

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

Cayucos Sanitary District
Board of Directors:
Robert B. Enns, President
Nat Raimondo, Vice-President
Craig P. Bell, Jr., Director
Hal Fones, Director
Bud McHale, Director

City of Morro Bay
City Council:
Janice Peters, Mayor
Thad Baxley, Vice-Mayor
Melody DeMeritt, Councilmember
William Peirce, Councilmember
Betty Winholtz, Councilmember

DATE: 6:00 p.m., Thursday, September 21, 2006
PLACE: Cayucos Vets Hall
10 Cayucos Drive
Cayucos, CA 93430

CALL TO ORDER AND ROLL CALL

President Enns called the meeting to order at 6:10 p.m. and asked Cayucos Sanitary District Manager, Bonnie Connelly, to take roll.

Cayucos Board members present were President Robert Enns, Vice-President Nat Raimondo, and Directors Craig Bell, Jr., Hal Fones and Bud McHale. Cayucos staff members present were Bonnie Connelly, Bill Callahan, Nancy Martin, District Counsel Tim Carmel and District Engineer Jon Hanlon.

City Council members present were Mayor Janice Peters, Vice-Mayor Thad Baxley, Melody DeMeritt, William Peirce and Betty Winholtz. Morro Bay staff members present were Bruce Ambo, Susan Slayton, Bruce Keogh and City Attorney Rob Schultz.

PUBLIC COMMENT PERIOD

Richard Sadowski, Ocean Outfall Group, Central Coast, spoke on a sewer flow study he purported he had conducted while employed by the Cayucos Sanitary District, and his report of that study. He purported that such report indicated there were capacity problems at the treatment plant as well as at the lift stations. He stated that data prior to 2003 used in the flows and loads study is erroneous. He recommended Cayucos staff release such report for use by Carollo in their study.

Marla Bruton, Ocean Outfall Group, North Morro Bay, reported that the governors of California, Oregon and Washington signed an agreement on ocean health. She encouraged all to vote for protectors of the coast.

Joey Racano, Ocean Outfall Group, expressed dissatisfaction in what he termed the stubbornness of the Cayucos Sanitary District and its failure to comply with the Clean Water Act. He stated it was time for the District to cry, “Uncle”.

Seeing no further comments President Enns closed the Public Comment Period.

A. CONSENT CALENDAR

1. Minutes of August 24, 2006 Meeting – Recommend approve.

Winholtz asked that the word “satisfactory” be omitted from paragraph two, line two, on page 3 of the minutes of August 24.

MORRO BAY MOTION: First by Winholtz, with second by Peirce to approve the minutes as revised. VOTE: 5-0

CAYUCOS MOTION: First by Fones, with second by Bell to approve the minutes as revised. VOTE: 5-0

2. Wastewater Treatment Plant (WWTP) Operations Report Through July 31, 2006 – Recommend receive and file

3. Status Report on NPDES Permit Renewal Process – Recommend receive and file

Winholtz asked how the purchasing of new equipment, (e.g. drive unit, motors) will affect the facility evaluation being conducted. Keogh answered that staff has been limiting capital expenditures while the master facilities plan is developed but must maintain maximum performance of the plant at the same time.

DeMeritt asked about the power outages reported in Keogh’s report and if he is concerned with PG&E’s response to those outages. Keogh answered that the problems mainly arose from power poles being hit but that he has discussed the importance of maintaining power at the plant. PG&E is actively working at having a new transformer installed at this time.

MORRO BAY MOTION: First by Peirce, with second by Baxter to approve agenda Items A2 and A3. VOTE: 5-0

CAYUCOS MOTION: First by Fones, with second by Bell to approve agenda Items A2 and A3. VOTE: 5-0

B. UNFINISHED BUSINESS

1. Consideration and Approval of the Preliminary Flow and Load Projections for the City of Morro Bay and the Cayucos Sanitary District Contained in the Draft Facility Master Plan Chapter 3 – Flows and Loads – Recommend approve

2. Presentation by Carollo Engineers on the Facility Master Plan, Chapter 5 - Biosolids

Keogh asked that Item B2, the presentation by Carollo Engineers, occur prior to discussion and approval of Item B1.

Tracy Clinton of Carollo Engineers gave a power point presentation, summarizing the project status to date and providing additional projections on the flows and loads, considering peak seasonal data for July/August 2006 at the direction of the Technical Advisory Subcommittee, and considering data for only the last two years. She also outlined biosolids treatment practices at the treatment plant and alternatives available, including estimated costs.

President Enns opened the meeting to discussion of flows and loads.

Keogh stated that the governing bodies are considering choosing a preliminary number for Carollo to begin the alternatives evaluation process and that as additional data is received, it will be considered. He indicated he is comfortable with the figure of 1.05 mgd for the City of Morro Bay and feels the increases in flow over the last couple of years is due to wet weather events and problems with inflow and infiltration that both the City and Cayucos are dealing with. Keogh asked Mr. Stringfield if, before finalizing the Facility Master Plan in June, Carollo could modify the projected figures as more data becomes available, and even after finalizing the document. Stringfield answered that it could be done but indicated he does not encourage numerous changes.

Enns asked Mr. Stringfield if the plant designed would have flexibility for size and if there are fines for exceeding capacity. Stringfield answered that currently the fine per occurrence for exceeding capacity (based on a 30-day average) is \$3,000, but that violations can be avoided by following the rules of rounding. Enns also asked if there is a large difference in construction costs between using a figure of 1.45 mgd and of 1.55 mgd. Stringfield answered that it would be minor.

Raimondo and Peirce both asked why not use the higher figure. Keogh answered that the difference between the different projections is not significant. He added that projected population increases are very little and that at this time the treatment plant is operating at not even near capacity and expects the numbers to remain fairly constant if the I&I problem can be curbed. He did add, however, he is amenable to the higher figure.

Mayor Peters asked if considerable cost would be added to the project by choosing the higher figure. Keogh stated that the numbers will continue to be looked at and that ultimately the Council and the District, as well as the public, will look at the projected costs for the different alternatives and at that time, increasing or decreasing capacity can be considered.

DeMeritt asked for clarity with regard to cost apportionment and the cost for the upgrade. Keogh indicated the numbers being considered are technical numbers and are not JPA

numbers but that cost apportionment was discussed at the technical subcommittee meeting and needs to be continued.

Baxley reported that he and Winholtz, both members of the technical subcommittee, recommend using the 1.05 figure with the understanding that as more data is compiled the number may change before a final decision is made in June. Winholtz concurred and further recommended using the figure of 1.47 for the total peak season flow.

Ms. Clinton suggested using 1.5 mgd for the total peak season flow (the average of the three) and that the figure will provide the most latitude when rounding.

Enns asked if the plant exceeds capacity, how is the fine distributed. Keogh stated that it is a joint problem since both entities own the treatment plant and that the JPA contains language addressing capacity concerns.

DeMeritt asked Keogh if payments to Carollo are paid based on flow or capacity. Keogh answered that the contract states Carollo's fees will be paid based on actual flow with the understanding that the matter will be further discussed to determine if cost allocation will be based on capacity or flow. DeMeritt recommended agendaizing cost apportionment for further discussion as either a subcommittee meeting or regular meeting. Enns was in agreement with her recommendation.

Enns asked for comments from District M&O Supervisor, Bill Callahan. Callahan reported that the figures presented are tentative and that as more data is collected, the figures may change. He stated that at this point he is comfortable with using the preliminary projected figure of 0.406 mgd for Cayucos.

If Carollo is directed to use the figure of 1.5 mgd for total peak season flow, Council members wondered how the City and the District's figures will be adjusted – will the City have to absorb the difference or will Cayucos. Enns stated that what Carollo is looking for is total peak season flow and that the distribution between the two communities will be worked out as additional data is collected.

MORRO BAY MOTION: First by Winholtz, with second by Baxley to approve of, and direct Carollo Engineers to use the figure of 1.5 mgd for peak season flow at buildout for analysis and development of the treatment alternatives. VOTE: 5-0

CAYUCOS MOTION: First by Fones with second by Bell to approve of, and direct Carollo Engineers to use the figure of 1.5 mgd for peak season flow at buildout for analysis and development of the treatment alternatives. VOTE: 5-0

Ms Clinton introduced discussion items on biosolids:

- Value to composting and disposal in San Luis Obispo County
- Sending more trucks "over the hill"
- We will present a qualitative analysis including costs

The governing bodies had questions regarding allotted space for composting and marketing prospects of biosolids. Keogh stated that in the long run it would be more cost effective to keep the biosolids within the County and he encouraged that option be considered. Sanitary District Manager Bonnie Connelly reported that if considering the State Revolving Loan Fund, there is a distinction with regard to the different levels of biosolids handling and what are considered eligible and ineligible costs that should be considered.

Ms. Clinton reported that the next Facilities Master Plan public workshop is scheduled for December 14, 2006 and that the informational meeting topic is tertiary treatment.

Enns called for a short break at 7:25 p.m. At 7:42 p.m. the meeting reconvened.

C. NEW BUSINESS

1. Consideration and Authorization for city and District Staff to Negotiate with Carollo Engineers a Contract for the Financial Plan for the WWTP Upgrade Process – Recommend Approve

Keogh introduced the item. He reported that the direction given at the September 12 technical subcommittee meeting was for staff to negotiate a contract with Carollo Engineers for a Financial Plan for consideration by the governing bodies. He indicated that upon further review he feels that what the subcommittee proposed, as well as what Carollo Engineers is proposing, is actually a Draft Revenue Program with separate contracts and scope of work for the City and District. He invited comments from Susan Slayton, Morro Bay Finance Director, and District Manager Bonnie Connelly for clarification.

Slayton reported she has been conferring with David Stringfield (Carollo Engineers) and that the development of the Draft Revenue Program (a component of the Financial Plan) is based on the guidelines of the State Revolving Loan Fund but may be used to pursue other funding, as well, including grants and Federal options.

Mayor Peters asked if the City and District will each pursue funding options independently. Connelly reported that included in the time line for the treatment plant upgrade is the Financial Plan and Rate Study, a component of which is the Revenue Program, including a search for grants, loans and bonds to determine the most cost effective rate structure for the City and District. She advocated considering the financial plan holistically and the activities included in that study. Stringfield indicated that the scope of work proposed by Carollo does not include the exploration of funding options.

Peters asked City Attorney Schultz for direction. Schultz stated that the item for consideration is the direction to staff to negotiate separate contracts with Carollo for a financial plan.

DeMeritt asked if this Revenue Program is part of the contract with Carollo or an additional cost. Keogh answered that Task Three, the Financial Plan and Rate Study, is not included in the Facilities Master Plan, and requires a separate contract, with the estimated cost to be \$85,000.

Enns recommended Carollo be responsible for the entire Financial Plan, encompassing the same scope of work for both communities, with separate and independent work orders for tasks outside the scope of work. Peters was in agreement with Enns but, additionally, recommended inclusion of the option of grant funding investigation. After further discussion, the consensus of the governing bodies was to look at the Financial Plan holistically, and to direct staff to negotiate and bring back a proposal for consideration at the next meeting. Enns then introduced the motion.

CAYUCOS MOTION: First by Raimondo, with second by McHale to instruct staff to negotiate a Financial Plan Services Agreement with Carollo Engineers with a scope of work inclusive of all tasks and activities called out in the adopted WWTP Process Upgrade, including 8-Year Conversion Schedule. If it is determined that either the District or City have need to incorporate data or require analysis that would fall outside the scope of services of the Financial Plan, then the City or district should independently negotiate and execute a work order for such extra services with separate payment. VOTE: 5-0

MORRO BAY MOTION: First by Baxley, with second by Peirce to instruct staff to negotiate a Financial Plan Services Agreement with Carollo Engineers with a scope of work inclusive of all tasks and activities called out in the adopted WWTP Process Upgrade, including 8-Year Conversion Schedule. If it is determined that either the District or City have need to incorporate data or require analysis that would fall outside the scope of services of the Financial Plan, then the City or district should independently negotiate and execute a work order for such extra services with separate payment. VOTE: 5-0

2. Discussion of Public Outreach for the Facility Master Plan

Keogh's written report summarizing the availability and dissemination of information regarding the treatment plant upgrade was received. He indicated he is putting together a power point presentation for the Lion's Club and other community organizations and has sent out information in the City's water bills as well as posting information on City and District websites. Additionally, he is available for any questions from the community.

Peirce recommended setting up a website specific to the treatment plant upgrade. Winholtz agreed and recommended that information be sent to all residents, not only those who receive water bills, and to invite public comment during meetings.

DeMeritt stated the upgrade will have a huge impact on the community and suggested including opportunities for public comment on agenda items, especially on items being considered by the governing bodies.

MORRO BAY MOTION: First by DeMeritt with second by Winholtz to include public comment on JPA agenda items any time the governing bodies are acting on an approval or authorization.

Raimondo, McHale and Baxley expressed reticence, considering the possibility that there could be numerous participants and questions the governing bodies would be unable to answer effectively, as well as difficulty enforcing the time limit on comments.

MORRO BAY VOTE: 5-0

District Counsel Carmel stated that it is an obligation under the Brown Act to allow public comment on or before deliberation of all the business items, including a public comment period on non-business items at the start of the meeting.

CAYUCOS MOTION: First by McHale with second by Raimondo to include public comment on JPA agenda items any time the governing bodies are acting on an approval or authorization. VOTE: 5-0

Enns asked Carmel if making a motion and taking action on an item that was not on the agenda for consideration is permissible. Carmel answered that the motion is actually restating the law but that he saw no harm in doing it, in that it underscores the need for public comment and to clarify the procedures to be used to elicit public comment.

3. Discussion Regarding Staff Processing of Agenda Items, Schedule future Joint Meeting and Agenda Items

Tentative meetings set up were:

- JPA meeting October 26, 2006, 7:00 p.m. in Morro Bay
- Technical subcommittee meeting October 17, 9:00 a.m. in Morro Bay

The governing bodies were amenable to DeMeritt's recommendation that the meetings commence at 7:00 p.m. rather than 6:00 p.m.

Agenda items set up were:

- Website development
- Public outreach

The meeting adjourned at 8:45 p.m.

Minutes recorded by: _____
Nancy Martin