



AGENDA NO: B-2

MEETING DATE: October 4, 2016

Staff Report

DATE: September 28, 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.
- Update on property negotiation
- 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 August program update:

- Conducted the Environmental Impact Report (EIR) Scoping Meeting on Tuesday, August 16, 2016 at 4 PM at the Morro Bay Veterans Memorial Building
- Completed evaluation of alternatives to modify the collection system and reduce the size of the planned influent lift station. Concluded that capital costs to upgrade Lift Stations 2 and 3

Prepared By: ___MN___

Dept Review: ____

City Manager Review: _____

City Attorney Review: _____

to pump directly into the influent force main would not result in a significant decrease or a reasonable payback period for power costs.

- Developed preliminary pipeline alignments, field notes, and maps with utility conflicts for use by the Facility Master Plan team
- Prepared preliminary groundwater model of lower Morro Valley and completed initial assessment of water reclamation opportunities in Chorro Valley. This work will be summarized within and will supplement the Master Water Reclamation Plan.
- Continued compiling water quality and flow data for use by design/construction teams during the proposal process for the Phase I WRF
- Prepared and reviewed internal administrative draft of the Facility Master Plan
- Internally reviewed draft site plans for Phase I WRF. Draft site plan includes potential layout and area required for facilities to meet stated City goals, including City Corporation Yard facilities, solar power generation, and Phase II advanced water purification systems, as well as expansion area for future upgrades and/or to serve Cayucos Sanitary District. These other elements will be clearly identified and differentiated from the Phase I WRF in the draft Facility Master Plan to allow Council to understand the areas required for future phasing and for the other potential community facilities (solar and corporation yard). Since the operations center for the WRF and some other WRF facilities can share space with other Public Works uses (water, wastewater collections, streets, and maintenance), the shared facilities will also be clearly identified for Council consideration in the draft Master Plan. It is assumed costs for “non-shared” corporation yard facilities would be paid from General Fund, whereas solar panels could be added to the WRF Program or could be installed through a power purchase agreement or other contract vehicle.

At this time, the City has not budgeted for a new corporation yard so that planning process would proceed separately under direction of the Public Works Department. The purpose of including the area required for the Corporation Yard in the Facility Master Plan is to ensure adequate area is purchased, to allow for these facilities to be programmed as appropriate.

- The Program Management team met and negotiated terms for draft Memorandum of Understanding (MOU) with property owner at South Bay Boulevard. Terms were mutually agreed upon by staff and the property owner’s representative in order to develop an MOU for Council consideration. A draft Memorandum has been provided by the property owner and comments have been provided by City staff.
- Completed final Salinity Control Plan and began development of draft ordinance, outreach materials, and draft report for future WRFCAC and Council consideration
- Prepared and reviewed initial draft architectural simulation of the property, incorporating architectural elements and themes discussed in City community workshops
- Met with Regional Water Quality Control Board staff to discuss status of draft discharge permit for the existing Wastewater Treatment Plant, as well as status of the City’s WRF Program. The importance of salinity control in meeting future reuse goals was specifically discussed during the meeting and RWQCB staff expressed support for the City’s efforts to manage salinity in the wastewater collection system.
- Coordinated with EIR consultant team relative to the FMP progress, and began description of existing conditions on the project site to frame the context of the proposed project analysis once FMP is completed.

Update on Property Negotiation

Property negotiation is centered around purchasing enough area to meet anticipated WRF Phase I and Phase II facilities, expansion area to meet new regulatory requirements, future solar generation, and potentially a future corporation yard. In addition, the property owner's desire to minimize creation of unusable property is also a consideration. Since mid-June, the Facility Master Plan team and Program Management team have been developing draft site plans in order to inform the City's decision to enter into an MOU and ultimately to purchase part the property.

After an acceptable MOU is negotiated by City staff and the property owner, that MOU will be brought to City Council for review and approval. On September 27, the Program Management team attended closed session meeting with Council to discuss the terms. The MOU is expected to be finalized in October. Final purchase cost will depend on an appraisal so no cost impact will be available at the time the MOU is brought to Council. The City attorney has advised Council not to purchase the property until the Final Environmental Impact Report is certified, which is anticipated in November 2017.

FY 15/16 Year End Summary

As discussed at the last WRFCAC meeting, a budget update for the fourth quarter of fiscal year 2015/16 (4Q15/16) has been prepared. In the August meeting, it was noted that the final consultant invoices and charges through June 30 of FY 16/17 may not arrive at the City until August 2016.

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 June 30, 2016.

The following sections provide an analysis and overview of the City's WRF budget for FY15/16. 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 15/16, but major contracts (ex. Facility Master Plan and CEQA/Permitting) for the planning and permitting phase of the program were delayed by the City's site selection process. Contract amounts will be fully utilized, and in some cases required amendments (ex. Facility Master Plan) but delays resulted in contracts rolling over to the new 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 15/16 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 options and appraisals	A nonrefundable fee of \$25,000 was spent for an option to purchase the Righetti Property. The option expired in July 2016. A total of \$5500 has been spent in appraisal fees.

Program Equipment	Office	Copier, monitor, telephone, and other office equipment to equip the Program Office in the City Hall Annex	--
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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 estimates from the 2014 Site Options Report (which assumed a project would be constructed at the Rancho Colina site and is the origin of the \$75M Phase I budget in the 2015 Rate Study).

Project Financing Update

The City has applied for a State Revolving Fund (SRF) Planning Loan for \$10.3M and according to the State Water Resource Control Board (SWRCB) Project Manager, a draft agreement should be available in October.

The City intends to pursue an SRF Construction Loan for the balance of the Ph I WRF program. The SRF Construction Loan application cannot be completed until the Environmental Impact Report is certified. In the 2016/17 Intended Use Plan for Clean Water State Revolving Fund, Small Community Grant and Water Recycling Funding Programs, SWRCB reviewed the list of projects that have been submitted for SRF funding and have concluded that additional bond sales or other revenues may be required to fund them all. The Program Management team will continue to monitor status of the SRF program in case alternative financing approaches are required. Funding programs continually evolve in response to their commitments and availability of resources, so the situation could be considerably different in a year when EIR certification is eminent.

The City also intends to identify and apply for state and federal construction grants. Completion of the California Environmental Quality Act (CEQA) program is often required to receive funding or to be competitive for many of these grant programs. The City’s grant and funding strategist, Kestrel Consulting, continues to monitor grant and funding opportunities in anticipation of the City’s completion of the Facility Master Plan, Master Reclamation Plan, and Environmental Impact Report. A detailed project description is critical to identification and successful pursuit of funding opportunities.

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 refine 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. The consultant has begun work on the EIR, framing the existing conditions with respect to these issues, and is coordinating with staff and the FMP consulting team, because the FMP will be a central component of the project description analyzed in the EIR. The EIR will also analyze the Master Reclamation Plan, which is currently under development. It is anticipated that the EIR is on schedule, with 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.

ATTACHMENTS

1. Final FY 15/16 WRFCAC Budget Report and Commitment Summary

City of Morro Bay Water Reclamation Facility Advisory Committee (WRFCAC) Quarterly Budget Review Summary 4Q15/16														
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)	\$200,000	\$296,472	148.24%	(\$96,472)	\$2,403,483	\$1,430,369	59.51%	\$973,114	\$2,403,483	\$1,441,662	\$961,821	59.98%	\$961,821
6105	Water Rights Legal Support (See Note 2)	--	\$0	--	--	--	\$0	--	--	--	\$7,880	--	--	--
6105	Rate Study	--	\$1,457	--	--	--	\$1,457	--	--	--	\$1,457	--	--	--
	Subtotal	\$200,000	\$297,929	148.96%	(\$97,929)	\$2,403,483	\$1,431,826	59.57%	\$971,657	\$2,937,901	\$1,899,056	\$961,821	64.64%	\$1,038,845
599-8312	Labor (Fully Burdened)													
4910,4999	Labor and Benefits	\$12,500	\$20,809	166.48%	(\$8,309)	\$50,000	\$70,128	140.26%	(\$20,128)	\$400,000	\$213,012	--	53.25%	\$186,988
	Subtotal	\$12,500	\$20,809	166.48%	(\$8,309)	\$50,000	\$70,128	140.26%	(\$20,128)	\$400,000	\$213,012	--	53.25%	\$186,988
599-8312	Other Costs													
6105,6162	Laboratory/Sampling	\$25,000	\$6,797	27.19%	\$18,203	\$100,000	\$21,910	21.91%	\$78,090	\$200,000	\$23,638	--	--	\$176,362
5199,6106,6105,6710	Printing and Advertising	--	\$6,392	--	--	--	\$10,290	--	--	--	\$21,267	--	--	--
5199	Software license and fees	\$0	\$0	--	--	\$42,205	\$42,206	100.00%	(\$1)	\$371,205	\$42,206	\$329,000	11.37%	\$329,000
5199,7101	Property Acquisition	\$31,000	\$0	0.00%	\$31,000	\$31,000	\$25,000	80.65%	\$6,000	--	\$25,000	--	--	--
5199,6106,6750	Program office equipment	\$0	\$370	--	--	\$0	\$3,746	--	--	--	\$3,746	--	--	--
5199,6514	Travel expense	--	\$716	--	--	--	\$829	--	--	--	\$829	--	--	--
	Subtotal	\$56,000	\$14,275	25.49%	\$41,725	\$173,205	\$103,981	60.03%	\$69,224	\$571,205	\$116,685	\$329,000	20.43%	\$454,520
	TOTALS	\$268,500	\$333,013	124.03%	(\$64,513)	\$2,626,688	\$1,605,934	61.14%	\$1,020,754	\$3,909,106	\$2,228,753	\$1,290,821	57.01%	\$1,680,353
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.

City of Morro Bay										
Water Reclamation Facility Advisory Committee (WRFAC) Consultant Contract Summary (From Inception through 6-30-2016)										
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	\$0.00	\$710,123.00	\$ 623,925.04	\$86,197.96	88%	\$0.00	Black & Veatch
SC--002	CEQA/NEPA Documentation and Consulting	Approved	\$346,538.00	\$0.00	\$346,538.00	\$ 10,542.69	\$335,995.31	3%	\$0.00	ESA
SC--003	MacElvaine Property - 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	(\$2,770.50)	106%	\$0.00	JoAnn Head Land Surveying
SC--008	Salinity Identification Study	Approved	\$23,640.00	\$37,080.00	\$60,720.00	\$ 40,989.08	\$19,730.92	68%	\$0.00	Larry Walker Associates
SC--009	MacElvaine Property (SE) - Fatal Flaw - Geotech and Initial Hydrologic Field Testing	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	\$ 35,924.97	\$29,827.03	55%	\$0.00	Kestrel
SC--011	2015 Program Management	Approved	\$920,808.00	\$0.00	\$920,808.00	\$ 486,397.55	\$434,410.45	53%	\$0.00	MKN & Associates, Inc.
SC--012	Evaluate Alternative Concepts for Disposal of Treated Effluent	Approved	\$22,000.00	\$0.00	\$22,000.00	\$ 21,992.24	\$7.76	100%	\$0.00	GSI Water Solutions
SC--013	Geotechnical Services Righetti II Site	Approved	\$35,902.00	\$0.00	\$35,902.00	\$ 27,325.35	\$8,576.65	76%	\$0.00	Yeh and Associates
SC--014	Survey Services for South Bay Blvd Site	Approved	\$29,850.00	\$0.00	\$29,850.00	\$ 6,182.50	\$23,667.50	21%	\$0.00	JoAnn Head Land Surveying
SC--015	Geotechnical Services South Bay Blvd Site	Approved	\$33,600.00	\$0.00	\$33,600.00	\$ 12,193.31	\$21,406.69	36%	\$0.00	Yeh and Associates
Total			\$2,318,602.87	\$84,880.00	\$2,403,482.87	\$1,441,661.55	\$961,821.32	60%	\$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 and balance remaining is \$371.50.