

**JOINT MEETING
CITY OF MORRO BAY AND CAYUCOS SANITARY DISTRICT
WASTEWATER TREATMENT PLANT
(UNDER JOINT POWERS AGREEMENT)**

MINUTES

**CAYUCOS SANITARY DISTRICT
BOARD OF DIRECTORS:**

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

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

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

MEETING DATE:

6:00 p.m., Thursday, September 09, 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

Mayor Peters called the meeting to order at 6:08 p.m. and asked that the record show all Council members are present. President Enns stated Hal Fones is absent and all other members of the Cayucos Board are present.

Morro Bay Staff members present were Bruce Keogh, Rob Livick, Andrea Lueker, Rob Schultz, Dylan Wade and Cindy Jacinth. Also present was JPA WWTP Project Manager Dennis Delzeit

Cayucos Staff members present were Bill Callahan, Jon Hanlon, and District Counsel Tim Carmel.

PUBLIC COMMENT PERIOD

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

Mayor Peters opened the Public Comment period.

- Bill Wells passed out a handout and spoke about the water use of the proposed plant and the RWQCB permit and questioned the lack of infrastructure available for water reclamation and why water is being cleaned to put it in the ocean.
- Bill Martony spoke about the reuse of the water. He said farmers are willing to pay for the water and a delivery system is available with several ways to get water to farmers. Farmers have superior water use rights to the City of Morro Bay and are on the edge of overdrafting the aquifer.
- John Barta, resident of Morro Bay, agreed everyone wants clean water but stated there are other considerations. He encouraged the Board to do a deep financial analysis of the contract.

- Bill Yates, resident of Morro Bay, said majority rules, but yet a minority of town has decided they don't want it. He said the citizens of Morro Bay voted for state water and if the City is reclaiming water, they still get state water delivery whether they reclaim or not.
- Ann Reeves, resident of Morro Bay, observed that the taxpayers of Morro Bay have asked for other solutions and the Board is not willing to listen.
- Joey Raccano, claimed corruption by MWH on other projects and that a Morro Bay staff person has a conflict of interest and need to find a project that is a better solution.
- Judy Newman, resident of Morro Bay, is appalled that the project is considered as a sole source contract. She asked for a full and open discussion with each of the contracts.
- Bob Stahler, farmer on Highway 41, asked what the incremental costs for agriculture would be if water is reclaimed as this would be an availability of fresh water.
- David Nelson, resident of Morro Bay, agreed with Mr. Bob Stahler. He spoke in favor of the PERC Company and purple lines and wants to be shown why trench design is better than PERC.
- Matt Hudgens, business owner of Morro Bay and resident of Cayucos, spoke on behalf of Surfrider Foundation. He said the project should be sustainable, affordable, use green technologies, minimize environmental impact, reduce bio-solids, and reduce energy consumption.
- Grant Crowl stated this situation is not apples to apples. One project has a guaranteed price while the other does not. He encouraged people to check their facts and encouraged the Board to watch the movie Blue Gold which discusses water balance.
- Chuck Cesena, resident of Los Osos and member of the Los Osos CSD Board, spoke of his experience with the Los Osos project and the importance of project financing. He said relationships are important and stressed the need to be wary.
- Steve Owen of PERC Water Company, gave an update to state they are still working and will have a CDR ready soon. Also, PERC would bring 100% of the financing to the table, so there would be no need for bonds. He noted that the property is a tough site.

Hearing no further comment, Mayor Peters closed the public comment period.

Mayor Peters clarified this is not a new project; there are two parallel tracks underway with other options being considered.

Councilmember Smukler announced to the public upcoming tours at the Pismo plant on September 19th from 1-3pm and on Sep. 26th from 1-3pm at the Santa Paula plant. Those interested in carpooling should contact him at 772-7668.

A. CONSENT CALENDAR

- 1 Minutes of July 8, 2010 JPA Meeting – Recommend approve.
- 2 Minutes of July 15, 2010 JPA Meeting – Recommend approve.
- 3 Wastewater Treatment Plant (WWTP) Operations Report through July, 2010 – Recommend receive and file
- 4 Status Report on the Proposal from PERC Water – Recommend receive and file.

Mayor Peters pulled Item A-4 from the Consent Calendar and Winholtz pulled Items A-2 and A-3.

MORRO BAY MOTION: Winholtz made a motion to approve Consent Calendar Item A-1. Borchard seconded and the motion passed unanimously (5-0).

CAYUCOS MOTION: McHale made a motion to approve Consent Calendar Item A-1. Foster seconded and the motion passed unanimously (4-0).

A-2. Minutes of July 15, 2010 JPA Meeting – Recommend approve.

Winholtz noted spelling errors on page 2 of the July 15, 2010 JPA Meeting minutes. Mr. Dennis Delzeit's last name should be corrected with the correct spelling of Delzeit throughout the document and also there is one spelling error of her name which is spelled Winholtz.

MORRO BAY MOTION: Winholtz made a motion to approve Item A-2. Borchard seconded the motion passed unanimously (5-0).

CAYUCOS MOTION: McHale made a motion to approve Item A-2. Lyon seconded and the motion passed unanimously (4-0).

A3. WWTP Operations Report through July, 2010– Recommend receive and file.

Winholtz asked Keogh to clarify when we will see the results of the cone penetration testing. Keogh responded that it is part of the geotechnical investigation and is expected mid-October.

Winholtz also asked if as part of the collection system upgrades, if that will resolve the peak flow results. Keogh responded that in terms of building a bigger plant, daily and monthly design flows did not change, but the peak hour flow is what changed in the analysis.

Keogh noted that infiltration in the winter months is problematic for older sewer systems. The planned repairs will hope to maintain the system and prevent it from getting worse.

Smukler thanked Keogh for the composting operation and the work that has been done for making compost available to the community.

Keogh stated the composting program will be discontinued due to space limitations and lack of treatment technologies at the new plant. The last 500 yards of compost will be available over the next 4 to 5 months.

Keogh also announced the Integrated Waste Management Authority has funded a free pharmaceutical take-back program. Pharmaceutical take back boxes will be available at all of the police stations in the county and sheriff substations. Starting September 25th, unused medications can be dropped off outside the Morro Bay Police Department for incineration and safe disposal.

MORRO BAY MOTION: Winholtz made a motion to approve Consent Calendar Item A3. Borchard seconded and the motion passed unanimously (5-0).

CAYUCOS MOTION: McHale made a motion to approve Consent Calendar Item A3. Lyon seconded and the motion passed unanimously (4-0).

A-4. Status Report on the Proposal from PERC Water – Recommend receive and file

Peters asked staff to provide an update.

Keogh responded that PERC is expected to deliver a CDR by September 23. At that time, the scope of work with Kitchell will be finalized.

Smukler asked if the CDR will be timed to coincide with MWH's presentation. Keogh stated it could come back to the board in October with the evaluation separately in November.

Winholtz requested it be agendized to come before the board.

City Manager Andrea Lueker clarified the requirement is for Kitchell to have 60 days which would not allow enough time to come to the Board before November.

Foster expressed concern regarding the financial analysis of the two plans and the need to have someone with a financial background evaluate the plans.

Livick clarified Kitchell is also qualified to do a cost analysis, both construction and life cycle costs. However, upon direction of the Board, staff can consider other firms.

Enns asked Keogh about Kitchell's scope of work. Keogh said Kitchell is still refining their scope of work. Dylan Wade added the scope will include a Net Present Value financial analysis.

Foster spoke in favor of forming a financial subcommittee in order to do the proper financial analysis. McHale spoke against forming a subcommittee but rather assign this task to the Technical Advisory Committee.

MORRO BAY MOTION: Peters made a motion to approve Consent Calendar Item A4. Grantham seconded and the motion passed unanimously (5-0).

CAYUCOS MOTION: McHale made a motion to approve Consent Calendar Item A4. Lyon seconded and the motion passed unanimously (4-0).

B. OLD BUSINESS

1 Status Report on Upgrade Project as of August 27, 2010– Recommend receive and provide direction to staff

Dennis Delzeit gave a status report discussing the milestone schedule and the State Water Revolving Loan Fund status.

Foster asked Delzeit to clarify the type of contract for MWH. Delzeit said the contract is a “not to exceed contract” of \$2.7 million, not a fixed dollar amount, so the contract could be less.

Board members discussed with Delzeit the nature of “not-to-exceed” type contracts and the procedure for contract amendments and the extent of staff's ability to make contract changes or when approval is needed by the board. Delzeit clarified that staff can make changes of up to \$50,000 per item and agreed with the concern for clear communication.

Board members discussed time schedule and various tasks along with how fines are assessed. Enns asked for future reports to include percent amount billed and percent project complete.

Peters called for a short break and the meeting resumed at 7:58p.m.

C. NEW BUSINESS

1 Report from TAC Members on the August 19, TAC meeting – Recommend receive and file
Grantham gave a report summarizing discussion at the last TAC meeting.

Enns asked Carmel to clarify the voting procedure for the TAC meetings pertaining to minutes. Carmel clarified the meetings are informal with no formalized procedure for voting. Enns also asked if public comment is appropriate for the TAC. Carmel responded that the procedure is open and public comment can be received either at the beginning or during each item.

Board members discussed with Carmel the responsibilities and role of the TAC members and to agendize this topic for the next TAC meeting.

2 Discussion and Confirmation of the Role of the WWTP Project Manager - Recommend receive and provide direction to staff

Keogh gave a staff report requesting clarification regarding the project manager's role in the upcoming analysis of the proposal by PERC Water and the scope and review of the MWH and PERC analysis by Kitchell. Lueker presented additional information clarifying that Dennis Delzeit as the Project Manager could provide beneficial information to the City.

Board members discussed:

- The value of having Delzeit as the Project Manager who can provide correct information to the community in order to provide greater transparency and improve public relations.
- The appropriateness of having Delzeit assist with the analysis and whether that constitutes a conflict of interest or whether Kitchell can provide a third party neutral analysis. In addition, whether Delzeit as the project manager should be involved in every aspect of the upgrade project.
- The cost of making adjustments to Delzeit's contract to include this review and analysis. Delzeit said approximately \$5,000 which is included in the \$250,000 contract.

Delzeit clarified with his experience he can contribute by thoroughly analyzing both options. He said part of his responsibility is to answer questions from the public.

CAYUCOS MOTION: McHale moved that the role of the Project Manager include assistance with the analysis of the PERC CDR. Lyon seconded the motion and the motion passed unanimously (4-0).

MORRO BAY MOTION: Grantham moved that Dennis Delzeit participate in the scope of work and review of the MWH PERC analysis by Kitchell. Borchard seconded the motion.

Motion passes 3-2. Winholtz and Smukler opposed.

MORRO BAY MOTION: Grantham moved that Dennis Delzeit be the responsible party to disseminate public relations information. Borchard seconded the motion.

Smukler asked to clarify with this amendment to the contract, does the \$5,000 estimate include both of these additions. Delzeit said the \$5,000 will cover both.

Motion passes unanimously (5-0).

CAYUCOS MOTION: McHale made the same motion as Morro Bay. Lyon seconded the motion. No vote taken.

Foster asked to clarify definition of time and materials not to exceed contract. Wade clarified it is a common contract approach. The contract is a hybrid of both time and materials and not to exceed.

3 Consideration and Discussion of Conceptual Site Plan for the WWTP Upgrade Project - Recommend receive and provide direction to staff

Delzeit presented a report and turned it over to Steve Hyland of MWH for presentation. Hyland presented conceptual site plans A & B for the upgrade project with considerations including visitor focus, the moving the household hazardous waste facility, plant deliveries and hauling, and Atascadero Road traffic. Hyland noted the Site Plan B involves moving the road and household hazardous waste facility which would enable a more compact site footprint.

Livick clarified for Board members it is necessary to have a site plan in the EIR so the site plan can evaluate those impacts.

Board members discussed the:

- Impacts of the road change to the yard and concrete company. Winholtz asked how this plan will affect

the Corporate Yard and the concrete company. Wade clarified there will be no impacts to the concrete company but it would significantly affect the Corporate Yard.

- Concerns about inherent volatility of the site for natural disasters.
- Hazardous material storage relocation. Livick clarified the IWMA trailer is flood-proof and they are working with the IWMA to minimize the cost of hazardous waste storage relocation.
- Changing the road orientation on the entry road
- Different amounts of engineered fill required for each site plan in order to build above the 100 year flood level. Hyland noted the design is preliminary and will continue to be refined, but this concept process allows the EIR to go forward.

Enns said at the August TAC meeting, the committee members agreed that they liked site plan B better and site zoning was also discussed. Livick clarified that the zoning of existing site is M1 which allows for light industrial type uses with an overlay that would allow trailer storage. It is tough to permit the building of any permanent structures in the flood plain.

Board members continued to discuss whether the road could be moved over to the jointly held property. Hyland said it is difficult at this time to pin down the best and exact location of where the road should be.

MORRO BAY MOTION: Borchard made a motion to approve Plan B alternative for the EIR. Grantham seconded the motion.

Enns asked Borchard if the motion includes moving the exit road from the Corporate Yard to the other side and in consideration to move that other entry road to the south side of the current administration building.

Borchard agreed and amended the motion to include making the changes to move the road. Grantham seconded the amended motion.

Motion passed 4-1. Smukler opposed.

CAYUCOS MOTION: McHale made a same motion as Morro Bay with amendments.. Lyon seconded the motion. Motion passed unanimously (4-0).

4 Consideration and Discussion of Architectural Treatment for the WWTP Upgrade Project - Recommend receive and provide direction to staff

Delzeit presented the Project Manager's report.

Hyland summarized the architectural report presented at the 8/19/10 Technical Advisory Committee (TAC) meeting and introduced Pat Blote, Architect from RRM Design. Blote presented the preliminary architectural concepts that were presented at that August TAC.

Blote suggested the more industrial building forms and showed 3D images of various architectural styles, emphasizing these design are still preliminary.

Board members asked if proposing a two story in the EIR limits the JPA to only designing a two story. Livick clarified that a one story would have less impact in an EIR, so it would be better to put in a two story design now and change it to a 1 story later.

Board members continued lengthy discussion with the architect regarding:

- The merits of a one story design versus a two story design, including the cost of an elevator system in a two story design.
- Landscaping features and trees to be included or not.
- Proposed "green" design features.

- Appearance of building and impression for visitors to the plant.
- The need for public input.

MORRO BAY MOTION: Winholtz made a motion that the design blend in with the beach and to be a one story. Motion failed for lack of a second.

MORRO BAY MOTION: Peters moved to approve the general concept, we would like to see a one story option and if that is more is feasible to go that direction and to make it blend in with the beach look. Grantham seconded the motion. Motion passed unanimously (5-0)

CAYUCOS MOTION: McHale made a motion to approve the same motion as Morro Bay. Lyon seconded the motion. Motion passed 3-1. Foster opposed.

5 Presentation of Preliminary Project Cost Estimates for the WWTP Upgrade Project – Recommend receive and provide direction to staff

This item has been pulled from the agenda.

Peters and Smukler asked staff to clarify for the public why this item was pulled. Delzeit stated that cost estimate information was recently received by MWH that needs to be evaluated by staff prior to presentation of this agenda item.

Board members expressed frustration at not having this information tonight.

6 Schedule Next Joint Meeting and Agenda Items

Board members discussed potential future agenda items which included:

- Review and define the task of the initial TAC.
- Foster proposed creation of a Citizens Advisory Committee and a Financial Risk Assessment committee. Board members discussed whether or not to agendize this and asked Carmel to clarify the requirements for consenting to agendize an issue.
- Board members discussed possibility of re-arranging public comment.

Carmel clarified the requirements of the Brown Act which require consent of 3 members to agree placing agenda items. Board members agreed to put on the next agenda discussion on public comment.

Smukler asked staff to consider room capacity for future JPA meetings.

Board members determined the next JPA meeting will be 6:00 p.m. on October 14th, 2010 in Cayucos.

ADJOURNMENT

Peters adjourned the meeting at 10:18 p.m.

Minutes Recorded by:

Cindy Jacinth, Morro Bay Public Services Dept.