



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.

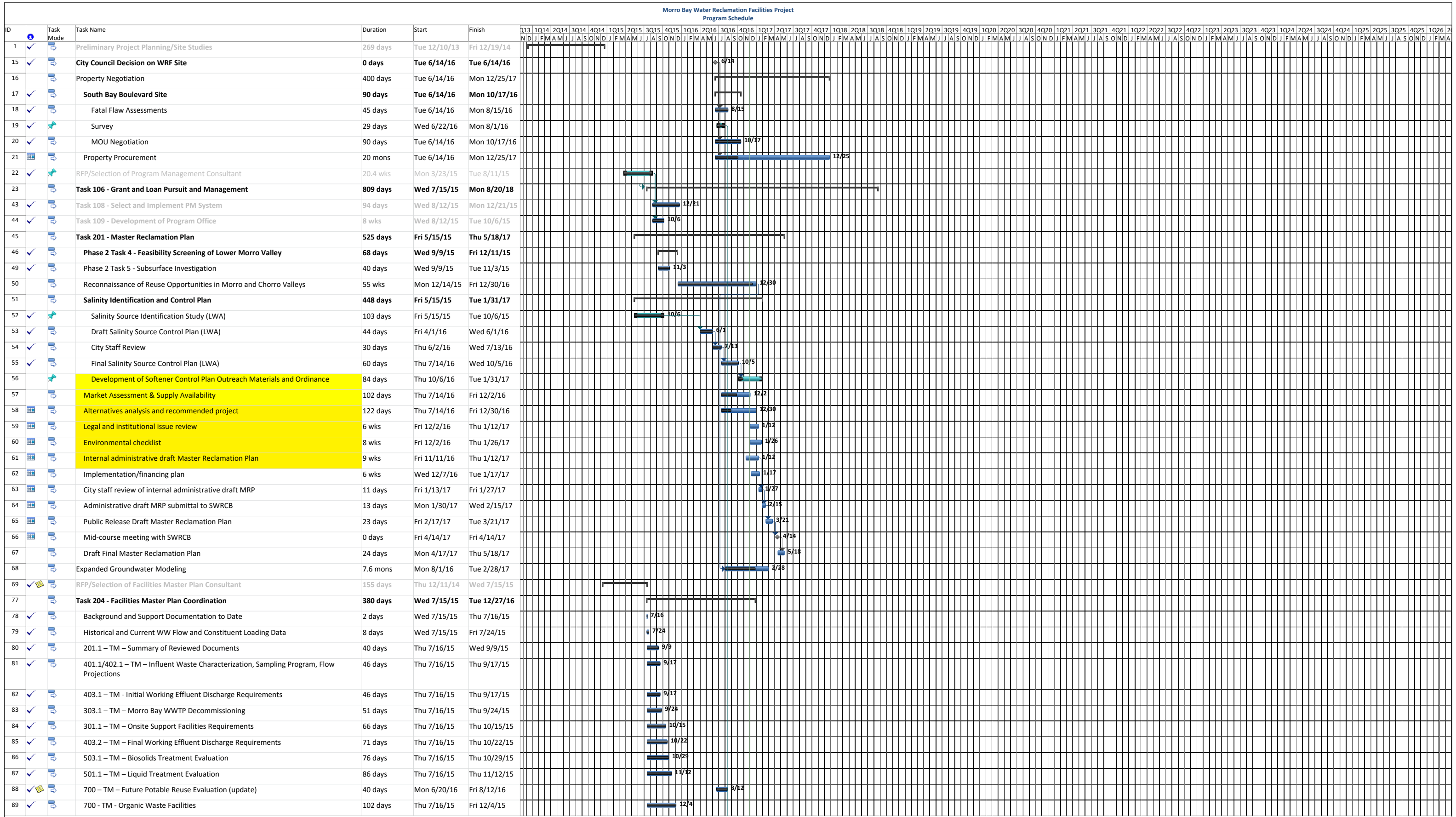
City of Morro Bay

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	

