

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
Hal Fones, Director
Bud Mchale, Director
Shirley Lyon, Director

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

MINUTES

DATE: 6:00 p.m., Thursday, May 24, 2007
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 6:13 p.m. and asked District staff member Nancy Martin to take the roll.

Morro Bay City Councilmembers present were Mayor Janice Peters, Vice-Mayor Melody DeMeritt, Betty Winholtz and Rick Grantham. Councilmember absent was William Peirce. Morro Bay Staff present were Bruce Keogh, Rob Schultz, Bruce Ambo and Susan Slayton.

Cayucos Sanitary District Boardmembers present were President Enns, Nat Raimondo, Bud McHale and Shirley Lyon. Boardmember absent was Hal Fones. Cayucos Staff present were Bill Callahan, District Counsel Tim Carmel, Jon Hanlon (Boyle Engineering) and Nancy Martin.

PUBLIC COMMENT PERIOD

After opening the meeting to Public Comment, President Enns announced that public comments should be with regard to items that are not on the agenda and that comments would be encouraged at the time each item is addressed.

Pam Heatherington, Surfrider Foundation, announced the July 4 Cayucos Beach Cleanup and asked both communities to get the word out and to encourage beachgoers to not litter.

A Los Osos Community Advisory Council member stated he had a prior commitment and would be unable to stay for public comment regarding agenda Item B-1 and asked to address

the Governing Bodies at this time. He recommended both communities choose tertiary for the treatment plant upgrade.

Marla Bruton (Morro Bay) reported that the Ocean Protection Council (OPC) has invited the Council and District to send representatives to the OPC meeting scheduled for June 14, at the Ferry Building in San Francisco. She encouraged attendance.

Roy Vinyon said he would like to pay his fair share to clean up the water.

Seeing no further comments President Enns closed the Public Comment Period. Mayor Peters invited the standing room only crowd to watch the meeting in progress on television in an adjoining room where there are plenty of seats. Councilmember DeMeritt asked Enns if attendance of the Ocean Protection Council (OPC) meeting should be discussed at this time. DeMeritt volunteered to go and asked if anyone from Cayucos would consider attending. Conflicts with a scheduled JPA meeting that same date as well as two high school graduations were brought up. Enns deferred the item to agenda Item C-1.

A. CONSENT CALENDAR

1. Minutes of April 12, 2007 Meeting – Recommend approve
2. Status Report on the City of Morro Bay Wastewater Treatment Alternatives Analysis in the Chorro Valley – Recommend receive and file

Enns asked to have Item A-2 pulled for further discussion.

CAYUCOS MOTION: First McHale, second Lyon to approve minutes of April 12, 2007 meeting. VOTE: 4-0

MORRO BAY MOTION: First Winholtz, second DeMeritt to approve minutes of April 12, 2007 meeting. VOTE: 4-0

A2. Status Report on the City of Morro Bay Wastewater Treatment Alternatives Analysis in the Chorro Valley – Recommend receive and file

Enns noted that the Executive Summary lists a time frame for permitting the Chorro Valley plant of from six months to several years, and asked what would be realistic. Keogh reported there might be difficulties permitting the project and that he anticipates the process would take at least six months. Enns asked about the quality of the treated effluent. Keogh answered that requirements for a creek discharge are more stringent than ocean discharge and the limit for levels of a bi-product of disinfection, Trihalomethanes, must be lower than that in drinking water. He added that along with tertiary treatment, reverse osmosis would remove salts and other toxins. Enns asked about the proposed discharge of brine generated by reverse osmosis through existing outfall. Keogh reported that in the 1990s, the City and the District had looked into the possibility of discharging brine from oil fields in San Ardo and of still meeting the parameters of ocean discharge. He indicated discharging brine from the Chorro Valley would be no different.

Enns asked Matt Thompson, Regional Water Quality Control Board (RWQCB) about available funding sources. Thompson reported that Prop 13 funds are depleted and Prop 50 funds are going fast. The Department of Water Resources (DWR) will administer Prop 84

funds and Thompson believes the emphasis will be on funding projects that include water recycling to offset use of State water rather than merely upgrading wastewater treatment facilities. He anticipates \$50M to be allocated to the Central Coast for water quality and supply projects.

Winholtz asked about allowable nitrate levels in creek discharge of effluent from the San Luis Obispo wastewater treatment plant. Thompson related that discharge levels to Chorro Creek will be much more stringent. He indicated it would be more feasible to keep the water out of the creek and percolating it into the soil.

Keogh related that Prop 50 and Prop 84 funds are distributed through the Integrated Regional Water Management Plan. He anticipates there will be a lot of competition for the \$50M promised to the Central Coast as that region stretches from Santa Cruz to Santa Barbara. The cornerstone project for the region is Los Osos and if Prop 218 vote does not pass in Los Osos, there is little chance that monies will be available to the Central Coast.

Enns asked Keogh for clarification of the statement in the Executive Summary, "Diversion Point 2 captures approximately 92% of the average current flow". Keogh reported it is referring to 92% of the entire Morro Bay flow to the existing treatment plant, all of Morro Bay's flow except the approximately 8% which goes down Atascadero Road. He continued that reduction in flow to the treatment plant will represent a 78/22 split, with Cayucos at 78 and Morro Bay at 22, based on current flows.

Winholtz asked Thompson about funding options if a regional facility including Los Osos was considered. The Morro Bay/Cayucos project, which is under time constraints, would be slowed down if Los Osos was included.

Thompson reiterated that competition for Prop 50 and 84 funds will be tough and recommended reclamation/recycling of tertiary treated effluent, as opposed to ocean discharge. Mayor Peters asked if, due to cost restraints, water reuse is not an option at this time but is the ultimate goal, would the Morro Bay/Cayucos project still be eligible for funds? Thompson stated that chances of receiving grant funding will be much better if the upgrade to tertiary includes a commitment to a phased in distribution system of the tertiary treated water.

Seeing no further questions, Enns asked for a motion.

CAYUCOS MOTION: First Raimondo, second Lyon to receive and file Item A2. VOTE: 4-0

MORRO BAY MOTION: First Winholtz, second Grantham to receive and file Item A2. VOTE: 4-0

B. UNFINISHED BUSINESS

1. Further Discussion of Alternative Treatment Processes for the Morro Bay-Cayucos Wastewater Treatment Plant (WWTP) Upgrade and Consideration to Approve a Specific Alternative Treatment Process for the WWTP Upgrade by the Cayucos Sanitary District Board of Directors

Tracy Clinton, Engineer with Carollo Engineers, reported on the Wastewater Treatment Facilities Master Plan with discussion on the overall meeting schedule and attendees roles, and presentation of final project recommendations. Upcoming meetings include June 21 (to be confirmed or scheduled), and a July or August meeting for adoption of the final Draft Facilities Master Plan for submittal to the Regional Board.

Clinton provided an update of progress:

- Approval to retire the 1950s facilities at the plant
- Agreed on design flow of 1.5 MGD
- Completed the electrical study
- Corrosion Study 80% complete
- Revenue Program 80% complete
- Initial Flood Impact Study completed with additional work recommended to better define the flood zone and area

Points for discussion:

Selection of a recommendation

- For the Board and Council provide a recommendation for the Morro Bay/Cayucos Wastewater Treatment Plant Upgrade Project
- Is the benefit better than the cost to discharge the tertiary treated water to Estero Bay
- Will the biosolids be handled in SLO County or trucked to the Central Valley

Recommendations for discussion tonight

- No. 1 – Oxidation Ditches with Direct Hauling (Secondary treatment for ocean discharge) including costs to customers
- No. 1A – Oxidation Ditches and filtration with Direct Hauling (Tertiary treatment for ocean discharge) including costs to customers

Clinton asked for questions from the Council and District.

Grantham asked if energy costs are included in the cost of different levels of treatment and will they be higher with tertiary treatment. Clinton answered that they would be because of the additional process for tertiary. Winholtz asked if a co-gen facility was factored in that could offset that additional cost. Clinton answered it was not. Peters stated that it was determined that there was not enough flow at the plant to make it cost effective. Keogh concurred, adding it would cost \$1.9M to \$2M to upgrade the anaerobic digester to produce gas and that natural gas would have to supplement energy needs to produce electricity. He added that only an estimated 25% of power costs could be recouped according to a study by US Energy.

Peters asked what the customer rate increase covers; does it include construction, operation and maintenance costs, and additional O&M costs for tertiary treatment. Clinton answered costs covered include engineering, construction, construction management, and O&M costs, but not any use of reclaimed water. Keogh added that there will be greater rate increases for commercial properties than residential.

Enns asked how the development of the Chorro Valley facility and the diversion 92% of Morro Bay's flow to the existing treatment plant affect planning thus far, in that flow to the plant will be reduced to .45 MGD. Carollo Engineer, David Stringfield, answered that

Carollo's scope of work does not include the Chorro Valley facility and that the facilities plan would have to be redone to encompass both projects.

Keogh stated that if the Chorro Valley project is developed, with the reduced flow to the existing wastewater treatment plant, the treatment plant, with rehabilitation, will have the capacity and capability to operate at full secondary treatment standards, and will remain within the existing footprint. Estimated rehabilitation costs are \$19M to \$20M. Enns pointed out that Cayucos' portion of that \$19M to \$20M will be approximately 78%. With the development of the Chorro Valley project and the rehabilitation of the existing plant, he estimated Morro Bay's cost to be approximately \$30M and the District's \$16M.

Speaking for Cayucos, Enns thanked Bruce Keogh for his knowledge and accessibility and for working with the City and Cayucos on the difficult task ahead. Enns stated he is disappointed by actions by the NRDC in the upgrade process thus far, and thanked Keogh for providing real data for consideration. He added that he is frustrated that alternatives are still being considered at this time, and stated that the District recognizes that tertiary treatment is the way to go, including reclamation projects. Hansen Aggregates, on jointly-owned land adjacent to the existing treatment plant, has expressed interest in reclaimed water, and Enns suggested that the high-school and Lila Kaiser Park might be as well. He asked if there will be a reduction in ocean monitoring (\$200,000/year) with the treatment plant operating at tertiary level. Keogh answered that it is a possibility.

Enns asked for comments from Cayucos and Morro Bay.

McHale stated that with information presented thus far by Carollo Engineers and Keogh, and with the help of Cayucos staff, he is ready to make a decision to go to tertiary treatment. Lyon and Raimondo concurred.

Peters stated that Morro Bay will not make a decision this date as they are waiting for correct and full information to present to the public and that the information will be available at the Tuesday night City Council meeting for discussion. She added that Morro Bay has been planning to go to tertiary, and is pleased the District has chosen that path and that the Governing Bodies have been working well together. Peters reiterated Enns' statement regarding untruths by the NRDC.

Winholtz asked if Cayucos has chosen a direction with regard to going to tertiary. Enns answered Cayucos is advocating recommendation No. 1A – Oxidation Ditches and filtration with Direct Hauling (Tertiary treatment for ocean discharge).

DeMeritt expressed the importance of going, not only to tertiary, but also of water reclamation, as studies show the West is expected to become increasingly arid due climate change.

Grantham stated tertiary treatment with water reclamation is the way to go but voiced concerns with the additional energy, as well as the source of energy, required to run the treatment plant at tertiary and the amount of carbon released into the atmosphere for that operation.

Enns opened the meeting to public comments, asked locals to speak first, and asked that all limit their comments to three minutes.

Pepper Hughes (Morro Bay) had handed out a letter earlier from John Alexander of Cayucos, which states he has the technology to bring the treatment plant to tertiary level at a cost not to exceed \$5M. He and his staff have offered to answer any questions at no cost. Ms. Hughes recommended the Governing Bodies' consideration of his proposal.

Jason Hoar (Cayucos), President of AgriFuels, a bio-diesel company, commended the direction of the Governing Bodies.

Noah Smukler (Morro Bay), SLO Surfrider Foundation, offered an "Atta Boy" to Morro Bay and Cayucos for the commitment made. Tertiary with reclamation is the way to go. He is a proponent of the composting element and encouraged consideration. He also announced an upcoming Concert for Water Quality at the Cayucos Barn on June 5.

Peter Risley (Morro Bay) stated time is of the essence to get the upgrade to tertiary level completed.

David Weisman and Joe King (both from Morro Bay) stressed the importance of tourism and of upgrading the treatment plant to tertiary.

Henrietta Groot (Cayucos) commended the decisions made.

Marla Bruton (Morro Bay) stated she is encouraged by Cayucos' decision. She is a proponent of a regional plan with Los Osos and asked the Governing Bodies to look at the Petaluma wastewater treatment plant upgrade, designed by Carollo Engineers, for consideration of that direction.

Joey Racano (Morro Bay), Ocean Outfall Group, stressed the importance of maintaining the health of the estuary and our coastal waters.

John Bardo (Morro Bay) reported that toxoplasma parasites can accumulate in the tissue of mussels, a favorite food of otters and thought to be responsible for the high otter mortality rate. Mussels placed at the site of the ocean outfall in Estero Bay for almost two years did not show an accumulation of *t.gondii* in their tissue, thus refuting the claim that the treatment plant is responsible for the area's high otter mortality. Due to the high cost of the upgrade, he urged consideration of all options.

Dennis Hughes (Morro Bay) referred to the letter written by John Alexander and distributed by his wife earlier in the public comment period, and asked for consideration of Mr. Alexander's proposal.

John Lemons (Morro Bay) recommended upgrade No. 1 – Oxidation Ditches with Direct Hauling (Secondary treatment for ocean discharge).

Cal Wilvert (ECOSLO) reiterated Council member DeMeritt's reporting of the possible drought situation in the West from global warming, and commended the Governing Bodies on choosing tertiary with water reclamation possibilities.

Kerry Filler (Morro Bay) agreed with Wilvert and urged tertiary with water reclamation.

Jennifer Jozwiak (Shell Beach), Surfrider Executive Board, and Jennifer Blonder (Pismo Beach) asked Morro Bay/Cayucos to be an example to other communities with an upgrade to tertiary with reclamation.

Claudia Angle (Creston) stated the beaches belong to the State and encouraged the upgrade to tertiary.

Dr. Mary Fullwood (Los Osos) recommended a regional plan with Los Osos with consideration as the cornerstone project for funding. She recommended Morro Bay/Cayucos consider the Petaluma wastewater upgrade referred to by Bruton.

Chuck Cesena (Los Osos), Los Osos CSD Board, recommends a regional plan with Los Osos, with tertiary treatment and reclamation.

Dave Jewel (Pismo Beach) “Atta Boy” and communities are making the right choice to go to tertiary.

Steve Shimek, The Otter Project, is happy with the communities’ decision to go to tertiary and asked for a vote tonight. He reported that the area of from Cayucos to Hazard Canyon last month reported the largest amount of dead sea otters on beaches in California and that otter mortality is still an issue in this area and that tertiary treatment will remove many more pathogens.

Andrew Christie, Sierra Club, stated that environmental issues must be dealt with. He reported on the California Community Choice Act (CCA) where cities and counties can join in a buying aggregate for decisions on where and what type of energy to purchase. The Strategic Alliance for Change is holding a SLO Regional Summit on August 22 and 23. Christie invited attendance at that summit which will deal with the CCA. He also asks for the choice on tertiary as quickly as possible for consideration of grant funding.

Pam Heatherington, Surfrider Foundation, “Atta boy, Atta girl” for the commitment by Cayucos for tertiary and encouraged Morro Bay to do the same on Tuesday.

Michelle Mehta, NRDC, thanked Cayucos for their decision to go for tertiary this night and hoped Morro Bay will do the same. She provided a list of viable uses for reclaimed water in Morro Bay.

Roger Ewing (Morro Bay), Sarah Corbin, Surfrider Foundation, and Anjali Jaiswal, NRDC, applauded the communities’ commitment to go to tertiary and to consider reclamation.

Alexis Struss, EPA Water Director, recommended a decision on tertiary treatment as quickly as possible and encouraged water reclamation. She commended Keogh on his biosolids composting effort and asked the Governing Bodies to continue to examine that possibility.

Matt Thompson (RWQCB) reported he has been working with staff on the wastewater treatment plant upgrade for four years and expressed his pleasure in seeing the milestone

reached. He commended Keogh on his efforts with the upgrade, doing the work of two men, and stated he deserves either a raise or a good vacation. He advocates upgrading the existing treatment facility to tertiary level and to phase in water reclamation and distribution, and does not recommend the Chorro Valley Project. Recycled water could be piped to Chorro Valley and percolated down to supplement future water supplies for Morro Bay without the liability of discharging to the creek. There will be a lot of competition for State grant funding, and by choosing a project that improves water quality as well as water supply, there will be a better chance of securing funding; which might ultimately cost the communities less to upgrade to tertiary level than secondary. Thompson invited questions from the Governing Bodies.

Winholtz suggested the Technical Committee meet with Mr. Alexander prior Cayucos making a formal commitment on the project.

Lyon, Thompson and Keogh all recollected that in the late 1980's or early 1990's Los Osos pilot tested Mr. Alexander's technology, which proved not to be very effective. Raimondo suggested that if the technology is so revolutionary, there should be County, State or Federal funds available for examining it.

DeMeritt asked if the beach closure in Pismo Beach is due to the treatment plant. David Jewel answered it is due to a collection system failure down by the pier and is not a treatment plant issue.

DeMeritt asked why Carollo did not consider a project like the one in Petaluma for the Morro Bay upgrade. Tracy Clinton, Carollo Engineers, reported she worked on that project and a project like the one in Petaluma was developed because there was a large land mass available for the wetlands, something that Morro Bay does not have.

DeMeritt asked if the application for the Small Community Wastewater Grant Program mentioned in the NRDC letter will be affected if both Cayucos and Morro Bay do not make a formal vote on the project before May 31. Susan Slayton, Morro Bay Finance Director, stated Morro Bay has already sent out the preliminary application, adding that Cayucos did not meet the criteria to apply for the program.

DeMeritt asked if Cayucos makes a decision tonight and Morro Bay does next week, will Carollo have to wait until the June 21 meeting to begin work on the facilities plan. Tim Carmel, District Counsel, indicated that after separate, but the same, action is taken, Carollo may begin. Stringfield concurred.

Winholtz asked if a specific option is chosen, will the parties be locked into that decision. Keogh answered that a global decision will initially be made, with the details (e.g. biosolids, reclamation site-specific issues) worked out at a later date.

Enns asked for a global motion.

CAYUCOS MOTION: First Raimondo, second McHale that the Morro Bay/Cayucos Wastewater Treatment Plant Upgrade be to tertiary standards, using extended aeration activated sludge with filtration, and based on the 1.5 million gallons a day peak seasonal flow jointly agreed upon in September of 2006, with Cayucos' allocation of 28 to 30% of that figure and, further, that the upgrade process continue as quickly as possible.

Enns asked for questions or comments from Cayucos. There were none. He asked for questions or comments from Morro Bay.

Winholtz asked why flow is in the motion. She indicated it was to be discussed further and should not be included in the motion. Carmel stated and Enns concurred that the figure was jointly agreed upon in September of 2006. Enns added that his recollection is that total flow was not an issue but, rather, the percentage each party will be responsible for paying.

Peters asked Raimondo to read the motion again and he obliged. She asked if the wording of the motion will limit choices. Bob Schultz, Morro Bay Attorney, pointed out the motion consists of four parts and that any part can be accepted or rejected. He and Carmel agreed that the motions do not need to be the same if they do not need to be at this point. He indicated what Carollo needs initially is the decision of either secondary or tertiary treatment.

Peters asked if a particular level of tertiary treatment need be named at this point as other options may be discovered that are better. Enns answered that Morro Bay may accept or reject any part of the motion.

Enns asked for a vote from Cayucos.

VOTE: 4-0

Enns asked for a motion from Morro Bay. Peters indicated there was none.

DeMeritt expressed unhappiness with the motion, especially the flow figure used. She indicated she and Winholtz have repeatedly asked for and been denied a public discussion of the flows. Peters stated the item would have to be brought back for discussion.

Enns apologized for upsetting DeMeritt and stated that the discussion requested was not concerning total flow, but what percentage of the total flow each party will be responsible for paying for. He added that percentages have not been determined at this time.

C. NEW BUSINESS

1. Confirm Next Scheduled Joint Meeting Date of June 14, 2007, or Alternative Meeting Date and Agenda Items

Enns asked for a new date for the next joint meeting due to conflicts with June 14. Wednesday, June 27 was decided upon.

Enns asked if anyone would be able to attend to OPC meeting Thursday, June 14, at the Ferry Building in San Francisco. DeMeritt agreed to attend for Morro Bay, with Enns representing Cayucos. Bob Hendrix, City Manager, after conferring with staff, indicated more time is needed to prepare for the meeting. Alexis Struss, EPA, stated the next meeting will be in October 24 in Arcata and recommended attendance at the June 14 meeting. DeMeritt and Peters concurred. Winholtz suggested and Enns agreed that a letter should be sent to the OPC notifying them that representatives from Morro Bay and Cayucos will be attending.

Nancy Castle, AGP Video, reported AGP Video records the OPC meetings and indicated the OPC is very interested in helping address coastal wastewater issues. She provided the website for the OPC; cal-span.org. She mentioned that Sam Schuckett, Director of the

Coastal Conservancy, serves as their secretary and suggested Enns or Peters call him for feedback on what to expect at the meeting.

ADJOURNMENT

The meeting adjourned at 9:28 p.m.

Minutes recorded by: _____
Nancy Martin