



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

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and consistent with and responsive to the needs of the public.

**Tuesday, December 6, 2016
Veterans Memorial Building – 3:00 P.M. to 5:00 P.M.
209 Surf Street, Morro Bay, CA**

John Diodati, Chairperson

Bill Woodson,
Vice Chairperson

Dale Guerra

Barbara Spagnola

Mary (Ginny) Garelick

Paul Donnelly

Valerie Levulett

Planning Commission
Member: Richard Sadowski

Public Works Advisory Board
Member: Stephen Shively

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE/PLEDGE OF ALLEGIANCE
ANNOUNCEMENTS/PRESENTATIONS

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the Board on City business matters other than scheduled items may do so at this time. To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chair, please come forward to the podium and state your name and address for the record. Board meetings are audio and video recorded and this information is voluntary and desired for the preparation of minutes.
- Comments are to be limited to three minutes.
- All remarks shall be addressed to the Board, as a whole, and not to any individual member thereof.
- The Board respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commission and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Board to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in Board meetings is welcome and your courtesy will be appreciated.

A. CONSENT CALENDAR

- A-1 Approval of minutes from the Water Reclamation Facility Citizen Advisory Committee meeting of October 4, 2016
Staff Recommendation: Approve minutes as submitted.

B. BUSINESS ITEMS

- B-1 Program Status Update
Recommendation: Receive and consider updates.
- B-2 Draft Facility Master Plan Presentation
Recommendation: Receive and consider.

B-3 Anticipated Rate Impacts
Recommendation: Receive and consider.

C. COMMITTEE MEMBER CLOSING COMMENTS

D. ADJOURNMENT

Adjourn to the regular Water Reclamation Facility Citizen Advisory Committee meeting at the Morro Bay Veteran's Memorial Building, 209 Surf Street, on January 3, 2017, at 3:00 p.m.

This agenda is subject to amendment up to 72 hours prior to the date and time set for the meeting. Please refer to the agenda posted at the Public Works Department, 955 Shasta Avenue, for any revisions or call the department at 772-6262 for further information.

Materials related to an item on this agenda are available for public inspection during normal business hours in the Public Works Department at 955 Shasta, City Hall at 595 Harbor, Mill's/ASAP at 495 Morro Bay Boulevard, or the Morro Bay Library at 695 Harbor, Morro Bay, CA 93442. Materials related to an item on this agenda submitted to the Committee after publication of the agenda packet are available for inspection at the Public Works Department during normal business hours or at the scheduled meeting.

This agenda may be found on the Internet at: www.morrobayca.gov/wrfcac or you can subscribe to Notify Me for email notification when the Agenda is posted on the City's website. To subscribe, go to www.morrobayca.gov/notifyme and follow the instructions.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Public Works Department at (805) 772-6262. Notification 24 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

MINUTES – WATER RECLAMATION FACILITY CITIZEN ADVISORY COMMITTEE (WRFCAC)
REGULAR MEETING – OCTOBER 4, 2016
VETERAN’S MEMORIAL BUILDING – 3:00 to 5:00 P.M.

- PRESENT: Dale Guerra Barbara Spagnola
Paul Donnelly Valerie Levulett
Richard Sadowski
Mary (Ginny) Garelick Bill Woodson
- VIA TELECONFERENCE CALL: John Diodati
- ABSENT: Steven Shively
- STAFF: Rob Livick Public Works Director
Mike Nunley WRF Program Manager
Gina Gregory Office Assistant

ESTABLISH QUORUM AND CALL TO ORDER
The meeting was called to order at 3:00 p.m. and a quorum was present.

MOMENT OF SILENCE/PLEDGE OF ALLEGIENCE
ANNOUNCEMENTS – None

PUBLIC COMMENT
<https://youtu.be/3QAe7VbL4kc?t=2m23s>

The public comment period was opened.

Linda Stedjee expressed concern the current design doesn’t address Coastal Commission’s original concerns that caused the City to move the plant in the first place, noting keeping the design is almost like not moving the plant at all, wasting millions of dollars on top of the \$2 million already spent, and be vulnerable to the same natural hazards as the existing plant. She liked Committee member Sadowski’s suggestion of building the new plant on the old Hanson site that could be safer and cost less.

Bart Beckman expressed concern about the facilities master plan and schedule, noting the MOU is not on the schedule and there needs to be incentive to get the water in place as soon as possible so it can start offsetting the costs.

The public comment period was closed.

Mike Nunley, Bill Woodson, Richard Sadowski and John Diodati responded to questions raised during public comment.

- A. CONSENT CALENDAR
<https://youtu.be/3QAe7VbL4kc?t=12m53s>

A-1 APPROVAL OF MINUTES FROM THE WRFCAC REGULAR MEETING ON AUGUST 6, 2016

Ginny Garelick stated Mike Nunley noted a discussion on the Santa Paula trip would be on the October agenda and it is not, saying she would like to hear about the trip. The Committee and staff discussed why it was not on the October agenda and whether or not to place it on the December agenda or present it now. Valerie Levulett volunteered to present her notes on the trip and the Committee concurred to add the item to the agenda.

MOTION:
Ginny Garelick moved to approve Item A-1. The motion was seconded by Barbara Spagnola and carried 8-0.

B. BUSINESS ITEMS

B-1 WRFCAC SUB-COMMITTEE UPDATES AND RECOMMENDATIONS

<https://youtu.be/3QAe7VbL4kc?t=17m44s>

Ginny Garelick stated there will be two WIFIA meetings, one in San Francisco November 14th at the EPA regional office from 9:00-3:30 p.m. with a question and answer session afterwards, and again in Los Angeles at the Federal Building November 15th from 9:00-3:30 p.m. to provide information on the WIFIA program and the different forms of assistance for Waste Water Treatment Plant development. She also noted Morro Bay was included in a newly released Clean Water State Revolving Fund intended use plan regarding the \$10M planning grant.

Richard Sadowski left the meeting at 3:21 PM.

Valerie Levulett presented a verbal report on the trip to the Santa Paula and Fillmore Facilities.

B-2 WRF PROGRAM UPDATE AND QUARTERLY BUDGET REPORT

<https://youtu.be/3QAe7VbL4kc?t=30m58s>

Mike Nunley presented the staff report

Discussion, comments and questions continued amongst committee members and staff.

The public comment period was opened.

Tina Metzger asked why there isn't a WRFCAC meeting in November, what exactly are the facilities of the project, and when will the MOU be shared with the public.

Robert Davis wanted to know what is the purpose of the Solar Facility.

Mike Nunley, Rob Livick, Bill Woodson and Valerie Levulett responded to questions raised during public comment.

The public comment period was closed.

B-3 SCHEDULE UPDATE AND TENTATIVE WRFCAC SCHEDULE

<https://youtu.be/3QAe7VbL4kc?t=1h8m33s>

Mike Nunley presented the staff report.

Discussion, comments and questions continued amongst committee members and staff.

B. COMMITTEE MEMBER CLOSING COMMENTS

<https://youtu.be/3QAe7VbL4kc?t=1h26m39s>

Barbara Spagnola thanked Rob & Mike for the Budget Quarterly and the Year to Date budget and asked that this be published on the website so that people can see what the costs are.

Paul Donnelly asked about the upcoming workshop on November 14th how will the public be notified.

Ginny Garelick asked how the feedback from the public was with the last mailing that did not get theirs and how can we do better this time.

Rob Livick responded to Committee member closing comments.

ADJOURNMENT

The meeting adjourned at 4:28 p.m. The next Regular Meeting will be held on Tuesday, December 6, 2016 at 3:00p.m. at the Veteran's Memorial Building located at 209 Surf Street, Morro Bay, CA.



AGENDA NO: B-1

MEETING DATE: December 6, 2016

Staff Report

DATE: November 30, 2016
TO: Water Reclamation Facility Citizens Advisory Committee
FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
SUBJECT: WRF Program Update

RECOMMENDATION

Staff recommends WRFCAC review the current status of the WRF program.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's fiscal year budget for the Water Reclamation Facility.

DISCUSSION

With the denial of the permit for the WWTP project in its current location, the City has embarked on a process for a new WRF. This staff report provides the following:

- Review of what has occurred to date. See the list of major milestones or accomplishments since the last update to City Council below. This summary is typically provided each month.
- Year-end summary for fiscal year (FY) 15/16
- Update on project financing
- Update on environmental review and permitting

Accomplishments and Milestones

The City's Program Management team and technical consultants performed the following tasks since the October program update:

- Completed the Draft Facility Master Plan and released it for public review on November 10th
- Continued work evaluating recycled water alternatives for the Master Reclamation Plan and developed preliminary cost opinions for various alternatives
- Prepared and reviewed draft architectural simulation of the property, incorporating architectural elements and themes discussed in City community workshops
- Evaluated potential water and sewer rate impacts based on draft WRF cost opinions and range of costs for preliminary reclamation alternatives.
- Conducted Community Workshop on November 14th to discuss Draft Facility Master Plan, potential reclamation opportunities and anticipated rate impacts.

Prepared By: MN

Dept Review: RL

- Performed field testing to refine preliminary groundwater model of lower Morro Valley and began updating assessment of potential groundwater injection and extraction in the Morro Valley.
- Continued compiling water quality and flow data for use by design/construction teams during the proposal process for the Phase I WRF.
- Facilitated execution of the final Memorandum of Understanding (MOU) with property owner at South Bay Boulevard.
- Completed internal draft outreach materials to summarize the Salinity Control Plan and continued development of draft ordinance for future WRFCAC and Council consideration
- Met with potential recycled water users from the agricultural community to expand on initial outreach and further assess the potential recycled water market. Results from these meetings will be summarized in the Master Reclamation Plan.
- Coordinated with EIR consultant team relative to the recent draft FMP release. The EIR consultant has begun analysis of the FMP, and is working with staff to develop potential project alternatives. The EIR consultant is also coordinating with staff to analyze the Master Reclamation Plan as it is being developed. ,

First Quarter 16/17 Summary

A budget update for the first quarter of fiscal year 2016/17 (1Q16/17) has been prepared. It should be noted that the final consultant invoices and charges through September 30 of FY 16/17 have not all been received and approved by City staff.

As discussed in prior meetings, MKN and City staff developed a budget and expense report format with input from the WRFCAC Financial Subcommittee. The summary is attached, and includes all City expenses (including staff time with benefits, copies, and other office expenses) in addition to consultant contracts. The second page provides a higher level of detail on budget status of individual consultant contracts. This report will be provided quarterly to City Council and WRFCAC, and currently represents expenses through September 30, 2016.

The following sections provide an analysis and overview of the City's WRF budget. The budget summary presents budget information on quarterly, annual (based on the fiscal year for the City between July and June) and total project time periods. All costs for a given period are based on the invoice dates (except for consultant costs as described below). This resulted in minor changes to the costs per quarter compared to the previous report, but working from the invoice dates allows us to better automate the reporting process since that is the information the City uses to report miscellaneous costs.

EXPENDITURES: The following table describes the line items from Attachment 1, as well as any comments regarding budget status.

| Object Name (from Attachment 1) | Description | Comments |
|---------------------------------|---|---|
| Past Siting Studies | Contractual services for studies completed prior to initiating the Facility Master Plan process (2013-2015) | These work efforts were completed, contracts expired, and there are no further encumbrances |
| Current Consultant Contracts | Summary of Page 2 from Attachment 1 | Work efforts are under budget for FY 16/17. In order to facilitate a more automated reporting process, consultant costs for a given period will be based on the dates work was performed instead of invoice or payment dates. |
| Water Rights Legal Support | Contract attorney fees for input on water reuse alternatives and legal constraints | -- |
| Labor and Benefits | City staff labor and benefits (also called "fully burdened labor") for the WRF Program | Current FY 16/17 efforts included wastewater sampling, meeting attendance, administrative support, collection system flow monitoring, and all activities related to the WRF Program |
| Laboratory/Sampling | Contract laboratory services for wastewater analysis to support Facility Master Plan and future detailed design efforts | -- |
| Printing and Advertising | Costs from outside vendors for copies, printing, and postage to develop and distribute WRF Program materials | |
| Software License and Fees | Fee for Procore Project/Construction Management Software | Procore software is used to manage and track consultant budgets and contracts, store program documents and deliverables, coordinate and record meetings, and track work efforts during the planning/permitting phase. During construction, the software will be used for tracking contractor submittals, pay requests, field observations, and other work efforts. Annual fee is \$42,205 over the next 5 to 8 years. |
| Property Acquisition | Cost to purchase property appraisal | -- |
| Program Office Equipment | Copier, monitor, telephone, and other office equipment to equip the Program Office in the City Hall Annex | -- |

REVENUE: At this time, the City is funding the project through user rates, the Recycled Water Facilities Planning Grant, and Supplemental Environmental Project (SEP) money from California Department of Corrections and Rehabilitation for California Men's Colony. SEP funds were intended to offset costs for the CMC evaluations completed last year.

User rates fund the City's sewer enterprise, including efforts not related to the new WRF. Incoming revenue is not directed into a specific fund for the WRF. Therefore, the budget table includes the revenue anticipated for the WRF which is 75% of \$75M, or \$56.25M, with 25% of debt service coverage (assumed in the Rate Study) to increase the projected available revenue up to \$70.4. This assumes debt service coverage would be reduced and/ reallocated by reprioritizing other wastewater capital projects.

The goal of the Facility Master Plan is to develop a more refined Phase I WRF project budget than the range of estimates from the 2014 Site Options Report (which assumed a project would be constructed at the Rancho Colina site and was the origin of the \$75M Phase I budget in the 2015 Rate Study).

Project Environmental Review and Permitting Update

A Notice of Preparation (NOP) for the Environmental Impact Report (EIR) was released on August 7, 2016, which began a 30-day review period during which public comments could be received to fame the scope of the study. The required EIR Scoping Meeting was held on August 16. As a result of the NOP release and the Scoping Meeting, staff received many comment letters that will be used to help better define the issues to be examined in the EIR. At this time, it is expected that the EIR consultant's budget and scope of work anticipated these issues.

With the release of the Draft FMP, the EIR consultant has begun in-depth analysis on that aspect of the project. This is one of two key project components to be analyzed, the other being the Master Reclamation Plan. The Program Management Team is coordinating with the EIR consultant as details of that plan are developed.

The EIR consultant is now working closely with staff to develop potential project alternatives for study in the EIR. Under CEQA, alternatives must be focused on options that would potentially reduce one or more significant impacts. For that reason, alternatives may be developed as the analysis gets further underway.

The EIR consultant is also preparing an updated project schedule to reflect the release date of the FMP, but it is not expected to change from the existing schedule, which calls for an expected release of the Draft EIR in summer 2017, with Final EIR certification in November 2017.

Program management staff and the EIR consultant are coordinating closely with outside agencies that would have potential permitting authority over one aspect or another of the project, including the Coastal Commission, Regional Water Quality Control Board, and a variety of regulatory resource agencies such as the California Department of Fish and Wildlife. Their input will be useful to help guide the EIR analysis. The EIR itself will be used to support permitting efforts, once the Final EIR is certified by the City.

Program Schedule Update

FY 16/17 activities are primarily planning, permitting, and procurement of consultants for elements of the Phase I WRF. Specific objectives include completion of the Facility Master Plan, Master Water Reclamation Plan, technical studies and initial drafts of the Environmental Impact Report, and procurement of the State Revolving Fund Planning and Design Loan. The updated program schedule is provided as Attachment 2. Revised schedule items have been highlighted to facilitate review of changes.

The most significant items are as follows:

- Extension of time to complete visual simulations of the offsite improvements (lift station) prior to public meetings and for inclusion in the Final Draft Facility Master Plan
- Revised dates for work efforts within the Master Reclamation Plan to align with hydrogeologic modeling efforts

The anticipated schedule for significant milestones and Council decisions is summarized below, as reported to Council on August 9, and all critical path efforts are on schedule.

| Item | Date |
|---|---------------|
| Final Draft Facility Master Plan | December 2016 |
| Draft Master Water Reclamation Plan | March 2017 |
| Confirmation of Phase I and Phase II WRF Budget | April 2017 |
| Council Selection and Award for Phase I WRF Offsite Improvements (Lift Station and Pipelines) | April 2017 |
| RFQ for Design/Construction of Phase I WRF Onsite Improvements | June 2017 |
| Release of Public Draft EIR | August 2017 |
| RFP for Design/Construction of Phase I WRF Onsite Improvements | October 2017 |
| Certification of Final EIR (Critical Timeline for Grant Pursuit) | November 2017 |
| Negotiation/Award of Contract for Phase I WRF Onsite Improvements | May 2018 |
| Award of Contract for Construction of Phase I Offsite Improvements (Lift Station and Pipelines) | April 2019 |
| Completion of Phase I WRF Improvements | May 2021 |

ATTACHMENTS

1. 1Q16/17 WRFCAC Budget Report and Commitment Summary
2. Updated Program Schedule (as of November 30, 2016)

| City of Morro Bay Water Reclamation Facility Advisory Committee (WRFAC) Quarterly Budget Review Summary 1Q16/17 | | | | | | | | | | | | | | |
|--|--|--------------------------|---|--------------------|------------------|---------------------------|---|--------------------|--------------------|---------------------|---------------------|--|--------------------|--|
| EXPENDITURES | | | | | | | | | | | | | | |
| Key Definitions | | | | | | | | | | | | | | |
| | | Quarter Projected Budget | Portion of Fiscal Year Budget Management Expects Necessary to Meet Quarter Expenditures | | | YTD Projected Budget | Sum Of Current Quarter Projected Budget and All Prior Quarter Projected Budgets | | | | Encumbrance Balance | Sum Of All Project Contracts Less Actual Expenditures Against Contracts (See Note 3) | | |
| Accounts | | Current Quarter | | | | Fiscal Year To Date (YTD) | | | | Total Project | | | | |
| Fund/Code | Object Name | Projected Budget | Expenditures | Percent Expended | Variance | Projected Budget | YTD Expenditures | Percent Expended | Variance | Amended Budget | Expenditures | Encumbrance Balance | Percent Expended | Variance |
| 599-8312 | Contractual Services | | | | | | | | | | | | | |
| 6105 | Past Siting Studies (Completed - no further encumbrance) | -- | -- | -- | -- | -- | -- | -- | -- | \$534,418 | \$448,057 | \$0 | 83.84% | \$86,361 |
| 6105 | Current Consultant Contracts (see P. 2) | \$802,851 | \$234,073 | 29.16% | \$568,779 | \$3,211,405 | \$234,073 | 7.29% | \$2,977,332 | \$4,653,067 | \$1,675,734 | \$2,977,333 | 36.01% | \$2,977,333 |
| 6105 | Water Rights Legal Support (See Note 2) | -- | \$0 | -- | -- | -- | \$0 | -- | -- | -- | \$7,880 | -- | -- | -- |
| 6105 | Rate Study | -- | \$0 | -- | -- | -- | \$0 | -- | -- | -- | \$1,457 | -- | -- | -- |
| | Subtotal | \$802,851 | \$234,073 | 29.16% | \$568,779 | \$3,211,405 | \$234,073 | 7.29% | \$2,977,332 | \$5,187,485 | \$2,133,128 | \$2,977,333 | 41.12% | \$3,054,357 |
| 599-8312 | Labor (Fully Burdened) | | | | | | | | | | | | | |
| 4910,4999 | Labor and Benefits | \$15,000 | \$15,521 | 103.47% | (\$521) | \$60,000 | \$15,521 | 25.87% | \$44,479 | \$400,000 | \$228,533 | -- | 57.13% | \$171,467 |
| | Subtotal | \$15,000 | \$15,521 | 103.47% | (\$521) | \$60,000 | \$15,521 | 25.87% | \$44,479 | \$400,000 | \$228,533 | -- | 57.13% | \$171,467 |
| 599-8312 | Other Costs | | | | | | | | | | | | | |
| 6105,6162 | Laboratory/Sampling | \$34,500 | \$5,509 | 15.97% | \$28,991 | \$138,000 | \$5,509 | 3.99% | \$132,491 | \$200,000 | \$29,147 | -- | -- | \$170,853 |
| 5199,6106,6105,6710 | Printing and Advertising | -- | \$4,948 | -- | -- | -- | \$4,948 | -- | -- | -- | \$18,307 | -- | -- | -- |
| 5199 | Software license and fees | \$0 | \$0 | -- | -- | \$42,204 | \$0 | 0.00% | \$42,204 | \$371,205 | \$42,206 | \$329,000 | 11.37% | \$329,000 |
| 5199,7101 | Property Acquisition | \$0 | \$0 | -- | -- | \$2,425,000 | \$0 | 0.00% | \$2,425,000 | -- | \$30,500 | -- | -- | -- |
| 5199,6106,6750 | Program office equipment | \$500 | \$505 | 101.07% | (\$5) | \$2,000 | \$505 | -- | -- | -- | \$4,757 | -- | -- | -- |
| 5199,6514 | Travel expense | -- | \$0 | -- | -- | -- | \$0 | -- | -- | -- | \$379 | -- | -- | -- |
| | Subtotal | \$35,000 | \$10,962 | 31.32% | \$24,038 | \$2,607,204 | \$10,962 | 0.42% | \$2,596,242 | \$571,205 | \$125,296 | \$329,000 | 21.94% | \$445,909 |
| | TOTALS | \$852,851 | \$260,556 | 30.55% | \$592,295 | \$5,878,609 | \$260,556 | 4.43% | \$5,618,053 | \$6,158,690 | \$2,486,957 | \$3,306,332 | 40.38% | \$3,671,733 |
| REVENUE | | | | | | | | | | | | | | |
| Key Definitions | | | | | | | | | | | | | | |
| | | Quarter Projected Budget | Portion of Fiscal Year Budget Management Expects To Be Recognized During Quarter | | | YTD Projected Budget | Sum of Current Quarter Projected Budget and All Prior Quarter Projected Budgets | | | | | | | |
| Accounts (See Note 1) | | Current Quarter | | | | Fiscal Year To Date (YTD) | | | | Total Project | | | | |
| Funding Source | Revenue Name | Projected Budget | Recognized Revenue | Percent Recognized | Variance | Projected Budget | YTD Recognized Revenue | Percent Recognized | Variance | Amended Budget | Recognized Revenue | | Percent Recognized | Variance |
| SWRCB | Grants | | | | | | | | | | | | | |
| | Recycled Water Grant (Pending) | \$0 | \$0 | 0.00% | \$0 | \$0 | \$0 | -- | \$0 | \$75,000 | \$0 | | 0.00% | (\$75,000) |
| | Subtotal | \$0 | \$0 | 0.00% | \$0 | \$0 | \$0 | -- | \$0 | \$75,000 | \$0 | | 0.00% | (\$75,000) |
| SWRCB | Supplemental Environmental Project | | | | | | | | | | | | | |
| | SEP from California Men's Colony | \$0 | \$0 | 0.00% | \$0 | \$87,361 | \$87,361 | 100.00% | \$0 | \$87,361 | \$87,361 | | 100.00% | \$0 |
| | Subtotal | \$0 | \$0 | 0.00% | \$0 | \$87,361 | \$87,361 | 100.00% | \$0 | \$87,361 | \$87,361 | | 100.00% | \$0 |
| User Rates | User Rates | | | | | | | | | | | | | |
| | User Rates (Allocated for WRF per May 2015 Rate Study) | | | | | | | | | \$70,312,500 | | | | *Cannot be separated from City's sewer revenue |
| | Subtotal | | | | | | | | | \$70,312,500 | | | | *Cannot be separated from City's sewer revenue |
| | TOTALS | \$0 | \$0 | 0.00% | \$0 | \$87,361 | \$87,361 | 100.00% | \$0 | \$70,474,861 | \$87,361 | | 0.12% | (\$70,387,500) |

Notes:

- 1) Unless shown otherwise, current project expenses are funded by revenue from user rates and fees. There is no separate revenue fund for the WRF.
- 2) Budgets for water rights legal support and property acquisition have not yet been established. Detailed budget development will take place after completing the project descriptions in the Facility Master Plan and Master Reclamation Plan.
- 3) Encumbrance balance is only calculated for expenditures associated with contracts.
- 4) Amended Budget for User Rates for WRF based on May 2015 Water and Sewer Rate Studies. Original budget was \$75M including 25% participation from Cayucos SD which was removed in this analysis. 25% debt coverage (on City's contribution only) was included in the rate study and in this calculation.
- 5) Expenditures for Current Consultant Contracts for a period (quarter or fiscal year) are based on the dates on which the work was performed, and not on invoice or payment date.
- 6) Total Project Amended Budget is calculated from FY1617 Projected Budget plus Total Project Expenditures from end of FY1516. Detailed budget development will take place after completing the project descriptions in the Facility Master Plan and Master Reclamation Plan.

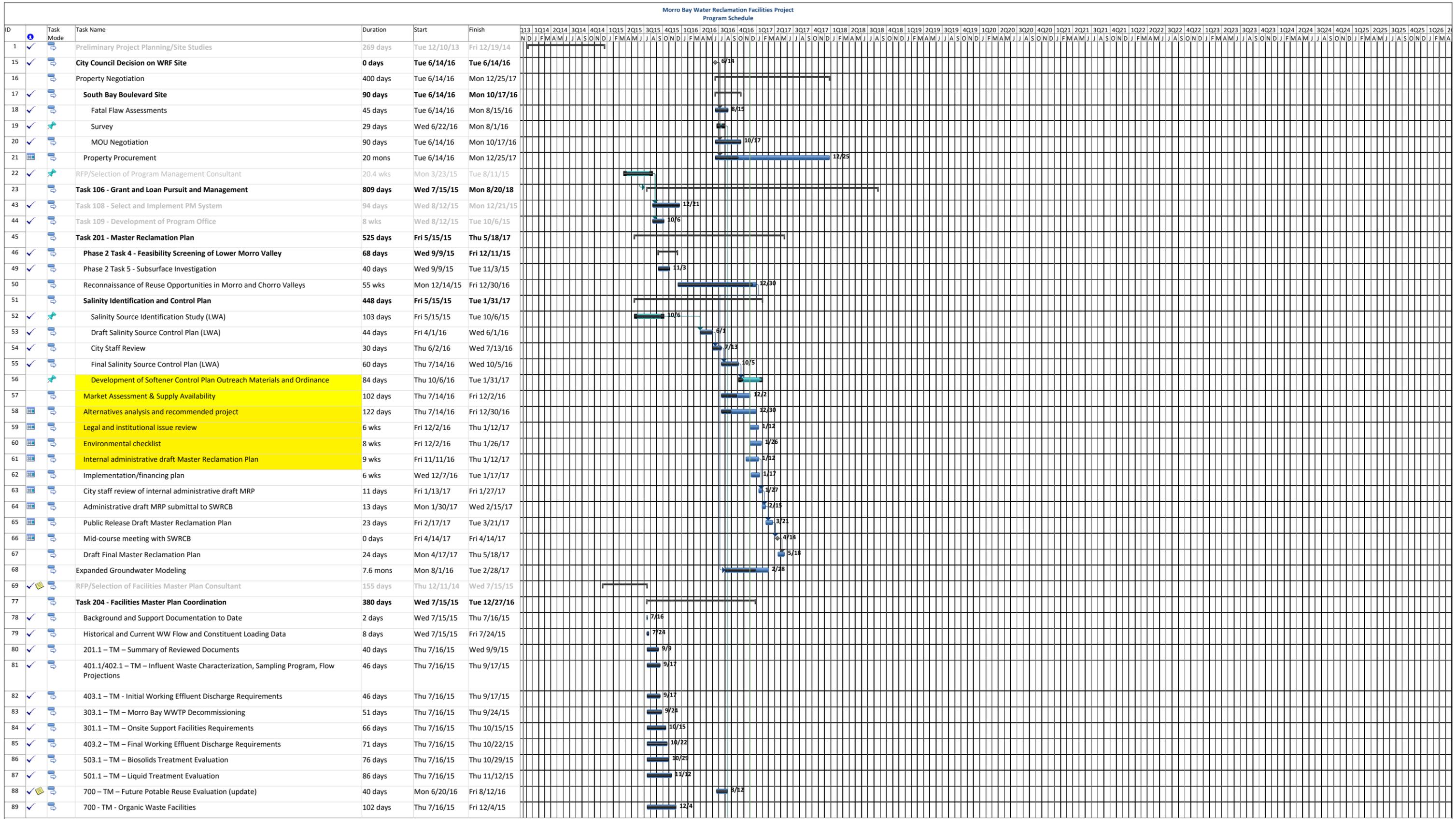
City of Morro Bay

Water Reclamation Facility Advisory Committee (WRFAC) Consultant Contract Summary (From Inception through 9-30-2016)

Current Consultant Contracts

| Number | Title | Status | Total | Approved Change Orders | Total With Approved Change Orders | Draw Requests | Total Remaining | % Complete | Pending Change Orders | Vendor |
|---------------|--|---------------|-----------------------|-------------------------------|--|-----------------------|------------------------|-------------------|------------------------------|---------------------------|
| SC--001 | Facility Master Plan | Approved | \$710,123.00 | \$123,819.00 | \$833,942.00 | \$623,925.04 | \$210,016.96 | 75% | \$0.00 | Black & Veatch |
| SC--002 | CEQA/NEPA Documentation and Consulting | Approved | \$346,538.00 | \$0.00 | \$346,538.00 | \$33,715.68 | \$337,130.06 | 10% | \$0.00 | ESA |
| SC--003 | Fatal Flaw Cultural Resources | Approved | \$18,260.87 | \$0.00 | \$18,260.87 | \$18,260.87 | \$0.00 | 100% | \$0.00 | Far Western |
| SC--005 | MacElvaine Property - Fatal Flaw - Biological Resources | Approved | \$12,835.00 | \$0.00 | \$12,835.00 | \$11,240.00 | \$1,595.00 | 88% | \$0.00 | Kevin Merk Associates |
| SC--006 | Survey - Righetti Property | Approved | \$15,644.00 | \$0.00 | \$15,644.00 | \$12,502.50 | \$3,141.50 | 80% | \$0.00 | JoAnn Head Land Surveying |
| SC--007 | Survey - Highway 41 and MacElvaine Property | Approved | \$45,050.00 | \$0.00 | \$45,050.00 | \$47,820.50 | (\$2,770.00) | 106% | \$0.00 | JoAnn Head Land Surveying |
| SC--008 | Salinity Identification Study | Approved | \$23,640.00 | \$37,080.00 | \$60,720.00 | \$44,635.33 | \$27,770.92 | 74% | \$0.00 | Larry Walker Associates |
| SC--009 | MacElvaine Property (SE) - Fatal Flaw - Geotech and Initial Hydrologic Fie | Approved | \$38,600.00 | \$47,800.00 | \$86,400.00 | \$86,364.95 | \$35.05 | 100% | \$0.00 | Fugro |
| SC--010 | Grant and Loan Funding - Tracking and SRF Support | Approved | \$65,752.00 | \$0.00 | \$65,752.00 | \$36,294.47 | \$29,827.03 | 55% | \$0.00 | Kestrel |
| SC--011 | 2015 Program Management | Approved | \$920,808.00 | \$0.00 | \$920,808.00 | \$624,299.26 | \$434,410.45 | 68% | \$0.00 | MKN & Associates, Inc. |
| SC--012 | Evaluate Alternative Concepts for Disposal of Treated Effluent | Approved | \$22,000.00 | \$60,245.00 | \$82,245.00 | \$53,571.55 | \$61,235.26 | 65% | \$0.00 | GSI Water Solutions |
| SC--013 | Geotechnical Services Righetti II Site | Approved | \$35,902.00 | \$0.00 | \$35,902.00 | \$27,325.35 | \$23,884.50 | 76% | \$0.00 | Yeh and Associates |
| SC--014 | Survey Services for South Bay Blvd Site | Approved | \$29,850.00 | \$0.00 | \$29,850.00 | \$23,314.00 | \$23,667.50 | 78% | \$0.00 | JoAnn Head Land Surveying |
| SC--015 | Geotechnical Services South Bay Blvd Site | Approved | \$33,600.00 | \$0.00 | \$33,600.00 | \$32,464.59 | \$21,406.69 | 97% | \$0.00 | Yeh and Associates |
| Total | | | \$2,318,602.87 | \$268,944.00 | \$2,587,546.87 | \$1,675,734.09 | \$1,171,350.92 | 65% | \$0.00 | |

Note: 1) Contract SC-004 was unused and was combined with Contract SC-003. 2) Contracts SC--006 and SC--007 for JoAnn Head Land Survey are one amended contract with the City.



MB Reclamation Program Schedule
Date: Thu 12/1/16

| | | | | | | |
|-----------------|--------------------|-----------------------|------------------------------------|---|---------------------------------------|----------------|
| Task | External Tasks | Manual Task | Finish-only | Path Successor Normal Task | Path Driving Predecessor Summary Task | Critical Split |
| Split | External Milestone | Duration-only | Deadline | Path Driven Successor Normal Task | Path Predecessor Normal Task | Progress |
| Milestone | Inactive Task | Manual Summary Rollup | Path Successor Milestone Task | Path Predecessor Milestone Task | Path Driving Predecessor Normal Task | Critical |
| Summary | Inactive Milestone | Manual Summary | Path Successor Summary Task | Path Driving Predecessor Milestone Task | Path Driven Successor Milestone Task | |
| Project Summary | Inactive Summary | Start-only | Path Driven Successor Summary Task | Path Predecessor Summary Task | Critical | |



AGENDA NO: B-2

MEETING DATE: December 6, 2016

Staff Report

DATE: November 30, 2016
TO: Water Reclamation Facility Citizens Advisory Committee
FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
SUBJECT: Draft Water Reclamation Facility Master Plan Presentation

RECOMMENDATION

Staff recommends WRFCAC receive and consider the presentation of the Draft Water Reclamation Facility Master Plan.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's fiscal year budget for the Water Reclamation Facility.

DISCUSSION

The Draft Water Reclamation Facility Master Plan ("Draft FMP") was released on November 10th and made available to the public on the City's WRF Project website and by hard copy at various public facilities. A Community Workshop was held on November 14th to present the major findings of the Draft FMP and anticipated rate impacts. The FMP presentation will be provided today for your consideration. Anticipated rate impacts will be discussed separately under agenda Item B-3.

Prepared By: ___MN___

Dept Review: ___RL_



AGENDA NO: B-3

MEETING DATE: December 6, 2016

Staff Report

DATE: November 30, 2016
TO: Water Reclamation Facility Citizens Advisory Committee
FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
SUBJECT: Anticipated Rate Impact

RECOMMENDATION

Staff recommends WRFCAC review the range of anticipated rate impacts presented at the November 14, 2016 Community Workshop and provide comments.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No immediate fiscal impact is proposed within this update. Any change to rate structures would be confirmed as part of an updated water and sewer rate study and would require a public hearing prior to implementation. The anticipated rate impacts presented are to provide a context for the construction costs presented in the Facility Master Plan.

DISCUSSION

The Draft Water Reclamation Facility Master Plan (“Draft FMP”) was released on November 10th and made available to the public on the City’s WRF Project website and by hard copy at various public facilities. The Community Workshop was held on November 14th presented the major findings of the Draft FMP as well as anticipated rate impacts. The FMP presentation is covered separately under agenda Item B-2. The presentation discussing anticipated rate impacts will be provided today for your consideration, and this report includes a discussion of the basis for the anticipated rate impacts.

Range of Anticipated Rate Impacts

In a community workshop held on November 14, 2016, the City’s Program Management team presented the Draft Water Reclamation Facility Master Plan (FMP) and updates on project financing. Using cost estimates provided in the Draft FMP and preliminary work performed for the Master Reclamation Plan (MRP), the Program Management team performed an analysis of potential rate impacts using a rate model provided by the City’s rate study consultant, Bartle Wells and Associates.

To best reflect the range of possible rate impacts, the Program Management team considered a conservative set of assumptions (including full financing by customer rates with no significant cost savings measures) as well as numerous methods to offset both capital and operating expenses.

Prepared By: MN

Dept Review: RL

These methods include:

- Injecting recycled water into the Morro Valley groundwater basin and extracting a blend of groundwater and recycled water, which would establish water independence for the City so it can be less reliant on State Water Project deliveries;
- Securing grant funding to cover a portion of capital costs, and
- Considering the typical, historical range of financing rates for the State Revolving Fund (SRF) Construction Loan to analyze potential total interest paid over the timespan of the debt.

Potential cost savings could include the following measures:

- \$1.5M annually if the City were to lease their State Water allocation and produce its own drinking water using the brackish groundwater reverse osmosis plant, utilizing the City's water right of 581 acre-feet per year (AFY) as well as groundwater injection of nearly all water recycled at the WRF
- 10 to 20% of the project capital costs (up to \$25M) could be covered by grants, and
- Up to \$1.6M could be saved annually if the financing rate on the SRF loan is two percent, closer to recent historical rates (1.5%) than the rate assumed in the City's rate study (2.5%).

While only the aforementioned were taken into account in the Rate Model, additional savings could be realized using on-site solar power to reduce operating costs at the expense of the City constructing a solar array. Methods include entering into a solar power purchase agreement with a utility to reduce operating costs while having the utility cover the capital expenses for the solar array, or other public-private partnership approaches.

The City's Master Reclamation Plan will review, evaluate, and provide recommendations for various water reuse alternatives. Currently underway, the draft Master Reclamation Plan will be presented to WRFCAC and City Council in March 2017. Rate Model inputs for the range of water reuse alternatives were developed by using estimated WRF capital and operating costs from the draft FMP, and recycled water project capital and operating costs for various potential recycled water projects based on preliminary analysis from the Master Reclamation Plan. The recycled water alternatives included urban irrigation, delivery to agricultural users in the Morro Valley in exchange for pumped groundwater, and groundwater injection to supplement the City's water supply (indirect potable reuse). Each alternative was chosen based on its feasibility and potential benefit to the City's potable water supply. All the recycled water alternatives were assumed to have pipeline alignments on the south side of Highway 1 along Quintana Road.

The urban irrigation alternative assumed a recycled water pipeline to Morro Bay High School, Lila Keiser Park, and other City irrigated areas along the pipeline route between the WRF and the High School. Delivery to agricultural users in the Morro Valley was assumed to include a 3-mile long recycled water pipeline along Highway 41 to agricultural users and a potable water pipeline back to the City's existing brackish groundwater reverse osmosis treatment plant to supplement the City's water supply.

The indirect potable reuse alternative involves a pipeline to one or multiple injection wells where advanced treated recycled water would be injected into the Lower Morro Valley component of the aquifer. Two injection wells were assumed in the vicinity of the Narrows based on preliminary studies by GSI Water Solutions. These studies are currently being refined with additional modeling. Injected recycled water will reside underground and travel with the natural riparian underflow for a minimum period determined by California Code of Regulations Title 22 Groundwater Recharge and Replenishment Plan (GRRP) regulations before being withdrawn from the City wells, treated at the brackish groundwater reverse osmosis facility, and distributed to water users.

After creating the WRF/recycled water project scenarios, the Rate Model was used to estimate potential rate impacts of each scenario with and without the possible savings mentioned above. Capital costs and operating and maintenance costs for each scenario, as well as the final range of rate impacts are provided in the tables below.

Considering no financial benefit from grant funding, State Water Project savings, or lower SRF loan financing, the Rate Model inputs and total impact to the average ratepayer are listed below. Urban irrigation was the lowest cost recycled water alternative as it required the lowest capital expenditure and had the lowest operating costs. Urban irrigation as previously described would not significantly benefit the City's water supply, due to lack of significant demand, and would not maximize the potential for water independence. Agricultural exchange was the most expensive alternative due to the vast length of pipeline that would need to be constructed from the WRF site to the upper Morro Valley. Indirect potable reuse would provide a potable water benefit to the City, but since State Water Project savings were not considered for these initial model runs it did not prove to be the least expensive alternative.

| Estimated Cost Ranges and Monthly Rate Impacts without Potential Project Savings | | | | |
|--|---------|-----------------|------------------|------------------------|
| Recycled Water Alternative | Water | Ag Exchange | Urban Irrigation | Indirect Potable Reuse |
| Capital | | \$160M - \$168M | \$150M - \$155M | \$158M - \$165M |
| Annual O&M | | \$1.8M - \$2.4M | \$1.7M - \$2.2M | \$1.3M - \$2.4M |
| Average Monthly Water + Sewer Rate | | \$213 - 224 | \$206 - 214 | \$211 - \$222 |
| Increase from Approved 2019/2020 Water + Sewer Rate | Average | \$63 - \$73 | \$56 - \$64 | \$61 - \$72 |

Assuming 10% grant funding, \$1.5M annual savings from leasing State Water Allocation, and a 2% interest SRF in lieu of 2.5%, the Rate Model inputs and total impact to the average ratepayer are listed below. As previously stated, urban irrigation would not significantly offset potable water use, so it was not credited any State Water Project savings in these Rate Model runs. Consequently, the urban irrigation alternative resulted in the highest potential rate impact. Indirect potable reuse had the lowest impact to rates as the savings from not needing State Water Project deliveries covers a significant component of the operating and maintenance costs. Rate impacts from the agricultural exchange scenario were only slightly higher than for indirect potable reuse, as the cost of pipeline to the upper Morro Valley and back nearly offsets the cost of additional treatment equipment for indirect potable reuse. It should be noted that based on preliminary findings, State Water Project savings are more likely to be seen if an indirect potable reuse project were implemented.

| Estimated Cost Ranges and Monthly Rate Impacts with Potential Project Savings | | | | |
|---|---------|-----------------|------------------|------------------------|
| Recycled Water Alternative | Water | Ag Exchange | Urban Irrigation | Indirect Potable Reuse |
| Capital | | \$144M - \$156M | \$136M - \$140M | \$142M - \$148M |
| Annual O&M | | \$0.4M - \$0.9M | \$1.7M - \$2.2M | \$0.3M - \$0.9M |
| Average Monthly Water + Sewer Rate | | \$179 - 189 | \$189 - 197 | \$177 - \$187 |
| Increase from Approved 2019/2020 Water + Sewer Rate | Average | \$29 - \$39 | \$39 - \$47 | \$27 - \$37 |

Uncertainties

Several issues that will be explored as part of the City's updated rate study, following completion of the MWRP, could have a significant impact on customer rates. These issues, in addition to the recommended project cost opinions that will be finalized through the MWRP, are listed below:

- Financing rate and terms: SRF financing is a very low-cost, flexible approach to fund major water and wastewater projects. As discussed in prior WRFAC meetings, the SRF program is anticipating a short-term cashflow shortage. The Program Management team will continue to monitor this situation closely, since financing rate and terms for a different program could have a significant impact on user rates.
- Bid climate: The project contingency provides allowance for changes in "bid climate", or the conditions (including economic, regulatory, labor, material, and other factors) that can affect bids from contractors. These factors can affect overall project costs, and can require applying funds from the program contingency to address them.
- Cost escalation: Cost escalation factors, and schedule delays, can increase construction cost as discussed in previous meetings.