Report through December, 2009
Recommend receive and file
3. Financial Status Report as of December 31, 2009 – Recommend receive and file

President Enns asked for a motion to approve the consent calendar.

VOTE: Cayucos Sanitary District: *Bud McHale made a motion to approve the Consent Calendar; Hal Fones seconded and the motion passed unanimously.*

VOTE: City of Morro Bay: *Noah Smukler made a motion to approve the Consent Calendar; Carla Borchard seconded and the motion passed unanimously.*

B. OLD BUSINESS

1. Status of Analysis of Statement of Net Assets for FY 05/06 and FY 06/07 Relating to “Cash and Cash Equivalents” (Verbal report – Auditor)

Bob Cosby, CPA, provided background information for the requested analysis of the Statement of Net Assets for Fiscal Year 2005-2007 relating to the “Cash and Cash equivalents” line. With the cooperation of Morro Bay and Cayucos, Mr. Cosby did a complete reconciliation of the unrestricted net assets going back to 1993-1994, the last years of allocation to the two agencies. Taking the Average Flow based on quarterly reports for the year, applied that to the net income for each year, tying those figures to the 1993 totals, bringing that method forward to the present. Starting with the year 2008 the CPA is now allocating the unrestricted net assets out to the two agencies plus, not showing any cash in the District, allocating that back to Morro Bay in their “due to due from” account. A spreadsheet has been prepared to keep track of the Morro Bay “due to due from” account.

Betty Winholz commented on her appreciation for getting the agencies caught up with clear reporting. President Enns asked for a motion to accept the recommendation to distribute the net income funds in the amount of \$57,479 for the District and \$53,191 to the City.

VOTE: Cayucos Sanitary District: *Michael Foster made a motion to accept the decision as proposed; Shirley Lyon seconded and the motion passed unanimously.*

Mayor Janice Peters asked for a motion for the approval of a one time distribution of the net income funds in the amount of \$57,479 to the District and \$53,191 to the City.

VOTE: City of Morro Bay: *Betty Winholz made a motion to accept the proposed decision; Rick Grantham seconded and the motion passed unanimously.*

2. Presentation of WWTP Audit Reports FY 05/06; FY 06/07; FY 07/08

President Enns asked for a motion to accept the FY05/06; FY 06/07 and FY 07/08 Wastewater Treatment Plant audit reports. Mayor Janice Peters commented that the City of Morro Bay previously accepted the FY 05/06; 06/07 Audits and will be voting only on the FY 07/08. In response President Enns asked Cayucos for a motion to accept the WWTP FY 05/06; FY 06/07 Audits.

VOTE: Cayucos Sanitary District: *Bud McHale moved to accept the FY 05/06; FY 06/07 WWTP Audits; Hal Fones seconded and the motion passed unanimously.*

President Enns asked for separate motion to approve FY 07/08 WWTP Audit.

VOTE: City of Morro Bay: *Carla Borchard made a motion to accept the FY 07/08 WWTP Audit; Betty Winholtz seconded and the motion passed unanimously.*

VOTE: Cayucos Sanitary District: *Bud McHale made a motion to accept the FY 07/08 WWTP Audit; Hal Fones seconded and the motion passed unanimously.*

C. NEW BUSINESS

1. Consideration to Award Contract for Engineering Design Services to Montgomery, Watson, and Harza (MWH) Engineers for the Upgrade of the Morro Bay-Cayucos Wastewater Treatment Plant

Bruce Keogh, Wastewater Division Manager, in addition to his written report, provided a brief introduction to the consideration for Engineering Design Services for the WWTP upgrade and the process arrived at requesting the contract awarding to Montgomery, Watson and Marza (MWH). A Request for Proposal for engineering was distributed October 1, 2009, there were 5 sealed responses by November 5: MWH; Carollo Engineers; Brown & Caldwell; CDM and Hydroscience. The proposals were distributed to a seven person review committee including staff from the District and City, the District Engineer and Dennis Delzeit, former Public Works Director for City of Pismo Beach. Evaluation was based on written criteria in the RFP.

C. New Business (Continued)

The three best were chosen for interviews. After interviews and written criteria MWH was determined to have the best overall combination of factors for the project. Negotiation was continued with MWH and the basis for the contract, the “Level of Effort” spreadsheet and hourly rate schedule included in the staff report.

A lengthy discussion continued with thoughtful questions from the City and District regarding the MWH proposal, scope of work, time schedule, MWH responsibilities and contingency, answered by Bruce Keogh, Dylan Wade, Capital Projects Manager, Rob Schultz, City Attorney and Bruce Ambo, Public Services Director. Hal Fones commented on his satisfaction previously working with MWH.

President Enns opened public comment:

Piper Reilly, a Los Osos resident, quoted a tag line from a Surfrider “Know your H2O” educational campaign “Clean Water costs money, Dirty Water costs more” advocating “reliable’ low pressure sewage systems as opposed to “problematic” conventional gravity sewage systems, expressing a dissatisfaction of MWH as a choice.

Al Barrow, a Los Osos resident and Coalition for Low Income Housing with 11 years experience covering wastewater treatment documents, cited issues of leaky sewer systems, expense, ground water quality, reuse, discussed Orange County sewage treatments, expressing that MWH approach as piecemeal, not holistic enough and not addressing all the challenges.

Marla Jo Bruton, Morro Bay resident, requested visual aides at meetings, expressed dissatisfaction with MWH choice.

Fred Collins, Tribal Administrator for the Northern Chumash Tribal Council representing the Chumash people of SLO County, expressed that land is precious to the Chumash so environmental concerns are important, the outcome is important. After engaging in meaningful consultation and working closely with Bruce Ambo and Rob Shultz the Chumash people are confident with the process, believe the project is a good one and have faith Morro Bay and Cayucos will do the right thing. Monitoring will continue to insure the cultural resources and environment are protected.

President Enns opened comments for the District and Morro Bay

A lengthy discussion continued with comments, concerns and questions in response to public comments and concerns answered by Dylan Wade and Bruce Keogh.

President Enns thanked everyone for their comments and special thanks to Bruce Keogh for his thorough explanation.

President Enns asked for a motion from Cayucos to approve a contract with Montgomery, Watson and Harza (MWH) Engineers for a not to exceed value of 2.7 million and to budget an additional 10% as a budget item only.

VOTE: Cayucos Sanitary District: *Hal Fones made a motion to approve the contract with Montgomery, Watson and Harza (MWH) Engineers not to exceed 2.7 million and to budget an additional 10% as a budget item only; Bud McHale seconded and the motion passed unanimously.*

VOTE: City of Morro Bay: *Rick Grantham made a motion to approve the contract with Montgomery, Watson and Harza (MWH) Engineers not to exceed 2.7 million with a separate 10% for contingency only; Carla Borchard seconded and the motion passed with Betty Winholz and Noah Smukler opposing.*

A discussion continued with suggestions to set limits to the 10% contingency of the contract.

Tim Carmel, District legal counsel, asked for a motion to allow staff to make minor modifications to the MWH contract.

President Enns asked for a vote.

VOTE: City of Morro Bay: *Carla Borchard made a motion to allow staff, with approval of City and District attorneys, to make minor modifications to the MWH contract; Rick Grantham seconded and the motion passed with Noah Smukler and Betty Winholz opposing.*

VOTE: Cayucos Sanitary District: *Bud McHale made a motion to allow staff, with approval of City and District attorneys, to make minor modifications to the MWH contract; Shirley Lyon seconded and the motion passed unanimously.*

A decision was made to set a limit for staff of \$50,000 of the 10% contingency allowance. Anything over that must have board notification and approval.

VOTE: City of Morro Bay: *Mayor Janice Peters moved to approve, if any of the 10% contingency items are over \$50,000, staff needs to come back to the board and council for approval; Noah Smukler seconded and the motion passed unanimously.*

VOTE: Cayucos Sanitary District: *Bud McHale made a motion to approve, if any of the 10% contingency items are over \$50,000, staff needs to come back to the board and council for approval; Hal Fones seconded and the motion passed unanimously.*

1. Schedule Next Joint Meeting and Agenda Items

Bruce Keogh requested establishing monthly meetings in an attempt to keep all members informed of progress. After a short discussion of available times President Enns asked for a motion to approve having monthly meetings the second Thursday of each month at 6:00PM

VOTE: City of Morro Bay: *Mayor Janice Peters made a motion to approve monthly meetings on the second Thursday of every month; Noah Smukler approved and the motion passed unanimously.*

VOTE: Cayucos Sanitary District: *Shirley Lyon made a motion to approve monthly meetings on the second Thursday of every month; Mike Foster seconded and the motion passed unanimously.*

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

President Enns adjourned the meeting at 7:48PM

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Agenda No. _____

Date: March 31, 2010

STAFF REPORT

**MORRO BAY-CAYUCOS J.P.A.
WASTEWATER TREATMENT PLANT**

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

from: Bruce Keogh, Wastewater Division Manager

date: March 31, 2010

subject: WWTP Operations Report through February, 2010

recommendation:

This Department recommends this report be received and filed.

fiscal impact:

None

summary:

Attached, find copies of the Morro Bay-Cayucos Wastewater Treatment Plant monthly reports, for January 2010 and February 2010 and the WWTP flow summary, through February 2010. This information updates the item, from the February 16, 2010 meeting.

STAFF REPORT

MORRO BAY-CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

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

From: Bruce Keogh, Wastewater Division Manager

Date: April 8, 2010

Subject:
Status Report on the Design Process for the WWTP Upgrade Process

Recommendation:
This Department recommends that this report be received and filed.

Fiscal Impact:
None

Summary:
This staff report is intended to provide an update on the design process for the WWTP upgrade process.

Discussion:
The Council and District awarded a contract to MWH for Engineering Design Services for the WWTP upgrade project at their February 16, 2010 meeting. Staff worked with MWH to execute the contract and a Notice to Proceed was issued on March 12, 2010.

City and District staff met with MWH staff for a kick-off meeting to discuss the forthcoming activities during the Project Report Phase of upgrade project. The result of that meeting was that both MWH and City and District staff agreed on a short term work plan designed to generate the required information and data so that MWH and their project team could begin the numerous tasks required to provide a project description to the environmental consultants, Environmental Scientific Associates. It also allows MWH to proceed on other required tasks such as updating the Facility Master Plan, the Geotechnical Study, etc. Staff will be spending a significant amount of time in the coming weeks collecting and preparing data to be used in the design process. In some cases additional data will need to be collected.

Background:
The Request for Proposal (RFP) for Engineering Design Services for the treatment plant upgrade project was public noticed on October 1, 2009. Sealed proposals were opened on November 5, 2009.

The proposals were distributed to a seven member review committee for review and evaluation. The proposals were reviewed, evaluated, and ranked based on the written proposal criteria contained in the Special Terms and Conditions of the RFP. The established ranking criteria was also contained in the Special Terms and Conditions and outlined the Evaluation and Selection Process, these results were combined with the results of reference and background checks in selecting the top firm. The evaluation criteria contained in the RFP included proposed project organization, capabilities and specialized experience, proposed technical approach, proposed management approach, project schedule and budget, and responsiveness to the RFP. Interviews were held with the top three firms and staff conducted follow-up conversations with the top firm to clarify issues or concerns related to their prospective proposal.

The review committee found that the proposal submitted by MWH represented the best overall combination of factors and value for this project. Following evaluation of the proposals, staff and the consultant discussed and refined the scope of work, and negotiated a contract. The contract with MWH has a not to exceed value of \$2.7M, and the Council and District Board also approved a ten percent contingency (\$.27M) for potential design changes that may be necessary throughout the process.

The contract award was based on professional qualifications and not the low bid, per the California Government Code (CGC). Chapter 10 of the CGC, Sections 4526-4529, which mandates local agencies throughout California to select applicable professional consultant services on the basis of demonstrated competence and professional qualifications.

Conclusion:

City and District staff will continue to work with staff from MWH and the City and District on the design process. Staff will continue to update the City Council and District Board on the design process as information becomes available.

STAFF REPORT

MORRO BAY-CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

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

From: Bruce Keogh, Wastewater Division Manager

Date: March 31, 2010

Subject:

Status Report on the Environmental Review and Permitting Process

Recommendation:

This Department recommends that this report be received and filed.

Fiscal Impact:

None

Summary:

This staff report is intended to provide an update on the environmental review and permitting process for the wastewater treatment plant upgrade.

Discussion:

At this time the environmental consultant, Environmental Science Associates (ESA), is waiting for a modified project description from the design engineers MWH. The modified project description includes construction of a new treatment plant next to the existing plant and the demolition of the existing plant after the new treatment plant is constructed and brought on-line. Following receipt of the revised project description, ESA will finish preparation of the Draft EIR for public review and comment.

The Draft EIR will be circulated to local, state and federal agencies, and to interested agencies and individuals who wish to comment on the Draft EIR. Publication of the Draft EIR will mark the beginning of a forty five day public review period, with written comments directed to City staff at the Public Services office. During the forty five day review period, the City and District will hold one public informational workshop and one public hearing on the Draft EIR.

Background:

At the September 8, 2009 JPA meeting, the City Council and the Cayucos Sanitary District Board voted to approve moving the new treatment plant site to the area adjacent to the existing treatment plant. They also voted to reaffirm that

an oxidation ditch with filtration is the preferred treatment technology for a tertiary discharge to the ocean.

On October 13, 2009 the City of Morro Bay released a Revised Notice of Preparation (NOP) for the WWTP upgrade project. The Revised NOP includes a modified project description that reflects construction of a new treatment plant next to the existing plant and the demolition of the existing plant after the new treatment plant is constructed and brought on-line. The comment period for the Revised NOP closed on November 11, 2009. The City will consider comments submitted in response to both NOP's when preparing the Environmental Impact Report.

Conclusion:

Staff will continue to work with staff from ESA and the City and District on the environmental review and permitting process. Staff will continue to update the City Council and District Board on the environmental review and permitting process as information becomes available.

STAFF REPORT

MORRO BAY-CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

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

From: Bruce Keogh, Wastewater Division Manager

Date: April 1, 2010

Subject:

Discussion and Consideration to Contract for a Project Manager for the WWTP Upgrade Project

Recommendation:

This Department recommends that following discussion and consideration of this item that the City Council and District Board direct staff to prepare an RFP for project management of the upgrade project and bring the RFP back for consideration at the next JPA meeting

Fiscal Impact:

The costs of the project manager will be an additional project expense. However, this cost will offset staffing efforts that would have to be increased to perform project management duties required to keep these critical tasks moving forward. Total costs for project management during the design phase will range between \$150,000 to over \$250,000 varying with the exact scope of work and staff availability.

Summary:

The wastewater treatment plant upgrade is progressing on many fronts. Staff is recommending that a Project Manager (PM) be hired to coordinate the project. There are a number of key tasks that will require the type of coordinated effort that a dedicated PM can facilitate including the SRF loan process, the environmental review and permitting process, and the design process. Working with staff, the PM would ensure that all these key tasks are completed in a timely fashion and that each task is coordinated with the others as required.

Project management was a topic of discussion at the March 26, 2010 JPA Technical Advisory Committee (TAC). Following discussion of this item the TAC recommended beginning the Request for Proposal (RFP) process required to contract for a PM.

Background and Discussion:

Project Management to Date

To date the WWTP upgrade project has been managed through the combined efforts by staff of both the City and the District. Staff found it necessary in preparing the design RFP to rely on the efforts of a consultant. With the design RFP process complete, the project has begun progressing simultaneously on the numerous major tasks outlined in the 8-Year Time Schedule. Project management efforts will have to ramp up significantly in order to complete the project by March 2014. With the project management efforts ramping up, it is likely the project will exceed the ability of staff to manage the project while carrying all of their pre-project responsibilities and duties. There are several potential solutions to this dilemma:

Project Management Options

1. Continue managing the project using existing staff resources. This type of project management approach will cause competition between the upgrade project and staff's other duties. This type of work load competition will ultimately detract from staff's ability to meet the projects goals and tight milestones. To offset this risk to the project, staff would have to reallocate their work load or neglect other important duties and responsibilities. Because this is the single largest project in either the City or the District's history, for most of the staff employed by these agencies this is their first opportunity to participate in a capital project of this magnitude.
2. The one being recommended by staff, is to hire a third party PM. This PM would be selected through a process similar to the RFP process used to select the design consultant. The role of project manager could be performed by either an individual consultant or a consulting firm. By bringing on a person or firm that has experience in the management of large capital projects, staff believes that this gives the upgrade project the best opportunity to be successfully completed by March 2014. This party would be a neutral third party that both the District and the City could look to protect their individual and collective interests through the upgrade process. The TAC supported this option at their March 26, 2010 meeting.
3. Increase the scope of work of the existing design and environmental consultants to include many of the project management tasks. This approach could be coupled with either continuing to use existing staff resources to manage the project or with an outside third party project manager. Staff is not recommending this approach even though it is very common on large capital projects and programs to have the consultants manage and coordinate their own work.

Roles and Authority of the PM

As noted earlier, staff is recommending that a PM be hired to coordinate the upgrade project. The three tasks outlined in the 8-Year Time Schedule that must be completed prior to beginning construction are: the design process, the environmental review and permitting process, and the SRF Loan process (project financing). All three of these tasks are now underway. Contracts have now been awarded for both the environmental review process and the design process. Each of these tasks are large and complicated endeavors requiring a great deal of effort and energy to coordinate. These are key tasks that will require the type of coordinated effort that a dedicated PM can facilitate. All of these tasks are interrelated in that finished work product from one task or sub-task is required for the successful completion of another task. A good example of this interdependence is that the City and District cannot submit a formal application to the State Revolving Loan (SRF) fund until the CEQA process has been completed. Working with staff, the PM would ensure that all these key tasks are completed in a timely fashion and that each task is coordinated with the others as required. City and District staff will have regular coordination meetings with the PM to ensure consistency with the direction and policy of the JPA. The PM would also work with staff and the consultants to track and update the project schedule and will focus project resources on each task as needed.

Even with a PM on-board, staff will still play a key and integral part in all the tasks required to complete the upgrade. Staff will be providing key information and guidance as the project progresses, and will be involved in the major decision making process throughout the project. An example of a sample organization chart is attached, it shows both the project managers relationship with the City and District as well as the PM's relationship with the various consultants working on the project. The PM would assist staff in keeping the Council, District Board, staff, and the public apprised of the project status.

Staff will continue to maintain control and oversight over the project finances, coordinating these responsibilities with the PM. For instance, the payment of project related invoices will be reviewed by the PM and then the agency staff's. This is similar to the process used to date, where invoices relating to the upgrade project have been approved for payment by the Wastewater Division Manager. Where required, the Wastewater Division Manager has consulted with the appropriate staff to ensure the invoice represents the actual work accomplished or contracted for. This practice would continue with a PM, with the PM

ensuring that the invoices reflect the work accomplished to date prior to submitting to the Wastewater Division Manager for coding and processing of the invoice.

Duration of PM Services

Once the design and permitting phases of the project are nearing completion a Construction Management Firm will need to be brought on board. This party may be able to completely replace the function being performed by the PM. Staff recommends that the RFP for project management be tailored to run concurrent with the design process and that at the appropriate time an RFP be prepared for the purpose of hiring a Construction Management team. Following design, the Council and District Board can decide whether to continue with a PM during the construction phase. The TAC supported this concept at their March 26, 2010 meeting.

RFP Process

An RFP process would be followed for hiring the PM. The process will be very similar to the RFP process used to hire the Engineering firms for both the Design Services, as well as development of the Facilities Master Plan. An RFP will be developed that contains a detailed scope of services outlining the roles and responsibilities of the PM. Included in the RFP will be the established ranking criteria and allotted points system based on those criteria for use in analyzing the responses to the RFP. Following receipt of the proposals, a review panel consisting of staff from the City and the District will review, evaluate, and rank the proposals based on the criteria contained in the RFP. The review panel will recommend that the top ranked firms be invited to interview with the review panel. The review panel will then use the interview process to further determine which proposal provides the best value and quality for the scope of work outlined in the RFP. Staff will then bring a recommendation for an award of contract at a JPA meeting.

By utilizing the RFP process as outlined above, it ensures that the City and District will be consistent with California State law for professional service contracts. State law states that professional service contracts are to be based on a qualifications based selection. "Notwithstanding any other provision of law, selection by a state or local agency head for professional services of private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms shall be on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required." (California Government Code Section 4526).

Conclusion:

This Department recommends that following discussion and consideration of this item that the City Council and District Board direct staff to prepare an RFP for project management of the upgrade project and bring the RFP back for consideration at the next JPA meeting

Agenda No. _____

Date: April 8, 2010

STAFF REPORT

MORRO BAY/CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

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

From: Susan Slayton, Administrative Services Director

Date: March 29, 2010

Subject: Discussion on State Revolving Fund (SRF) Loan for WWTP Upgrade

Action needed:

The Council and Board are asked to direct staff to pursue one of the below options:

- Option #1. Single loan with a legal financial agreement – City/CSD will draft and enter into a legal financial agreement identifying each entity’s portion of the debt obligation; City staff, with assistance from the CSD, will move forward with the credit review and loan application; or
- Option #2. Two-loans with the SRF – City and CSD staff will pursue this issue further with the State Waterboard’s decision-makers in a face-to-face meeting, and return to the next JPA meeting with the results/recommendations.

Summary:

The City Council and the Board of Directors are asked to decide on whether the City will be the signatory on the SRF loan with a legal financial agreement with the CSD for its portion of the debt obligation. If this is not agreed on, City Council and the Board of Directors need to provide direction to staff to continue to pursue two separate loans.

Discussion:

Staff has investigated financing options for the Wastewater Treatment Plant Upgrade, and has decided that the State Revolving Fund (SRF) is the least expensive option. Staff has worked with three SRF project managers, and was told by Project Manager #1, Kathy Bare, that the State’s legal counsel had determined that the SRF could legally enter into two separate funding agreements for one project; however, it would not release either agency from the burden of the entire project cost. If one agency were to default on the SRF agreement, the other agency would be required to carry the defaulting agency's debt.

Since receiving this information, the SRF project manager has changed to Meghan Brown (#3). According to Meghan, the only way that the SRF would enter into a two-loan agreement for a single project is if the JPA was a Joint Powers Authority. Since we have a Joint Powers Agreement, she says that the City would need to be the legal entity that would apply directly for the SRF Loan. The City and the Cayucos Sanitary District would then enter into a separate legal agreement for the CSD's portion of the obligation on the project.

In order for staff to continue moving forward, a decision must be made to:

- Option #1. Move forward with the "single loan/legal financial agreement" scenario. The City and CSD will draft a legal financial agreement that identifies each entity's portion of the debt obligation. City staff, with assistance from CSD staff, will move forward with the credit review and loan application; or
- Option #2. Instruct staff to pursue the "two-loan" issue with the State Waterboard's legal department.

If Option #2 is selected, City and CSD staff will arrange for a face-to-face meeting with the decision-makers at the State Waterboard. If the information we have received from Meghan Brown is correct, staff will bring an agenda item to the next meeting, advising the Council and Board. This option will delay the process further, as staff is unable to begin the credit review and loan application without resolution.

City staff has contacted two other financing sources: 1) California Infrastructure Bank; and 2) Fitzgerald Public Finance (Certificates of Participation). Both stated that the most likely method for funding this project would be with one applicant, and that the City, as the larger agency, would be their choice as applicant.