

**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
Hal 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

MINUTES

MEETING DATE:

4:00 PM Thursday, October 14, 2010

HOSTED BY:

Cayucos Sanitary District

MEETING PLACE:

Cayucos Veterans Hall
10 Cayucos Drive
Cayucos, CA 93430

CALL TO ORDER AND ROLL CALL: President Enns called the meeting to order at 4:12pm

Morro Bay City Council Mayor Janice Peters, Council members Carla Borchard, Betty Winholtz, Noah Smukler and Rick Grantham were present

Cayucos Sanitary District Board members President Robert Enns, Vice-President Bud McHale (arrived at 5:00pm), Directors Hal Fones, Shirley Lyon, and Michael Foster were present.

Morro Bay staff present were Bruce Keogh, Rob Livick, Dylan Wade, Andrea Lueker, Rob Schultz and JPA WWTP Project Manager Dennis Delzeit.

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

President Enns introduced staff along with Steve Hyland of MWH, John Wallace of Wallace Group, Jennifer Jacobus of ESA and Eric Casares of Carollo Engineers

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 and stated that the format for the Cayucos meetings would be that after each agenda item Public Comment would be opened for that agenda item. He asked that any comments on tonight's agenda items be held until after all reports, presentations etc., have been made on that agenda item and Public Comment had been opened.

- Al Barrow, Coalition for Low Income Housing stated that there are 4000 homeless in SLO County and he would like to see Morro Bay and Cayucos institute a Safe Parking Lot program modeled after Santa Barbara.

- Richard Margotson asked for clarification about the Public Comment, if Morro Bay will also adopt this format and appreciates Cayucos having Public Comment after all agenda items. He scolded Council on not providing for proper Public Comment.
- Ann Reeves, Morro Bay asked what went wrong with PERC presentation.
- Jack McCurdy commented on MWH letter in response to allegations reported by the Inspector General from their work in New Orleans and said MWH hasn't appealed accusations they say are inaccurate.
- Bill Martony, Morro Bay, questioned the original estimates and the built in cost overrun percentage on the WWTP.

Hearing no further comments President Enns closed public comments.

Noah Smuckler made an announcement as per public request the current WWTP will host a tour on Sunday October 24, 2010 from 1-3 .pm.

A. CONSENT CALENDAR

1. Minutes of September 9, 2010 JPA Meeting – Recommend approve.

President Enns asked for a motion to approve the consent calendar. Winholtz pointed out that the Board had agreed to agendize for this meeting the discussion of public comment and it wasn't on the agenda. She asked for direction on how to handle this. It was agreed that this item would be on the next agenda.

MORRO BAY MOTION: Borchard, Smuckler 2nd to approve Consent Calendar Item 1. VOTE: 5-0

CAYUCOS MOTION: Lyon, Foster 2nd to approve Consent Calendar Item 1. VOTE: 4-0

B. OLD BUSINESS

1. Status Report on Upgrade Project as if October 6, 2010 – Recommend receive and provide direction to staff

Dennis Delzeit reported on the RWQCB Discharge Permit compliance, the lateness of the DEIR and possible fines for being behind schedule. He mentioned that with other items being ahead of schedule, these fines can be waived if other items remain on schedule and plant completion and full compliance is met by March 31, 2014. Delzeit discussed the rest of the schedule and requirements for meeting the deadlines. Delzeit pointed out that MWH has reduced their cost by \$17,600 based on the uncertainty of the number of public meetings that would need to be held. Delzeit continued his summary of the project touching on the status of the design phase by MWH, draft EIR, SRF loan and the status of his work as the Project Manager.

Winholtz asked for clarification on the bottom line reduction by MWH of \$17,600 and questioned the status of the geo-technical study, anticipating it being done for this meeting. Delzeit clarified that the information has been received, is being reviewed and is on schedule. Discussion continued on a couple more items that will be touched on later in the agenda or in another report.

C. NEW BUSINESS

1. Report from TAC Members on the September 16, 2010 TAC meeting – Verbal

Grantham briefly reported on items discussed at the last TAC meeting regarding the update of the JPA Agreement. Shirley Lyon concurred with Grantham's reporting and stated that they are getting very close and should be able to present it to the full board within the next couple months.

2. Scope of JPA TAC and History of TAC – Recommend receive and provide direction to staff

Callahan presented a brief history on the JPA TAC back through May 2004 and reported that the TAC had been involved with many issues throughout the years and this been a helpful tool for staff on researching and presenting items for the Board and Council.

Winholtz questioned Callahan on the gap in timelines from the formation of the TAC in January 2004 to the first meeting listing in May 2005. Callahan responded no correspondence was found on anything earlier than May 2005.

Smuckler commented that the JPA TAC might want to consider better amplification of the meetings for the public in attendance. He mentioned that Foster had recommended creation of a special subcommittee or an advisory council for ongoing financial analysis and assistance with the SRF and related tasks and possibly rearranging the role of the TAC.

Peters clarified that since the TAC was a non-broadcast meeting there was no budget for technical staff to assist with the sound and it was suggested at the last TAC meeting that those in attendance sit closer to the staff to allow them hear better.

Enns recommended that the JPA TAC meetings be put on hold due to budget, and that we continue the TAC on an as-needed-basis.

Peters concurred but expressed that she would like the TAC to continue on the JPA Agreement updating.

Winholtz asked what would happen to existing items that haven't been brought before the Board and Council.

Enns replied that Grantham gave an overview and those minutes will be included in the next JPA agenda and he clarified that the TAC doesn't make motions or decisions they just simply filter the information for easier understanding and presentation to the Board and Council.

Lyon agreed with Peters that the TAC should continue with their work on the JPA Agreement.

Enns announced that following Peters lead, all concurred that the TAC and attorneys should continue on the JPA Agreement in anticipation of bringing it before Board and Council.

President Enns opened Public Comment:

- Barry Branin commented that with the amount of information being handled by the JPA, without the TAC a subcommittee seems necessary to get everything done.

Smuckler spoke on his view of subcommittees and how getting the public involved in these committees will assure that all aspects are covered.

Enns pointed out that an Ad-Hoc committee, as suggested, must be jointly formed and appointed by the JPA as a whole. This can certainly be done on an as needed basis.

Hearing no further comments, President Enns closed Public Comment.

3. Discussion and Consideration to Award a Contract to Carollo Engineers for Updating the 1999 Cayucos/Morro Bay Comprehensive Recycled Water Study – Recommend Approve

Delzeit commented on the existing 1999 Carollo study. He recommends the update of this recycled water study stating it's not only a study but a master plan for implementation. Delzeit reported that in discussion with Carollo they have agreed to reduce their fee for this update from \$75,000.00 to \$70,000.00, a cost savings of \$5,000.00. Changes affecting this study include tertiary treatment that was not originally being pursued, the Chorro Valley recycling potential and number of recycling sites. Delzeit pointed out that updating this study would provide current cost estimates based on the changes mentioned and a more concise document addressing issues that have been brought up along with the ability to pursue grant opportunities.

Enns asked Eric Casares from Carollo to say a few words on his involvement on the initial study.

Casares clarified that he wasn't involved on the original study, but he will be working with Tracy Clinton who was the engineer on the original study.

Smuckler asked what the approximate timeframe would be if we were to go through the RFP process.

Delzeit responded possibly 3 months. He also pointed out that in the interest of time, money, project familiarity and expertise; he felt the best course was to stay with the firm who prepared the initial study.

Foster commented that he thought this was a perfect example for a subcommittee. He expressed concern that the scope of work and what it's calling for could result in more than \$75,000.00 in cost and that reclamation was something we needed to look at and felt that the Coastal Commission would also want to see this in the final plan based on a letter that was sent to Bruce Ambo back in 2008 regarding the EIR.

Delzeit responded that the call on whether or not to have a subcommittee to evaluate the needs was up to the JPA Board and in his report he offered several options to the JPA for the recycled water study.

Enns pointed out that recycled water was not a viable option for Cayucos as stated in the original study, but also felt the Coastal Commission would want to see options addressed for recycled water. He reiterated previous conversations that the recycle water costs, should we go forward with this, be funded separately from the WWTP and be its own project for Morro Bay.

Wade elaborated that the recycling issue has been looked at and once the water leaves the WWTP it becomes a water resource. Morro Bay Water Division has agreed to pay 1/3 of the study costs resulting in \$23,333.00 for the water division, and based on flow, the remainder split \$35,000.00 for the wastewater division and \$11,667.00 for Cayucos Sanitary District.

Grantham is all for recycling water but based on prior cost estimates it's not affordable for Morro Bay alone to pursue and hopes it would include private partnership if it goes forward. He wants to see a viable option and not just something to look good for the Coastal Commission.

Winholtz asked if we are doing tertiary and not reclamation, why do the study again.

Wade explained the reuse of water onsite for the WWTP and how that is built into the design of the current project. He went on to explain the procedures for reuse, reclamation and recycling and the 4 phase approach for all of these.

Smuckler questioned the percentage breakdown of the cost of the study and was concerned that this might be setting a precedence for cost breakdowns going forward on water recycling. It was also questioned how the disbursement or value of the reclaimed water and its use would be handled for Cayucos.

Wade responded the breakdown was based on flows as set forth in the original agreement, and can be changed by the JPA at any time. Regarding the reclamation value to Cayucos, Wade said Smuckler was being very optimistic and all sorts of discussions could be had on that subject.

Livick pointed out that the Coastal Commission will want to see a reclaimed water component in the plan for the WWTP.

Smuckler asked, based on previous statements, isn't this study is going to be a requirement of the project and therefore expand Cayucos' role in the study.

Fones asked why are we doing this ahead of any mandates by the Coastal Commission and why is Cayucos paying the better part of \$12,000.00 to study the use of water that's already been shown can't get to Cayucos, they have no customers and no need for this water.

Peters commented that she understands this is a way to help this process through the Coastal Commission, but she also stated that it's possible if they do get to a recycled product, the possibility for selling that water can be of some benefit to Cayucos.

President Enns opened Public Comment:

- Al Barrow – Coastal Commission hearings with Los Osos had no requirements for water recycling, sees this plan and the money proposed to be spent as a waste of money. He said they did require water conservation methods, not recycling. Says we should stick to the original plan, stay with the timeline and not spend more time or money on something we don't need.
- Bill Martony – Morro Bay, wants recycled water. He supports Foster's idea of the sub-committee to study different uses for the water since there seems to be a demand for it. We need to look at recharging the well fields at Lila Keiser Park if we want keep costs down on recycling.
- Barry Branin – Morro Bay, says scope of this project needs to be defined better. Stated the draft EIR is faulty and scope is incomplete. Continued use of consultants without an RFP is bad business practice.
- Nancy Bast – Morro Bay, appears we are putting the cart before the horse. Reclamation isn't even the design of the project. Why spend money for consultants for something we can't afford anyway.
- Dorothy Cutter – Morro Bay, doesn't understand why we would spend an additional \$70,000.00 to update the study when the original 1999 study was found to be flawed.

Hearing no further comments, Presents Enns closed Public Comment.

Winholtz does not support the proposed new study, get the WWTP done as per design, then look at a new study and possible reclamation. Doesn't like the 85/15 ratio for cost of this study, it's not in line with any other ratios set forth to date. Disapproves of the reference in the staff report that the JPA requested this update when, to the best of her knowledge, they did not.

Smuckler clarified that he believes he was the one to bring the suggestion to the JPA to update the study. Is in favor of going forward with options for water reclamation, also questions the ratio of costs for the study and is not in favor of sole sourcing the update.

Peters agrees that we should hold off updating the study and address the issue later in the game. Stated the draft EIR may address some of these issues so we should wait and see what comes of that. Clarification is needed as to whether or not the Coastal Commission will require this study or not.

Enns inquired of Keogh regarding a letter he remembered seeing that implied we would address the issue of recycling water.

Keogh responded that in the Coastal Commission's response to the Notices of Preparation for the draft EIR, they commented or suggested on water recycling for this project.

Enns received a copy of the aforementioned letter from Foster and read an excerpt from the letter that stated the draft EIR should identify additional uses for reclaimed water including additional infrastructure and processes needed. Enns suggested we hold this topic for another meeting and received no objections.

Smuckler questioned how this matter would be brought back to the JPA

Enns replied after the presentation of the draft EIR, we should have a better understanding of what is needed and then staff can bring it back to the next agenda.

Enns called for break at 5:52 p.m. and re-adjourned the meeting at 6:12 p.m.

4. Presentation of Draft Environmental Impact Report – Receive Public testimony

Livick reported that we have the opportunity for a third public workshop with ESA for input on the draft EIR and the cost would be \$2500.00 should the JPA want additional public input on this.

Winholtz asked if the consultant had to be present for this workshop should we decide to go forward with it.

Livick replied that the format of a public workshop made it necessary for questions and answers.

Smuckler asked if the Planning Commission could be the lead body for this workshop and combine it with their meeting for time's sake.

Livick said the agenda was already out for the Planning Commission meeting and it was too late to add to it.

Livick was asked by Enns to explain the comment procedure for the EIR and did so.

President Enns then introduced Jennifer Jacobus from ESA.

Jacobus proceeded to explain the purpose and agenda for the draft EIR and that the EIR is an informational document only and is intended to help in decision making. She went on to discuss the following:

The purpose of the EIR was to provide an opportunity for agencies and the public to comment on the analysis included in the draft Environmental Impact Report (EIR).

Explained what the California Environmental Quality Act (CEQA) is, provided an overview of CEQA and the EIR Process. She discussed the project description, what the project needs are and the objectives for the project including improved effluent quality and the use of recycled water.

Key issue areas of the project were identified such as air quality and greenhouse gas emissions, hazards and hazardous materials and public services to name a few. The impact of these issues on the project, along with the analysis and methodology were presented. She identified the rating significance of the impacts as 1) No Impact, 2) Less than Significant, 3) Less than Significant with Mitigation and 4) Significant and Unavoidable and pointed out the draft EIR found no significant and unavoidable impacts for this project. The Alternatives Analysis showed four alternatives to the current project 1) No Project Alternative (required by CEQA), 2) Full Secondary Treatment, 3) Membrane Bioreactor and 4) Chorro Valley Location

Jacobus next described the remaining CEQA Schedule starting with the Draft EIR 45-Day Review (Nov 4, 2010), Public Meetings (Oct 4 & 14, 2010), Response to Comments (Nov/Dec 2010), Final EIR Release (Jan 2011), Certification (Jan 2011) and Notice of Determination (Feb 2011). The Public Comments section of the presentation for the Draft EIR was described and then turned over to the Board and Council.

President Enns opened Public Comment on the Draft EIR:

- Al Barrow – Asked the cost of the EIR and commented that for \$325,000.00 it was pretty weak.
- Nattalia Merzoyan – Morro Bay, feels discouraged by this process and thinks a glossary of acronyms so “Joe Public” can understand would be beneficial. Concerned that alternate site, methods of treatment and contracting firms haven’t been looked at.
- Fred Collins – Chumash Tribal Administrator, concerned that not enough respect is given to the Native Americans and Chumash in particular. The locations of the current and future WWTP are in the middle of a Chumash village where his ancestors are buried. Wants the Chumash people included in this process so as to not disrespect them. Let them in to give their perspective, don’t make him bring 500-1000 Chumash to the meetings to tell us how they feel, use them for information.
- Jack McCurdy – Explained the papers he left earlier for the JPA on what he described were comments from a very capable and concerned citizen’s advisory group. He encouraged all residents to read these comments and to contact him for hard copies if needed.
- Barry Branin – Morro Bay, Draft EIR had 400+ pages but the scoping didn’t include an alternate site that is within the City of MB limits, out of the flood plain and out of the Chumash burial grounds. Gave the Draft EIR an “F” grade for not considering this site.
- Bill Martony – Concurred with Barry Brannon on alternative site and said the Draft EIR needs to consider alternatives
- Connie Paine – Cayucos, stated there is huge significant impact but not sure why we aren’t addressing other sites that make less of an impact.
- Doug Claassen – Morro Dunes RV Park owner, is concerned about plant location and smell.
- Steve Hennigh – Cayucos, Good Clean Fun owner, concurs with previous speakers on the location and its archeological sensitivity. Doesn’t think a flood is the issue, the issue is a tsunami. Questions the only alternate site looked at is Chorro Creek, thinks there are better alternatives to this. Has anyone looked at moving the plant out the flood plain, out of tsunami danger and utilize the existing site to generate money to offset the costs of the move.
- Nancy Bast – Morro Bay, expressed concern for the RV park that the raised elevation and location of the new plant right next to the entrance of the RV park, how can they say there are no aesthetic or smell impacts. She questions the thoroughness of the EIR.
- Bernadette Pakerig went to Morro Bay High School and the smell was horrible.
- Cyndi Malmen – Cayucos, who will insure this, and if someone does, what will the cost be? Is there no other place for this project than right in the middle of the waterfront? She questioned the mitigation aspect

of the project; her business was lost due to a mitigated project that occurred in Morro Bay. Too many questions still unanswered with the EIR.

- Ann Reeves – Morro Bay, commented on what the outfall pipe looks like in Goleta, wouldn't want to put a board in the water anywhere near there. What does our outfall pipe look like?

Jacobus and the JPA Board, Council and staff continued discussions and comments regarding alternate sites, baseline establishment, identifying sensitive receptors, the handling of any skeletal remains found and the handling of bio-solids.

Lengthy discussion ensued between amongst the Board, Council and staff about alternative sites that were and were not looked at. What the FMP and Draft EIR considered or evaluated in regard to alternate sites and what the requirements of CEQA were.

It was then discussed if a third workshop style meeting on this Draft EIR was needed, what other agencies (Planning Commission) might need to be involved and if this could be accomplished prior to the November 4 deadline. There was a unanimous vote by Board and Council that the 3rd workshop meeting would be held on October 28, 2010 time and location to be announced via the newspaper and at the City council meeting. It was agreed the meeting will not be televised or taped.

5. Presentation of Preliminary Project Cost Estimates from PERC Water – Recommend receive and file

Andrea Lueker spoke on the PERC Customized Design Report and the events leading up to the lack of a presentation at tonight's meeting. She read an email from PERC president Brian Cullen giving reasons for not presenting a CDR and cost estimates. The Board, Council and staff made several comments on the PERC email response and the decision by PERC to abandon the CDR.

President Enns opened Public Comment:

- Al Barrow – Accused staff of not wanting to cooperate with PERC Water and expressed his disgust of the whole process.
- Ann Reeves – Morro Bay, was also disappointed to hear PERC wasn't bidding. She questioned the role of staff and their effectiveness to the Board.
- Nancy Bast – Morro Bay, commented the whole process appears to be a setup against PERC and doesn't look good to the public.
- Richard Margotson – Asked legal council if signing of confidentiality agreements is standard. Said it's very obvious to the public that PERC wasn't welcome and also questioned the hours reportedly worked by staff to assist PERC in the CDR process.
- Barry Branin – Predicted that when the cost estimates come in from MWH, we are going to be overwhelmed. Doesn't feel the JPA has done anything to get competitive bids.
- Nattalia Merzoyan – Doesn't understand why non-disclosures weren't signed for the CDR but were signed to tour the Santa Paula facility. Says there isn't enough transparency in the goings on of staff and contractors and wants to see a better outcome.
- Cyndi Malmen – Cayucos, project started as an upgrade then progressed to a re-build and the thought processes didn't follow. She stated that competition is needed to obtain fair pricing.

Hearing no further comments, Presents Enns closed Public Comment.

Enns commented that they have been at this for 7 years and that most people in the audience have not been here and seen the process to date. He went on to explain that signing confidentiality agreements would not be in keeping with their responsibility to the public and the transparency that is exhibited by the Board, Council and staff. Enns explained that to date the FMP was put out for bid, Carollo won the bid, the design was put out for bid, MWH won the bid and they will put the construction phase out for bid and it's assumed several bids will come in on that. To say the JPA has been one sided is not correct. The agenda tonight has both PERC and MWH on it in all fairness to both parties.

Peters recapped RFP process and how PERC was allowed to come in after the normal process to present their proposal. She recapped the occurrences of the past several months and she stated her opinion of PERC backing out of the process was because they couldn't meet their promises.

Grantham concurred with Peters and stated that if PERC could do what they said they could, they would have been here tonight.

Smuckler said he is still intrigued by the Design, Build Operate (DBO) model that PERC represents. He would like to see the DBO process kept on the table in case the Design Bid Build (DBB) process that MWH is presenting falls short of expectation or exceeds budget as some have predicted.

Enns called for break at 8:34 p.m. and re-adjourned the meeting at 8:44 p.m.

6. Presentation of Preliminary Project Cost Estimates from MWH – Recommend receive and file

Steve Hyland of MWH presented background of previous cost estimate approach based on June 2006 costs to the current estimate that will be presented tonight. He provided an overview of the FMP1 and FMP2 and gave updated numbers based on the current ENR index. He spoke on specific lines item differences and gave reasoning and explanation of the increased costs. Hyland pointed out that the numbers presented still carried a \$3.9 million contingency. The major cost increase was attributed to the Residuals Handling Building where the 2nd story was added and 3 walls to shield it from winds and for aesthetic purposes. They consolidated screening, grit removal and dewatering to the same building to reduce truck traffic. A secondary pump station was added along with a 2 compartment chlorine contact basin.

Hyland emphasized this is a conservative estimate and some items are based on assumption. He anticipates cost savings to occur as design and absolutes are identified throughout the next steps of the project.

Winholtz asked why it was going to take 1 year to get final estimate.

Hyland explained that the estimate gets more refined as the design process progresses.

Wade explained the Design Bid Build process and how it works emphasizing that this is in fact a best guess at this juncture in the process and a final cost estimate won't be known until the construction documents are in hand.

Delzeit then presented the Comparison of Project Cost Estimates which gave the differences between FMP Amendment #1 and the FMP Amendment #2 which summarized the total project costs from \$31.3 million to \$34.4 million, an increase of \$3.1 million.

Borchard asked if this number included contingency.

Delzeit responded yes it does include contingency.

Foster asked Hyland how much additional cost can be contributed to the capacity increase of the design.

Hyland responded this amount was minimal; most of the cost increase was based on revised flow numbers and the equipment that would be needed to handle this flow.

President Enns opened Public Comment:

- Bill Martony – Morro Bay, asked for clarification on the contingency amount and asked about costs to bring the WWTP to Title 22.
- Nattalia Merzoyan – Brought up lawsuits against MWH and why is the JPA not investigating these.
- Dorothy Cutter – Wants a guaranteed price before we commit.

7. Discussion and Consideration of Contract Scope and Cost for Third Party Review and Analysis of the MWH and PERC Projects and Project Cost Estimates – Recommend receive, provide direction to staff and award contract

This item pulled – no longer applicable.

8. Schedule Next Joint Meeting and Agenda Items

It was discussed the next meeting would be on November 11, 2010 which is Veteran's Day, the Board and Council agreed on November 18, 2010 at 6:00 p.m. in Morro Bay.

Agenda items for next meeting:

- Review Public Comment policy.
- Discuss a Citizens Advisory Committee and a Financial Risk Assessment Committee.

ADJOURNMENT

President Enns adjourned the meeting at 9:20 p.m.

Minutes recorded by:

Anita Rebich, Cayucos Sanitary District