

AGENDA ITEM: A-1

DATE: March 11, 2015

ACTION: Approved

CITY OF MORRO BAY
WATER RECLAMATION FACILITY CITIZEN ADVISORY COMMITTEE (WRFCAC)

SYNOPSIS MINUTES

Regular Meeting-February 11, 2015

PRESENT: Bill Woodson Steven Shively
 Barbara Spagnola Dale Guerra
 Paul Donnelly Valerie Levulett

ABSENT: John Diodati Richard
 Sadowski Mary
 (Ginny) Garelick

STAFF: Rob Livick Public Works Director
 Rick Sauerwein Capital Projects Manager
 Kay Merrill Administrative Utilities Technician

CONSULTANT: John Rickenbach

ESTABLISH QUORUM AND CALL TO ORDER

Bill Woodson called the meeting to order at 2:06pm, stating all Committee Members were present with the exception of John Diodati, Richard Sadowski, Mary (Ginny) Garelick and there is a quorum. He asked for a moment of silence then led the Pledge of Allegiance.

ANNOUNCEMENTS

Rob Livick announced there is a ground breaking ceremony for the Morro Creek Bridge and Multi-Use Trail at 4:30pm today.

PUBLIC COMMENT

Bill Woodson opened Public Comment period, seeing none, closed Public Comment period.

A. CONSENT CALENDAR

A-1 Approval of minutes from the WRFCAC meeting of January 14, 2015

MOTION: Steven Shively moved to approve the minutes, Dale Guerra seconded and the motion passed unanimously. (6-0).

B. OLD BUSINESS

B-1 WRFCAC Sub-Committee Updates and Recommendations

Finance, Environmental and Engineering Sub-Committees to present their analysis and findings to the entire committee.

Finance Sub-Committee: Barbara Spagnola provided the committee with the following memorandum and summarized it:

MEMORANDUM

DATE: February 11, 2015

TO: Mayor Irons and City Council Members

CC: Dave Buckingham, City Manager
Rob Livick, Public Works Director
Members of the Water Reclamation Facility Citizens Advisory Board (WRFCAC)

FROM: Mary Garelick, WRFCAC Finance Subcommittee Member
Richard Sadowski, WRFCAC Finance Subcommittee Member
Barbara Spagnola, WRFCAC Finance Subcommittee Member

SUBJECT: Proposed Strategy for Community Outreach and Grants for the WRF

At the January 14, 2015 WRFCAC meeting we discussed several goals for the WRF including (1) improve community outreach, and (2) aggressively pursue federal and state grants. This memo provides our proposed strategy and recommendations to accomplish these two goals.

Goal #1: Improve Community Outreach

Background:

Currently, the community of Morro Bay learns about the status of the WRF in one or more of the following ways: newspaper (the SLO Tribune, New Times, Bay News); public meetings (City Council, Public Works Advisory Board, Planning Commission, WRFCAC, Morro Bay-Cayucos Sanitary District (JPA); SLO-Span (Channel20); and the City's website. However, these outreach methods are insufficient for community members who do not read newspapers, attend public meetings, watch SLO-Span, nor own (or have access to) a computer. Instead, the information they receive about the WRF is often secondhand and distorted.

Recommendations:

We recommend that, in addition to the outreach tools listed above, the city publish a series of brochures and flyers that summarize key issues and milestones during the planning and construction phases of the WRF. The informational materials developed by the San Luis Obispo County Public Works staff for the Los Osos WWTP are excellent and should be considered as models. We recommend the outreach materials be posted on the City's Website and be available at the Morro Bay Library, Community Center, Public Works Office, Chamber of Commerce, and the Natural History Museum. The brochures would address:

- *Project Approach* (milestones, WRFCAC, Questions and Answers)

- *Proposition 218* (Overview of Prop 218 requirements, FAQs, timeline)
- *Project Affordability* (Affordability Guidelines, Strategy for Pursuing Grants)
- *WRFCAC Pro/Con Analysis* (summary of criteria for effluent disposal/water resources options, treatment technology options, bio-solids treatment and disposal options, treatment plant site options, collection system options; Q&A)
- *Project Selection and Monthly Costs* (project technologies v. financing terms, project selection strategies, financial considerations, Prop 218 ballot questions, monthly estimated costs, Q&A)

The flyers would address:

- *Prop 218* (Q&A, timeline)
- *Pursuing Affordability Thorough Grants* (Q&A, City's efforts)
- *Project Selection* (process, timeline)
- *Reviewing Project Benefits* (objectives, timeline, benefits)

We also recommend that the City consider holding a series of town hall meetings at the Morro Bay Community Center that would coincide with the publication of these materials. The purpose of these meetings would be to provide timely updates on the WRF and answer questions. WRFCAC members would be encouraged to attend these town hall meetings.

Proposed Next Steps:

- Public Services staff to review communications plan and outreach materials prepared for the Los Osos WWTP project; develop and implement a communications plan for the WRF; prepare and disseminate brochure and flyer on Project Approach/Prop 218 (May 2015).

Goal# 2: Aggressively Pursue Federal and State Grants

Background:

According to USEPA more than \$600 billion is needed over the next 20 years to maintain and improve the nation's water infrastructure. The clean water and drinking water infrastructure needs for California alone are \$74.8 billion (\$29.9 billion for clean water infrastructure and \$44.9 billion for drinking water infrastructure needs).

The Phase I cost estimates to construct the new regional wastewater treatment plant are \$75 million. The Phase II cost estimates to construct the water reclamation component of this project are yet to be determined. The most likely sources of funding for the WRF are (1) low cost loans (Clean Water State Revolving Fund); (2) bonds (California Infrastructure and Economic Development Bank); (3) sewer fees; and (4) federal and state grants.

According to a report prepared for the City by Kestrel Consulting in September 2014, the cost to prepare a competitive grant proposal can range from \$10,000 to \$200,000 and it's unlikely that Morro Bay could obtain grants to finance more than 10% of the cost for the WRF. Also, Morro Bay would be required to provide a

financial match (which can be 20%-75% or more of the total project cost) and cover overhead charges and administrative costs.

Kestrel Consulting identified only two federal grants and two state grants that were considered to be viable options for the WRF: (1) U.S. Bureau of Reclamation Title 16 Grant Program; (2) U.S. Bureau of Reclamation WaterSMART Program; (3) California Department of Water Resources Integrated Regional Water Management Grant Program (funding through Prop. 1) and (4) California Water Resources Control Board's Water Recycling Facilities Grant Program (funding through Prop 1). For the Prop 1 funded grants, the request for grant proposals would probably not occur until late 2015 with awards made in early 2016.

Recommendations:

Given the extreme competition for a decreasing amount of federal and state grant funding available for infrastructure projects we recommend a systematic and proactive approach to locate and obtain grants for the WRF. Specifically, we recommend that the Public Services staff accomplish the following:

- Develop a strategy for regularly identifying grants for the WRF that have the greatest potential to be awarded to Morro Bay. The strategy would include milestones (e.g., grant deadlines, monthly or quarterly status reports at WRFCAC and City Council meetings).
- Identify additional grant opportunities through on-line research and funding fairs (e.g., Catalog of Federal Domestic Assistance, USEPA's Catalog of Funding for Watershed Protection and Restoration Programs, California Financing Coordinating Committee Funding Fairs).
- Write grant proposals

Los Osos was able to obtain a low interest loan from the U.S. Department of Agriculture (USDA-Rural Development) for their WWTP despite having a population greater than 10,000 (one of the eligibility requirements). This occurred because Representative Capps and her colleagues granted Los Osos a Congressional exemption from the population requirement. We recommend that Mayor Irons and appropriate staff meet with Representative Capps to request this exemption for the City of Morro Bay so it could pursue this funding mechanism.

To foster effective partnerships with regulatory agencies that offer grants for WWTPs, we recommend that Mayor Irons and appropriate staff initiate meetings with representatives from USEPA Region 9 (San Francisco office, Washington, D.C. office), U.S. Department of Interior- Bureau of Reclamation (Washington, D.C. office), and U.S. Department of Agriculture (Washington, D.C.).

Proposed Next Steps:

- Public Services staff to develop a grant strategy for the WRF (July 2015).
- Mayor Irons and appropriate staff to meet with representatives of USEPA, US Bureau of Reclamation, USDA (April-September 2015).

Discussion took place amongst the committee and staff regarding options to provide information to the public.

Rob Livick stated a defined project description needs to be in place prior to meeting with the various agencies.

Dale Guerra stated he will e-mail staff and committee the guidelines and calendar for applying for grants for Prop 1.

Environmental Sub-Committee: Paul Donnelly provided the committee with the following memorandum:

Re: Proposed Next Steps-Staff Report of January 14, 2015 WRFCAC Meeting (Item C-1)

It is the recommendation of the WRFCAC Environmental Sub-Committee that City staff consult with the local tribal communities and discuss the New Water Reclamation Facility Project with them before anything else is done. We believe that it would be in the best interest of the project to start out on the right foot and have them onboard early in the process. They should be included with any activity from here on out which may disturb the ground surface such as doing the proposed geotechnical investigations. Failure to do this may just be that "unknown potential fatal flaw" about which the City is concerned.

Rob Livick replied City Council gave direction to address this in the fatal flaws analysis which includes cultural resources.

Engineering: No new analysis at this time.

Bill Woodson opened Public Comment period.

Steve McIlvaine asked staff if there is a deadline they are aiming for, for the fatal flaw analysis.

Rob Livick responded within a few months.

Bill Woodson closed Public Comment period.

C. NEW BUSINESS

C-1 Review of Draft Proposed Memorandum of Understanding (MOU) between the City of Morro Bay and Cayucos Sanitary District

Rob Livick stated City Council gave direction to staff to develop an MOU. It establishes the relationship as the City being the Project Manager and Cayucos Sanitary District (CSD) as a customer. The CSD has concerns that they will not have 50/50 voting rights and some of their ideas will not be incorporated into the project. The draft MOU states the City's desire is to have the CSD as a bulk rate paying customer based on their flow. Rob stated the City will expect rates to be pledged by the CSD through a long term agreement to pay back the State Revolving Fund (SRF) loan.

Discussion amongst the committee and staff continued regarding rate structures, utility demand and energy cost, the billing process, former project studies, term and scope agreements, what percent the CSD will pay, clarification of meetings and City Council will consider the CSD's advice and suggestions but the final decision will be made by City Council.

Bill Woodson opened Public Comment period, seeing none, closed Public Comment period.

C-2 Presentation of Preliminary Water and Sewer Rate Study

Rob Livick and Steve Shively presented the following Water Rate Study which included:

Water finances and increased rates, the bond debt covenant, tier rate system, proposing a new rate base rate and billing for each unit of water used, linear progression for different units of water, a 10-year financial projection that assumes operating costs, State water costs will increase, water sales will decrease, adding a desal surcharge rate when the plant is running and the City will pursue funding through the State iBank for capital projects.

Bill Woodson opened Public Comment period.

Bob Keller agrees with the staff report and agrees there needs to be a base line rate. He suggested the City could use a percentage increase by units.

Bill Woodson closed Public Comment period.

Rob Livick clarified when CCWA issued the bonds, the City made a promise to meet the debt coverage ratio. Water rates need to bring in at least 125% of total State Water costs for each year and the City is well below that figure and the current rates do not meet the debt coverage. When the City does not meet the debt coverage on a bond, banks are reluctant to loan money to the City if promises will not satisfied on former bonds.

Rob Livick presented the following Sewer Rate Study which included:

Sewer finances and increased rates, sewer rates will be a fixed cost for residential use rate, the City needs to fund \$75 million for the wastewater project, the SRF loan and repayment, collection system upgrades, I and I inspections, pipe repair and capital maintenance ongoing costs, a 10-year financial projection that assumes operating costs to increase, revenue a slight decline, capital cost increase, non-residential has 5 strengths that users will be categorized by and assessments and operational cost billing.

The next steps are:

- Feb-19: Additional PWAB review and input
- Feb-24: Council Workshop (Set Public Hearing & Approve Notices)
- March: Initiate Prop 218 process
- May 26: Council Meeting/Public Rate Hearing
- July 1: New rates become effective

The complete Water and Sewer Rate Study presentation by Alex Handlers (Bartle Wells) is on the City's website.

Bill Woodson opened Public Comment period, seeing none, closed Public Comment period.

Rob Livick clarified the current rate structure is a general rate structure. Money from sewer rates has been used on several collection projects and sewer rates also pay for the consultants and studies. Reclaimed water is not included in this sewer rate study and in the next few months there will be more data regarding reclaimed water. The existing facility maintenance cannot be deferred anymore and the City will do the minimum amount of maintenance until the new plant is built. The figure for the project, in the next version of this report, will provide more detail and clarity.

D. COMMITTEE MEMBER CLOSING COMMENTS -None

E. ADJOURNMENT

The meeting adjourned at 3:39p.m. to the next regular WRFCAC meeting at the Community Center, Multi-Purpose Room, 1001 Kennedy Way, on Wednesday, March 11, 2015 at 3:00pm.

Bill Woodson, Vice-Chairperson

ATTEST:

Rob Livick, Secretary