



**AGENDA NO: Public Hearing Item #1**

**MEETING DATE: July 3, 2018**

**THE FOLLOWING PUBLIC CORRESPONDENCE WAS  
RECEIVED FOR THE PLANNING COMMISSION AND  
WATER RECLAMATION FACILITY CITIZEN ADVISORY COMMITTEE  
JULY 3, 2018 SPECIAL JOINT MEETING**

## Janeen Burlingame

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**From:** Marla Jo Bruton [REDACTED]  
**Sent:** Tuesday, July 03, 2018 1:32 AM  
**To:** Dana Swanson  
**Cc:** PlanningCommission; WRFCAC  
**Subject:** RWQCB Time Schedule Order (TSO) relating to the EIR for the 7-3-18 joint PC and WRFCAC meeting  
**Attachments:** rwqcb2018order.pdf

Dear Planning Commissioners and WRFCAC members,

Thank you for your service to our community.

I am not sure what purpose this special joint meeting is meant to fulfill on the city's due process calendar. I hope you have a better idea than I do

Is the purpose to complete a thorough review of the DEIR, the comments received from agencies and stakeholders, as well as the responses from the city?

I am aware that a few of you made comments during the public comment period as did myself and others in our community.

Many concerned citizens are interested in the compiled body of work we have paid to produce.

My concern is that neither the engaged stakeholders nor the members of your commission and committee have been provided enough notice and time to fairly evaluate this body of work.

I'm requesting that this meeting be continued to allow for a fair amount of time to make a public review of this portion of the process.

The attached Regional Water Board Time Schedule Order (TSO) was brought to my attention for the first time today. Apparently there was a 30 day public comment period to the Regional Water Board for this TSO. It is unfortunate that the public has been left unaware of this part of the process.

Have you seen this document before? It references the DEIR process.

Respectfully,  
Marla jo Sadowski

**STATE OF CALIFORNIA  
CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD  
CENTRAL COAST REGION  
895 Aerovista Place, Suite 101  
San Luis Obispo, CA 93401**

**DRAFT TIME SCHEDULE ORDER NO. R3-2018-0019**

**REQUIRING THE  
CITY OF MORRO BAY AND CAYUCOS SANITARY DISTRICT  
TO COMPLY WITH REQUIREMENTS PRESCRIBED IN  
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM  
PERMIT NO. CA0047881, ORDER NO. R3-2017-0050,  
AS RENEWED OR REVISED**

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) finds:

1. The City of Morro Bay and Cayucos Sanitary District (hereafter Discharger) own and operate wastewater collection, treatment, and disposal facilities to provide sewerage service to their respective communities.
2. The Central Coast Water Board adopted waste discharge requirements regulating the discharge of secondary-treated effluent from the Discharger's wastewater treatment plant (WWTP) to the Pacific Ocean. Under their previous permit, when flows exceed 1 million gallons per day (MGD), secondary-treated effluent could be blended with primary treated effluent, and the blend was chlorinated and dechlorinated before discharge. The Discharger plans to discontinue this blending process as part of the planned WWTP upgrades, and all flows will meet at least full secondary treatment standards. Until those upgrades are completed, however, periodic blending will still be necessary. Waste Discharge Requirements Order No. R3-2017-0050 (Order No. R3-2017-0050), adopted by the Central Coast Water Board on December 7, 2017, requires the Discharger to meet full secondary treatment standards. Order No. R3-2017-0050 serves as a National Pollutant Discharge Elimination System (NPDES) permit (NPDES No. CA0048941).
3. Clean Water Act section 301(b) requires U.S. EPA to develop secondary treatment standards for publicly-owned treatment works at a level of effluent quality attainably through applying secondary or equivalent treatment. U.S. EPA promulgated such technology-based effluent guidelines at 40 C.F.R. 133. Technology-based effluent limitations for biochemical oxygen demand (BOD) and total suspended solid (TSS) have thus been established in Order No. R3-2017-0050 based on 40 C.F.R. 133.
4. Order No. R3-2017-0050 prescribes final effluent limitations for BOD and TSS as shown in Table 1.

Table 1 – Final Effluent Limitations

Parameter	Units	Final Effluent Limitations		
		Average Monthly	Average Weekly	Maximum Daily
Biochemical Oxygen Demand 5-day @ 20°C (BOD <sub>5</sub> ) <sup>[1]</sup>	mg/L	30	45	--
	lbs/day <sup>[2]</sup>	515	773	--
Total Suspended Solids (TSS) <sup>[1]</sup>	mg/L	30	45	--
	lbs/day <sup>[2]</sup>	515	773	--

<sup>[1]</sup> The 30-day average percent removal for BOD and TSS shall not be less than 85 percent.

<sup>[2]</sup> Mass-based effluent limitations were calculated using the following formula:  
 lbs/day = pollutant concentration (mg/L) \* Design flow (2.06 MGD) \* conversion factor (8.34)

5. The Discharger is unable to comply immediately with Order No. R3-2017-0050 BOD and TSS final effluent limitations. The contributions of BOD and TSS are typical of municipal wastewater influent, but the existing treatment plant infrastructure cannot achieve full secondary treatment for the loading rates that the community experiences periodically over 1 MGD. Bypass during these loading events are expected to continue periodically until facility upgrades are completed.
6. The conditions of the 2008 Settlement Agreement between the Discharger and Central Coast Water Board prohibited the Discharger from applying to U.S. EPA for a CWA section 301(h) secondary treatment waiver pursuant to 40 CFR, subpart G during any subsequent Order renewal process. Therefore, the U.S. EPA has not granted an additional 301(h) waiver, and full secondary treatment requirements were implemented within Order No. R3-2017-0050.
7. As described in the Discharger's November 6, 2017 correspondence and Central Coast Water Board staff's report presented during the proposed Order's public hearing on December 7, 2017, the Discharger has been, and is, actively planning WWTP upgrades to allow full compliance with Order No. R3-2017-0050.
8. As shown in Tables 2 and 3 below, this Time Schedule Order subjects the Discharger to BOD and TSS interim effluent limitations and compliance activities to achieve full compliance with Order No. R3-2017-0050, as renewed or revised.
9. California Water Code (CWC) section 13300 authorizes the Central Coast Water Board to require dischargers to establish a time schedule, subject to Water Board approval, of specific actions a discharger shall take in order to correct or prevent actual or threatened discharges of waste in violation of requirements.
10. The Central Coast Water Board has delegated to its Executive Officer all powers and duties authorized by CWC section 13223. These powers include the authority to issue a time schedule order pursuant to CWC section 13300.
11. The Discharger cannot consistently comply with the BOD and TSS final effluent limitations in Order No. R3-2017-0050 because the effluent limitations are new regulatory requirements, new or modified control measures are necessary in order to comply with the effluent limitations, and the new or modified control measures cannot be designed, installed, and put into operation within 30 calendar days. As a result, a discharge of waste from the current facility is taking place that threatens to violate requirements prescribed by the Central Coast Water Board.

Therefore, this Time Schedule Order requires the Discharger to undertake actions to comply with the BOD and TSS final effluent limitations in Order No. R3-2017-0050.

12. Pursuant to CWC section 13385(j)(3), violations of the final effluent limits for BOD and TSS in Order No. R3-2017-0050, as renewed or revised, are not subject to CWC section 13385 subdivisions (h) and (i) mandatory minimum penalties as long as the Discharger complies with all of the requirements of this Time Schedule Order, and all of the following requirements are met:

- The time schedule order specifies the actions that the discharger is required to take in order to correct the violations that would otherwise be subject to subdivisions (h) and (i).
- The regional board finds that the discharger is not able to consistently comply with one or more of the effluent limitations established in the waste discharge requirements applicable to the waste discharge. (see Finding above).
- The regional board establishes a time schedule for bringing the waste discharge into compliance with the final effluent limitation that is as short as possible, and does not exceed five years in length.
- For time schedules that exceed one year from the effective date of the time schedule order, the schedule shall include interim requirements and the dates for their achievement. The interim requirements shall include both of the following:
  - Effluent limitations for the pollutant or pollutants of concern.
  - Actions and milestones leading to compliance with the effluent limitation.
- The discharger has prepared and is implementing in a timely and proper manner, or is required by the regional board to prepare and implement, a pollution prevention plan pursuant to CWC section 13263.3. This Time Schedule Order requires the Discharger to prepare, implement, and submit a pollution prevention plan for BOD and TSS.

This Time Schedule Order satisfies the above bulleted requirements.

13. This Time Schedule Order requires the Discharger to comply with a time schedule within five years of adoption, which will allow the Discharger to achieve full compliance with BOD and TSS final effluent limitations in Order No. R3-2017-0050, as renewed or revised.

14. The Central Coast Water Board publicly noticed this Time Schedule Order from March 9, 2018 to April 12, 2018. [PLACEHOLDER FOR RESULTS OF NOTICE].

15. This enforcement action is taken for the protection of the environment and as such is exempt from the provisions of the California Environmental Quality Act (Public Resources Code Section 21000, et seq.) in accordance with Section 15321, Chapter 3, Title 14, California Code of Regulations.

**IT IS HEREBY ORDERED** that, pursuant to sections 13267, 13383, and 13300 of the California Water Code, the City of Morro Bay and Cayucos Sanitary District shall:

1. Comply with the following BOD and TSS interim effluent limitations commencing on the effective date of Time Schedule Order (TSO) No. R3-2018-0019:

Table 2 –Interim Effluent Limits

Parameter	Units	Intermin Effluent Limitations	
		Average Monthly	Instantaneous Maximum
Biochemical Oxygen Demand 5-day @ 20°C (BOD <sub>5</sub> ) <sup>[1]</sup>	mg/L	120	180
	lbs/day <sup>[2]</sup>	2062	3092
Total Suspended Solids (TSS) <sup>[1]</sup>	mg/L	70	105
	lbs/day <sup>[2]</sup>	1203	1804

<sup>[1]</sup> The 30-day average percent percent removals shall be no less than at least 75% for TSS and 30% for BOD<sub>5</sub>.

<sup>[2]</sup> Mass-based effluent limitations were calculated using the following formula:

lbs/day = pollutant concentration (mg/L) \* Design flow (2.06 MGD) \* conversion factor (8.34)

2. Comply with the following compliance schedule commencing on the effective date of TSO No. R3-2018-0019:

Table 3 –Compliance Schedule

Required Actions	Compliance Due Dates <sup>4</sup>
Release of Public Draft Environmental Impact Report (EIR)	March 30, 2018
Release of Updated Rate Study	May 30, 2018
Proposition 218 Hearing	June 30, 2018
Certification of Final EIR ( <i>Critical Timeline for Grant Pursuits</i> )	June 30, 2018
Award of Contract for WRF Onsite Improvements	August 30, 2018
Develop, Implement, and Submit Pollution Prevention Plan (PPP) <sup>2</sup> pursuant to CWC section 13263.3 for BOD and TSS	December 1, 2018
Award of Contract for Construction of Lift Station and Offsite Pipelines	November 30, 2019
Completion of WRF Improvements with Completion Report	December 30, 2022
Full compliance with final effluent limitations	February 28, 2023
Quarterly Progress Reports <sup>3</sup> on TSO compliance	1 <sup>st</sup> Quarter (Jan-Mar): due May 1 <sup>st</sup> 2 <sup>nd</sup> Quarter (Apr-Jun): due by Aug 1 <sup>st</sup> 3 <sup>rd</sup> Quarter (Jul-Sep): due by Nov 1 <sup>st</sup> 4 <sup>th</sup> Quarter (Oct-Dec): due by Feb 1 <sup>st</sup>

<sup>1</sup> The Discharger has indicated the new facility will be called a Water Reclamation Facility, as opposed to the existing facility's name of Wastewater Treatment Plant.

<sup>2</sup> The PPP shall be prepared for BOD and TSS and shall meet the requirements specified in CWC section 13263.3(d)(3) for POTWs.

<sup>3</sup> The quarterly progress reports shall detail the Discharger's actions implemented towards achieving compliance with Order No. R3-2017-0050, including but not limited to studies, installation/construction progress, evaluation of measures implemented, recommendations for additional measures as

necessary to achieve full compliance by the final date of this TSO, completion of any required actions, failures to comply with any action required and related corrective actions. Quarterly progress reports shall also include as attachments any documentation demonstrating compliance, such as RFPs, EIRs, rate studies, contract awards, or hearing agendas. Where such materials are publicly available via the Discharger's website, the Discharger's quarterly report may instead provide web links if approved by Central Coast Water Board staff.

- <sup>4</sup> Compliance due dates are the latest allowable compliance date. The Discharger may be able to achieve compliance or progress sooner than the listed compliance date(s), based on any early successful implementation of the required actions.
3. If the Discharger fails to achieve any required action by its compliance due date, then the Discharger shall notify Central Coast Water Board staff by email report within two business days at [Katie.Disimone@waterboards.ca.gov](mailto:Katie.Disimone@waterboards.ca.gov), or as directed.
  4. All reports shall be submitted under discharger signed/certified cover letter to the California Integrated Water Quality System (CIWQS). The Executive Officer may require revisions to the form or types of data and information reported.
  5. All reports required by this TSO shall be signed by either a principal executive officer or ranking elected official, or by a duly authorized representative of that person. A person is a duly authorized representative only if:
    - a. The authorization is made in writing by a person described above;
    - b. The authorization specifies either an individual or a position having responsibility for the overall operation of the regulated facility or activity such as the position of plant manager, operator of a well or a well field, superintendent, position of equivalent responsibility, or an individual or position having overall responsibility for environmental matters for the owner of the regulated facility. (A duly authorized representative may thus be either a named individual or any individual occupying a named position.); and
    - c. The written authorization is submitted to the Central Coast Water Board.
  6. Any person signing a report required by this TSO shall make the following certification:

“In compliance with California Water Code section 13267, I certify under penalty of perjury that this document and all attachments were prepared by me, or under my direction or supervision, following a system designed to ensure that qualified personnel properly gather and evaluate the information submitted. To the best of my knowledge and belief, this document and all attachments are true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.”
  7. If, in the opinion of the Executive Officer, the Discharger fails to comply with any provisions of this TSO, or fails to consistently demonstrate substantive progress towards achieving full compliance with effluent limitations in Order No. R3-2017-0050, as renewed or revised, the Executive Officer may terminate this TSO. In that case, or if compliance with the final effluent limitations of Order No. R3-2017-0050 is not achieved by the full compliance dates shown above in Table 3, the Discharger would not be exempt from the mandatory minimum penalties for violation of those effluent limitations, and would also be subject to issuance of a Cease and Desist Order in accordance with CWC section 13301. The Central Coast Water Board reserves its right to take any enforcement action authorized by law.
  8. During the effective period of this TSO, the Discharger shall comply with all provisions of Order No. R3-2017-0050, as renewed or revised, that are not in conflict with this TSO.

The Central Coast Water Board's requirement that you submit the reports required by this TSO is made pursuant to sections 13267 and 13383 of the California Water Code. Pursuant to section 13268 of the Water Code, a violation of a Water Code section 13267 requirement may subject you to civil liability of up to \$1,000 per day for each day in which the violation occurs. Pursuant to section 13385 of the Water Code, a violation of a Water Code section 13383 requirement may subject you to civil liability of up to \$10,000 per day for each day in which the violation occurs.

The Central Coast Water Board needs the reports required by this TSO in order to ensure the Discharger's compliance with this TSO and its timely achievement of full compliance with the final effluent limitations of Order No. R3-2017-0050. The Discharger is required to submit this information because based on the available data it is responsible for the discharge and for compliance with Order No. R3-2017-0050. The evidence supporting this requirement is discussed above. More detailed information is available in the Central Coast Water Board's public file on this matter.

Any person aggrieved by this action of the Central Coast Water Board may petition the State Water Board to review the action in accordance with Water Code section 13320 and California Code of Regulations, title 23, sections 2050 and following. The State Water Board must receive the petition by 5:00 p.m., 30 days after the date of the order, except that if the thirtieth day following the date of the order falls on a Saturday, Sunday, or state holiday, the petition must be received by 5:00 p.m. on the next business day. Copies of the law and regulations applicable to filing petitions may be found on the internet at: [http://www.waterboards.ca.gov/public\\_notices/petitions/water\\_quality](http://www.waterboards.ca.gov/public_notices/petitions/water_quality), or will be provided upon request.

This Order is effective upon signature by the Executive Officer. The Executive Officer may modify the time schedule in this Order to permit a specified task or tasks to be completed at later dates if the Discharger demonstrates and the Executive Officer determines that the delay was beyond the reasonable control of the Discharger to avoid.

ORDERED BY \_\_\_\_\_  
John M. Robertson, Executive Officer

## Janeen Burlingame

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**From:** Jeffery Heller  
**Sent:** Monday, July 02, 2018 11:59 AM  
**To:** WRFAC; PlanningCommission; Joseph W. Pannone; Scott Collins; Council  
**Subject:** CEQA VIOLATIONS-WRF PROJECT-AGENDA CORRESPONDNCE FOR 7/3/18 JOINT MEETING.

PC & WRFAC members

The community needs you to be forthright and strong at Tuesday night's joint meeting. The WRF project has clearly been "piece-mealed" from the beginning.

1. The **lift station and pipeline portion** of the project has been under design for a number of months now, yet a "preferred" pipeline route and lift station location have not been documented in the DEIR as required by CEQA.
2. The **IPR recycled portion of the project** does not have a preferred well location either. At present--- there are at least 2 options being considered--each of which will have different impacts. Since neither option was noted as "preferred" in the DEIR---CEQA has been violated again.
3. The scope of work for the "onsite plant" has been shifting for some time now, as buildings have been removed or scaled down, and costs continually reduced by removing scope from the project. **THE PROJECT IS NOT STABLE**, which is also a CEQA violation.
4. All of these violations leave the City and its residents open to litigation, as occurred in Lake Tahoe not long ago.

Regardless of what the MBCC decides, please recognize and support the CEQA law by rejecting the DEIR for these and other reasons. The community is looking to you for leadership.

Regards

Jeff Heller

## Janeen Burlingame

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**From:** Rob Livick  
**Sent:** Monday, July 02, 2018 10:54 AM  
**To:** Janeen Burlingame  
**Cc:** 'John Rickenbach'; Jennifer Jacobus; Scott Collins; Scot Graham  
**Subject:** FW: MORRO BAY WATER RECLAMATION FACILITY - Final Environmental Impact Report LAFCO comments

Additional PC/WRFCAC Agenda Correspondence.

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**From:** Mike <mprater@slolafco.com>  
**Sent:** Friday, June 29, 2018 12:56 PM  
**To:** Rob Livick <rlivick@morrobayca.gov>  
**Subject:** MORRO BAY WATER RECLAMATION FACILITY - Final Environmental Impact Report LAFCO comments

Rob,

Thanks you for taking the time to review our comments and provide responses in the Final EIR. Please find below revisions to the responses that clarify the process.

## 10.3 Master Responses

### 2.2 Project Location

“The 27.6-acre site would ultimately be annexed to the City.

Refer to Section 2.7.1 below for further discussion about the annexation process.

The WRF site is part of a greater 396-acre parcel that is located along Highway 1, north of the northern terminus of South Bay Boulevard. The City’s Sphere of Influence (SOI) would be modified to include this 396-**27.6**-acre parcel. Refer to Section 2.7.1 below for further discussion about the process to modify the SOI.”

### 2.7.1 Annexation Process

“As part of the application review for an annexation, the LAFCO Executive Officer must **receive and approve** a Negotiated Tax Agreement between the City and County. The ~~LAFCO Executive Officer~~ **City and County will** determines if master property tax agreements are applicable or separate property tax exchange resolutions are required. If negotiations leading to adoption of separate resolutions are required, then either the County or any affected municipality must agree to a tax exchange ~~or the County negotiates a property tax exchange on behalf of any Special District~~ (Revenue and Taxation Code Section 99).”

LAFCO understands that the City will process an annexation and SOI amendment at a later time. During that process the City will pre-zone and prepare all necessary documents including environmental review that covers their actions and requests. All other comments and responses have been addressed and we are available if there are any questions.

Mike Prater  
Senior Analyst  
SLOLAFCO  
1042 Pacific Street Ste A  
San Luis Obispo, Ca. 93401  
805-781-5794

## Gina Gregory

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**From:** Scot Graham  
**Sent:** Tuesday, June 26, 2018 3:11 PM  
**To:** Gina Arias; Rob Livick  
**Cc:** Scott Collins; jpannone@awattorneys.com; Gina Gregory  
**Subject:** FW: Agenda Correspondence for July 3rd Meeting--why to VOTE NO on sewer/water increases  
**Attachments:** 180626-PC MTG 7-3-18-AGENDA CORRESPONDENCE.docx; 171.207-PERC Letter to Director of Public Works.pdf

FYI

**From:** Jeffery Heller  
**Sent:** Tuesday, June 26, 2018 2:40 PM  
**To:** PlanningCommission <PlanningCommission@morrobayca.gov>  
**Cc:** Lori Kudzma <lkudzma@morrobayca.gov>; Dana Swanson <dswanson@morrobayca.gov>  
**Subject:** Agenda Correspondence for July 3rd Meeting--why to VOTE NO on sewer/water increases

Please see attached letter from me as well as proposal letter from PERC. My attorney says Black & Veatch (and the City) have a problem with conflict of interest per California SB-785 and the Public Contract codes that resulted from the bill.

Awarding the Design/Build contract to the Filanc/Black & Veatch team could bring about expensive litigation for the City. Smaller firms much better suited for providing a WRF to a city of about 10,000 were specifically excluded from bidding by the highly restrictive Request for Qualifications, much of which was based on information in B&V's Facilities Master Plan (November 2016). This can be seen by the fact that the 4 original bidders for the Design/Build contract are all in the top 20 of the largest engineering design firms in the world, in terms of annual. Yes.....in the world.

It is my hope that the City, and specifically the Planning Commission will recognize this issue, before litigation becomes an option. Please do whatever you can to help us.

Thank you

Jeff Heller

6/26/18

NOTE TO PLANNING COMMISSION  
RE: AGENDA CORRESPONDENCE FOR MEETING OF 7/3/18.  
WRF PROJECT

To all,

I applaud the 100's if not 1,000's of hours each of you have given to the City. I imagine it has been far more than you had bargained for! Nevertheless----I respect all of you for your service to the City.

Since all of you are familiar to some extent with the Water Reclamation Facility (WRF) project, I want to bring to your attention to the fact, that proposals similar to the one attached here (PERC-12/7/17) has not been given serious consideration by the Mayor or council. The "pre-engineered" unit approach to sewer plants for towns of less than 20-30,000 residents is the most common design method used. Yet Morro Bay staff, consultants, as well as the council and mayor, have insisted the City needs a custom designed plant, and the Facilities Master Plan (FMP) for the WRF has clearly been constructed to deliver one. This is like me trying to convince my partner that we need to design and build a custom home, when she would be more than happy with a tract home for half the cost.

**In addition, my attorney tells me that allowing a consultant who contributed to the preliminary design standards (Black & Veatch) to also bid on the design/build project (Filanc/Black & Veatch) is a violation of the California constitution and the California Public Contract code (SB-785; 22162-C and 22164-a-1). Moving forward with this project and this team opens the City to significant litigation re: "conflict of interest" in his opinion.**

Before making any recommendations, please read the attached proposal and note that **the rate increases accepted in 2015 WILL BE ENOUGH to build a new plant using the "pre-engineered" approach.** The City needs to stop this project and find a way to build what is needed to comply fully with the water effluent standards of the Federal, State, and local regulations, using the funds generated from the rate increases approved 3 years ago. That is all we are required to do. Anything above that is frosting on the cake. If the increases approved have not generated sufficient cash to support the debt service for the financing, then let's save more cash and finance less. Isn't that what we do when we buy a house or car? It's called a "budget" or "what we can afford". And if we can't afford a new or used car, we fix the car we have when it breaks down--and keep driving it. I know---because my wife and I live on a fixed income and I drive a 14 year old car. She drives the "new car" which is only 12 years old.

When asked as recently as last Saturday, 6/23/18 at a City sponsored workshop, the council, staff, consultants, and some residents like to say that PERC never bid on the project. That is true, but only because the terms of the Request for Qualifications were so stringent that PERC did not qualify to even submit a bid. Do you ever wonder why the 4 bidders are in the top 20

design and engineering firms in the world in terms of annual revenue? I know why. The RFQ was so stringent in terms of the qualifications required---that only top firms in the world would qualify. It is a simple and common practice for large firms to try to eliminate their competition. I know---because I have worked for large consulting management firms for many years in Los Angeles.

But we are not Los Angeles. We are not Los Osos. We are not fighting the installation of a sewer and collection system so we can keep our septic tanks, and we are not fighting a small increase in sewer and water rates. We are fighting rate increases that could easily double our current rates, just to support a monstrous project that has grown exponentially in cost in less than three years with little or no explanation from the City. We are a modest coastal town of a few more than 10,000 residents with an existing sewer and collection system. Pre-engineered, modular units (like a tract home vs. a custom home) is all that we need. The rates we approved in 2015 are enough to build a new sewer using this methodology. The rates approved then----are considered reasonable for our small town. A penny more---would be unreasonable and many Morro Bay residents will oppose it as they have right to do so in California via Prop 218.

Please think hard about your decisions at this important meeting and stand up for us. Reconsider what you all think to be "reasonable" for Morro Bay residents----and think again about the rate structure we approved three years ago--which is clearly enough for our sewer/wastewater/recycled water needs. And think again about the 4 mega-firms that bid on our project. Let's not continue to throw bad money after good.

Lastly---please read the attached PERC letter one more time. I am not suggesting sole sourcing the project to a specific firm. I just want all of you to realize that there is nothing wrong with a nice tract home. After all---we're not sending a man to the moon, we just want our sewer fixed.

Regards

Jeff Heller



959 South Coast Drive  
Suite 315  
Costa Mesa  
California 92626  
Office 714.352.7750  
Fax 714.352.7765  
www.percwater.com

December 7, 2017

City of Morro Bay Public Works Department  
Mr. Rob Livick, P.E.  
Public Works Director / City Engineer  
955 Shasta Avenue  
Morro Bay, California 93442

**Re: Request for Qualifications for Design-Build Services - Water Reclamation Facility  
Alternative Design (Project Plan B)**

Dear Mr. Livick:

Upon receipt and initial review of the City's Request for Qualifications (RFQ) for Design-Build Services for the City's planned water reclamation facility, we were very excited to see this project move forward to the next phase of procurement. We applaud you, the City staff and the City Council for selecting an acceptable site location at the South Bay Boulevard property and proceeding with the RFQ to select a team to bring this project to a reality. However, our team regrets to inform you we will not be submitting our Statement of Qualifications (SOQ) in response to the current RFQ for the reasons outlined in this letter.

#### **Current Design and Estimated Cost**

While we consider the RFQ to be well written with a detailed outline for the project and the City's goals, we are concerned the current design described in the Draft Facilities Master Plan (FMP) will result in a project cost of \$150 million, as stated in the RFQ, and will therefore not meet the City's first objective ensuring economic value with a special emphasis on minimizing rate payer and City expense. In addition, we have concerns that critical milestones within the project are yet to be completed, which could impact the award of the project and limit the competitive environment for the City and its ratepayers. As we understand it, the following items are yet to be completed for the project to proceed to contract award:

- Environmental Impact Report (EIR) for the South Bay Boulevard site;
- Funding approval for the total project cost of \$150 million;
- Proposition 218 vote supporting the current project cost budget of \$150 million, and
- Required permits and approvals by the Regional Water Quality Control Board.

Given the above, we are presenting the following alternative design that has the potential to bring the annual costs within the current rates approved in the 2015 Rate Study and 2015 Proposition 218 rate structure, as shown on the table below.

Per the current RFQ, the first objective is to ensure economic value with a special emphasis on minimizing rate payer and City expense. While we completely support this key objective, the current design prescribed in the RFQ is budgeted at \$150 million and per the 2017 Draft Rate Study, will cost the City and its ratepayers approximately \$11.4 million per year. This in contrast to the approved costs in the 2015 Rate Study (and approved Proposition 218) of \$6.4 million per year.

**City of Morro Bay**  
 Annual Costs for Water Recycling Facility and Reuse System

	2015 RATE STUDY SCENARIO			2017 DRAFT RATE STUDY SCENARIO		
	Phase 1	Phase 2	Total	Phase 1	Phase 2	Total
	New Facility	RW System		New Facility	RW System	
Capital Cost	\$ 56,025,000	\$ 25,000,000	\$ 81,025,000	\$ 123,282,500	\$ 27,140,000	\$ 150,422,500
Capitalized Interest During Construction	\$ 2,077,500	\$ 625,000	\$ 2,702,500	\$ 4,571,520	\$ 678,500	\$ 5,250,020
<b>Total Loan Amount</b>	<b>\$ 58,102,500</b>	<b>\$ 25,625,000</b>	<b>\$ 83,727,500</b>	<b>\$ 127,854,020</b>	<b>\$ 27,818,500</b>	<b>\$ 155,672,520</b>
SRF Annual Loan Payment (51%)	\$ 1,511,817	\$ 666,758	\$ 2,178,575	\$ 3,326,739	\$ 723,832	\$ 4,050,571
WIFIA Annual Loan Payment (49%)	\$ 1,360,240	\$ 599,908	\$ 1,960,148	\$ 2,993,196	\$ 651,260	\$ 3,644,456
<b>Total Debt Service (SRF &amp; WIFIA)</b>	<b>\$ 2,872,057</b>	<b>\$ 1,266,666</b>	<b>\$ 4,138,723</b>	<b>\$ 6,319,935</b>	<b>\$ 1,375,093</b>	<b>\$ 7,695,027</b>
WRF Annual Operations Costs	\$ 1,998,000	\$ 300,000	\$ 2,298,000	\$ 3,000,000	\$ 700,000	\$ 3,700,000
<b>Total Annual Costs</b>	<b>\$ 4,870,057</b>	<b>\$ 1,566,666</b>	<b>\$ 6,436,723</b>	<b>\$ 9,319,935</b>	<b>\$ 2,075,093</b>	<b>\$ 11,395,027</b>

**Assumptions**

2015 Rate Study Scenario based on Rancho Colina site  
 2015 Rate Study Annual Costs included in Prop 218 Rates  
 Amounts are for Morro Bay only (excl Cayucos)  
 2017 Draft Rate Study Scenario based on South Bay Boulevard site  
 SRF Annual Loan Payments based on 3.0% rate for 30-years  
 WIFIA Annual Loan Payments based on 2.5% rate for 30-years

**Alternative Design and Estimated Cost (Project Plan B)**

In 2010, our firm prepared a conceptual design of a new water recycling facility located at the City’s existing wastewater treatment plant property. In addition to treating flows from the City of Morro Bay, this design considered accepting and treating flows from Cayucos Sanitary District. However, this design was not considered by the City and the location was unacceptable to the California Coastal Commission.

The conceptual design prepared in 2010 remains relevant, technically suitable and compliant with the design criteria and process technologies prescribed in the current RFQ, and can be considered a Plan B design to the current FMP design. The design will produce tertiary disinfected wastewater in accordance with the California Code of Regulations Title 22 requirements for unrestricted urban irrigation, and can produce recycled water to augment the City’s water supply. We have prepared the following conceptual site layout and renderings, which will illustrate how the alternative design will occupy less than 2 acres, be discrete to the surrounding community and comply with the “Factors of Success” as adopted by the City in April 2013.

This alternative design could be completed within the City's budget outlined in its 2015 Rate Study and within the approved 2015 Proposition 218 Rates resulting in a cost to the City of \$6.4 million per year.

### Alternative Design Site Layout



### Alternative Design Operations Buildings



### **Alternative Facility Maintenance Buildings**



### **Alternative Design for the City's EIR**

We respect the procurement process the City has selected and we don't expect the City to deviate from this process. However, we want to make you aware of other design concepts that are available that meet the technical criteria in the current RFQ and will significantly reduce the cost to the City and its ratepayers. With that in mind, we suggest the City maintain ultimate flexibility with several design options and consider the PERC Water conceptual design as an alternative in the City's EIR. We would be happy to provide further technical information regarding this conceptual design to you for inclusion in the City's EIR, at no cost to the City.

Finally, should the City's current RFQ process and subsequent Request for Proposal process not proceed as hoped by the City, PERC Water would be happy to provide a 30% Design proposal for the conceptual design outlined in this letter. Upon completion of the 30% Design, we would support the City with the project in any delivery method the City would prefer, giving the City ultimate flexibility with the procurement process and delivery method.

In the meantime, we wish you and the City the best of success with your procurement and project.

Regards,

**PERC Water Corporation**

A handwritten signature in blue ink, appearing to read "S. D. Owen".

Steven D. Owen  
Vice President

Cc: Brian Cullen, President, PERC Water Corporation  
Jeff Naff, Vice President, Overaa Construction

**Edward J. Sylvester**

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MAY 14 2018

City of Morro Bay  
Public Works Department

RECEIVED  
City of Morro Bay

JUN 21 2018

Administration

May 12, 2018

Rob Livick, P.E.,  
Public Works Director  
City of Morro Bay  
955 Shasta Avenue  
Morro Bay, CA 93442

**RE: Comments and Questions on the Draft Water Reclamation Facility EIR**

Morro Bay is proposing to establish a recycle pipeline to the Morro Valley and use groundwater injection wells for groundwater replenishment. A decision by the Ninth Circuit Court of Appeals "Hawai'i Wildlife Fund v. County of Maui" (filed February 1, 2018) found that a NPDES permit would henceforth be required for such a discharge. As with Maui's discharge, there is an interconnection between the Morro Valley and the Ocean. Brown and Caldwell found that the Morro Creek Basin had a subsurface discharge of 3,400 acre-feet per year<sup>2</sup>. It would be impossible to separate any of Morro Bay's recharge from this existing outfall, thereby requiring the NPDES Permit.

**Question: With this new Court of Appeals decision, will Morro Bay be able to obtain a NPDES discharge for its groundwater injection, or will another reclamation scheme be required? And if so, what would the additional cost be?**

Although the groundwater replenishment may help Morro Bay's wells in the Morro Basin, the 2007 Morro Basin Nitrate Study would suggest that any water being pumped from that source would require the use of its Reverse Osmosis Facility to bring the water to drinking water standards.

**Question: Has this additional treatment cost been included in the City's new WRF operating cost structure?**

Sincerely,



Edward J. Sylvester

<sup>1</sup> City of Morro Bay, Coastal Land Use Plan, Chapter V, p. 72.