

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

MINUTES

DATE: 6:00 p.m., Thursday, September 4, 2008

PLACE: Cayucos Veteran's Hall, 10 Cayucos Drive, Cayucos, CA 93430

CALL TO ORDER AND ROLL CALL

The meeting was called to order by District President Enns at 6:00 p.m.

MORRO BAY

CITY COUNCIL Present:

Janice Peters, Mayor
Rick Grantham, Vice-Mayor
William Peirce, Councilmember
Betty Winholtz, Councilmember
Melody DeMeritt, Councilmember

CAYUCOS SANITARY DISTRICT

BOARD OF DIRECTORS Present:

Robert Enns, President
Nat Raimondo, Vice-President
Hal Fones, Director (arrives 6:06 p.m.)
Bud McHale, Director
Shirley Lyon, Director

STAFF PRESENT:

Susan Slayton, Finance Director
Bruce Ambo, Director of Public Services
Bruce Keogh, WWTP Division Manager
Dylan Wade, Senior Civil Engineer
Rob Schultz, City Attorney

STAFF PRESENT:

Bill Callahan, District Manager
Bonnie Connelly, Admin. Services Officer
Tim Carmel, District Counsel
Jon Hanlon, District Engineer

PUBLIC COMMENT PERIOD:

A. CONSENT CALENDAR

Councilmember Winholtz requested that the WWTP Operations Report (A-2) be pulled for separate discussion. President Enns requested to have the Status Report on NPDES Permit Renewal Process (A-3) pulled for separate discussion.

1. Minutes of May 28, 2008 Meeting

MOTION (MB): First by Vice-Mayor Grantham with second by Councilmember Vice-Mayor Grantham to approve the minutes of the May 28, 2008 meeting, as presented. Vote: 5-0.

MOTION (CSD): First by Director McHale with second by Director Fones to approve the minutes of the May 28, 2008 meeting, as presented. Vote: 5-0.

2. Wastewater Treatment Plant (WWTP) Operations Report through July, 2008

Keogh reported that a kickoff meeting with the Environmental Consultant had occurred and a techno memo should come out soon; that everything is very preliminary at this point; that this task is on track with the compliance schedule.

MOTION (MB): First by Councilmember Winholtz with second by Vice-Mayor Grantham to move approval of the WWTP Operations Report (through July 2008). Vote: 5-0.

MOTION (CSD): First by Vice-President Raimondo with second by Director Fones to move approval of the WWTP Operations Report (through July 2008). Vote: 5-0.

3. Status Report on NPDES Permit Renewal Process

Keogh gave a brief summary of his written report stating that the permit renewal hearing will pick back up on December 8, 2008, and if approved, then will require Coastal Commission concurrence likely in January 2009. Spring of 2009 is likely for issuance of the permit for which expiration will coincide very near the time of completion of the WWTP Upgrade.

MOTION (MB): First by Councilmember Winholtz with second by Vice-Mayor Grantham to accept the NPDES permit renewal status report provided by Keogh. Vote: 5-0.

MOTION (CSD): First by Director McHale with second by Director Fones to accept the NPDES permit renewal status report provided by Keogh. Vote: 5-0.

B. OLD BUSINESS

1. Update on the City of Morro Bay Space Needs Assessment for Corporate Yard and WWTP Expansion

Keogh referred the item to Dylan Wade to report on. Wade reported that since November 2007 updates had been provided in February and May of 2008 with a report since prepared. He reported that Council direction has been to recommend that the City work with the concrete plant to arrive at an equitable solution that addresses the concrete batch plant's upgrade project but at the same time meets the City's goals and needs for the property. Wade provided handouts depicting a few scenarios, including one showing how the concrete plant would like to use the property versus the City's plan for the property and another depicting how both entities needs might be addressed and met.

President Enns stated that his sole interest in the matter would be that enough real estate be left to build the next plant—meaning the next generation plant beyond the 2014 WWTP Upgrade.

2. Discussion of a Five Year Capital Improvement Plan for the WWTP and Status Report on Current Capital Improvement Projects for 2008-2009 Fiscal Year

President Enns reflected back on the FY 08-09 budget that was approved relative to the capital improvements and outlay portion of the budget stating that he felt there needed to be identification of capital improvements that needed to be made in the intervening time to the point when the WWTP Upgrade commences construction. Keogh agreed and expressed hesitation over replacement that might result in throwaways for items that might not be used in the new plant, however, he stressed that it's a workload problem right now with facing a restart of the permit renewal process and with the environmental study/review underway, so asked for patience right now. Enns stated that he too would prefer not to spend on throw aways but insisted we need a better picture of capital improvements. Keogh asked if Enns wanted to

review and revisit capital projects earmarked in the FY 08-09 budget to which Enns replied yes. Winholtz asked why the concern, to which Enns responded that the District made certain assumptions when preparing its “draft” Revenue Program, in conjunction with the WWTP Upgrade, and then established its rates in consistency and compliance with Proposition 218, therefore, if City staff had not addressed interim CIP and capital outlay/expenditures, then the District is vulnerable to year-to-year budgetary swings.

District Administrative Services Officer Connelly spoke stating that this was the first time she had any awareness that the City had addressed interim capital improvements specific to the jointly-owned WWTP on a prior to construction of the WWTP Upgrade basis. Furthermore, that for whatever reason, such information had not been shared with the District by City staff nor had come forward through Carollo Engineers when working with the District on their respective Revenue Programs. She expressed dismay that such key information had not been imparted to the District before setting its tiered schedule of rate increases. She stated that this was the very reason she didn’t advocate separate preparation of Revenue Programs out of concern for void of information and working in a vacuum. She stressed the need for there to be a comprehensive CIP and equipment replacement program dialed in and then incorporated into the WWTP budget process.

3. Update on the Ad-Hoc Committee Meeting Reviewing Joint Powers Agreement Governing WWTP

Councilmembers Winholtz and DeMeritt posed concerns over what appeared to be a lack of progress to date that the Ad-Hoc Committee was making. They questioned the regularity with which meetings were being held; when the full Board would be briefed as to results or findings; what were the outstanding issues or road blocks, if any; what were the areas where agreement had been reached; whether or not attorney involvement was occurring, and if so, was it productive or hindering the process. Schultz stated that there were issues coming up in the working group but there was nothing in the negotiations process that was causing any slow ups or delays in the Upgrade schedule or process. Enns stated that he was still awaiting the City’s version of a JPA rewrite that had been referred to in the past by the City. Carmel affirmed that he had not been presented with, nor was he working on any particular draft document at this time. Winholtz stressed the need for the committee to work as a group and iron out issues; for it not to become the task of the attorneys; and that any technological aspects should not require the involvement of the attorney’s but rather engineering input.

Keogh affirmed that to this point we were still on track with the compliance schedule. He reminded everyone that the first task was to address City and District relations akin to the Joint Powers Agreement but that it got deferred when it was decided that the priority should be launch of the Facility Plan and Revenue Programs (Rate Plans).

Enns stated that he had found some recent remarks made by Dylan Wade at previous Ad-Hoc Committee meetings to be particularly troublesome. He asked Tim Carmel for his recollection of such comments to which Carmel paraphrased that Mr. Wade had stated that nothing compels this project (WWTP Upgrade) be done. Enns stated that such comments were in conflict with the spirit of cooperation and commitment shown by both the City and District in their decision to upgrade the plant and willingness to bind themselves to a compliance schedule. Keogh assured everyone that the City Council and staff were committed to the project. Wade then stated he

didn't appreciate the fact that his comments were being taken out of context and stated that his intent was simply to relate that anything is possible to happen that would be outside of the City and District's best intentions and that it has been his experience that there exists lots of potential for derailment of such a project from outside forces.

A short recess was called at 7:06 p.m. The meeting was reconvened at 7:23 p.m.

Enns announces that Schultz would be sending out an e-mail and coordinate scheduling of the next Ad-Hoc Committee meeting.

C. NEW BUSINESS

1. Invoice for 3rd Quarter Fy 2008-2009

Enns requested to know the status of the WWTP financial audit. Slayton stated that audits for FY 05-06 and FY 06-07 were outstanding and the year just ended FY 07-08 was pending commencement of audit work, but that Joyce Bunting had put in a call to Mr. Crosby, CPA, to confirm his progress. It was decided that the subject of the audit would be placed on the next meeting agenda.

Enns stated that staff had recommended paying the full amount of the invoice, even though there were loose ends. Enns cited that there were questions about the budget; status of Carollo payments; status of the environmental work/report; questions around capital improvement items; and procedural questions on adjustments and amendments to budget. For these reasons, Enns advocated withholding payment of the invoice pending scheduling of another Adhoc Committee meeting.

DeMeritt stated that she could only support payment deferral to a set time and date to occur within the next 30 days and that any residual areas of concern could be addressed and then adjusted with the fourth quarter (final) invoice.

MOTION (CSD): First by Director Fones with second by Director Lyon to agree to pay the invoice in the amount of \$120,017.78 no later than 30 days of this meeting, in order to facilitate a meeting to occur within the same 30 day period with City and District staff, City Vice-Mayor, and Board President to clear up outstanding financial issues. Vote: 5-0.

Minutes recorded by:

Bonnie Connelly
Board Clerk-Secretary
Cayucos Sanitary District