



City of Morro Bay
Water Reclamation Facility Program



QUARTERLY REPORT

JULY 1, 2025 THROUGH SEPT 30, 2025

INTRODUCTION

The Recycled Water Facilities (RWF) project is a portion of the larger Water Reclamation Facility (WRF) Program. The RWF project is anticipated to be complete by early 2028. This quarterly report includes updates on project status, schedule, program funding, and program budget. The current program budget is \$159.84 million and \$146.98 million has been spent to date.

RECYCLED WATER PROJECT STATUS

The RWF project is currently in the design phase and the following activities were completed during this quarter:

Recycled Water Project Status Update (July 1, 2025 – Sept 30, 2025)

- **Environmental/Permitting**
 - Activities completed
 - From August 18-21, 2025 additional Phase 3 (Recycled Water Facilities) archeological investigations were completed for the proposed Indirect Potable Reuse (IPR) pipeline alignment. The preliminary results of the testing were negative.
 - During this quarter, the Project Team updated the Environmental Assessment (EA) based on feedback received on updated language preferences from the current administration.
 - Ongoing activities and upcoming timelines
 - The project archeologist began preparing the Phase 3 Report Addendum for the EPA/SHPO to incorporate the additional Phase 3 testing results.
 - The City is waiting to receive feedback from USBR on the National Environmental Policy Act (NEPA) Environmental Assessment (EA) and is anticipating it will be circulated for public review in 2026.
 - During this quarter, the City continued to coordinate with the EPA on a potential Biological Opinion (BO) amendment to include the expanded project area that was not previously included in the original BO and additional potentially listed species, including the proposed threatened Southwestern Pond Turtle and the candidate Monarch Butterfly.
- **Recycled Water Permitting**

- Ongoing activities and upcoming timelines
 - On August 29, 2025 the Division of Drinking Water (DDW) provided preliminary feedback on the Engineering Report. Formal feedback is anticipated in early October. The City began preparing responses to the preliminary feedback received.
 - During this quarter, the City prepared an Updated Agricultural Mitigation Program to incorporate the Chorro Levee Project, as directed by Council at the August 12, 2025 City Council meeting. The City is continuing to coordinate with Coastal Commission while finalizing the Updated Program.
 - The Basis of Design Report (BOD), attached to the Draft Title 22 Engineering Report, will continue to be updated as more hydrogeologic data becomes available throughout the project.
 - On September 15, 2025 the Report of Waste Discharge (ROWD) Application was submitted to the Centra Coast Water Quality Board via GeoTracker.
- **Engineering Design**
 - Ongoing activities and upcoming timelines
 - During this quarter, the project design engineer progressed toward completion of design plans for injection well equipping and recycled water pipelines.
- **Hydrogeologic Analysis and Design**
 - Activities completed
 - During this quarter, the City finalized an Injection Well Siting Technical Memorandum and continued to work towards selecting the sites for the initial two injection wells. The City determined locations for additional hydrogeological testing (Cone Penetration Testing) and began preparing the permitting applications.
 - During this quarter, the project hydrogeologist continued siting the recycled water monitoring wells. The City is in the process of coordinating with DDW for approval the proposed sites.
 - During this quarter, the City continued to coordinate with the property owner of the potential injection well sites.
 - During this quarter, the Project hydrogeologist prepared the combined quarterly/annual report required under the City's ASR permit.
 - Ongoing activities and upcoming timelines
 - During this period, the project hydrogeologist continued to evaluate which injection well locations are most favorable from a hydrogeological perspective and preparing the design of the downhole components of the injection wells.
 - Hydrogeological investigations (Cone Penetration Testing) are scheduled for October 2025 for potential injection well locations.
 - The City is anticipating formally proposing monitoring well locations to DDW in October 2025.
- **Funding/Financing**
 - Activities completed
 - On September 4, 2025, the fully executed IRWM grant agreement was received.

- The City prepared and submitted the Water Infrastructure Finance and Innovation Act (WIFIA) Funding and Financing Quarterly Report.
- The City prepared and submitted the Integrated Regional Water Management (IRWM) Funding and Financing Quarterly Report.
- Ongoing activities and upcoming timelines
 - City Staff and the Recycled Water Program Team are coordinating with the funding financing agencies to provide quarterly reports, environmental documentation, and other required documentation.
 - The City continued coordination with the Bureau of Reclamation on finalizing the NEPA EA for the Title XVI Grant. The City is anticipating submitting for reimbursements in early 2026.

RECYCLED WATER PROJECT SCHEDULE



Morro Bay WRF Recycled Water Project Schedule Summary Updated: October 1, 2025

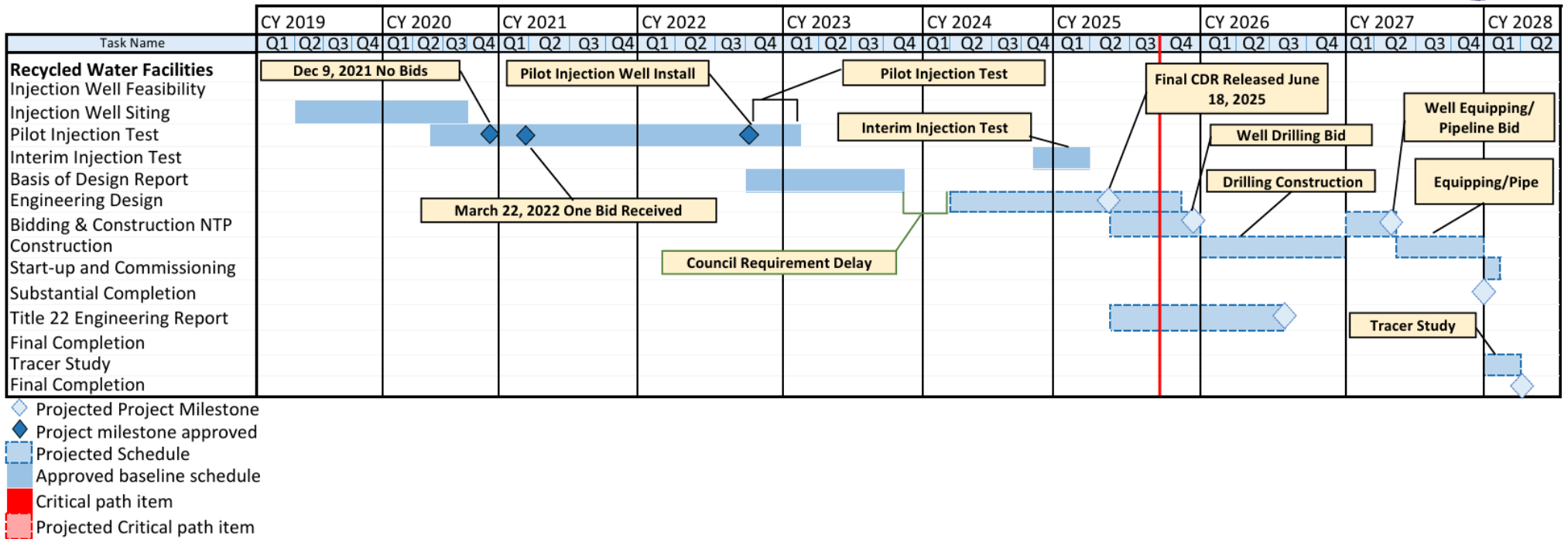


Figure 1. Recycled Water Summary Schedule

PROGRAM BUDGET

Table 1 lists actual expenditures for each program component and the percent of the budget expended. The WRC and Conveyance Facilities components of the project were closed out in 2024.

Table 1. WRF Program Expenditures

Program Component	Previous Total Expenditures	July-Sept 2025 Expenditures ⁽¹⁾	Total Expenditures To Date	Program Budget	Percent Budget Expended
RWF	\$2,952,596	\$358,445	\$3,311,042	\$9,424,174	31%
General Project	\$24,741,485	\$120,468	\$24,861,953	\$30,968,609	80%
WRC Plant	\$77,895,236	\$0	\$77,895,236	\$79,123,216	98%
Conveyance	\$40,910,415	\$2,209	\$40,912,624	\$40,324,350	101%
Total	\$146,499,732	\$481,121.91	\$146,980,854	\$159,840,349	92%

- (1) July-Sept 2025 total expenditures as tallied on the Accounts Payable Report run on July 8, 2025, including all invoices accrued through Sept 30, 2025. This quarter's expenditures includes \$149,670.79 in costs from the previous FY, as several invoices were not processed in time to account for in the previous quarter's report.
- (3) Although the Conveyance budget has been closed out, an invoice for Phase 2 archeological testing (conveyance) sample processing was received this quarter

PROGRAM FUNDING

Table 2. WRF Program Funding Sources

Funding Agency ⁽¹⁾	Funding Type	Total Funding	Spent to Date	Funding Available	Notes
SRF Construction Loan	Loan	\$66,604,638	\$64,910,849	\$1,693,789	Terms: 0.9%, 30 years
SRF Loan Forgiveness	Loan Forgiveness	N/A	N/A	N/A	\$5M
SRF Construction Loan Amendment	Loan	\$21,172,000	\$0	\$21,172,000	Terms: 0.9%, 30 years
WIFIA	Loan	\$61,700,336	\$46,259,157	\$15,441,179	Terms: 0.83%, 35 years
SRF Planning Loan	Loan	\$10,300,000	\$10,300,000	\$0	Terms: 0.9%, 30 years
Recycled Water Planning Grant	Grant	\$75,000	\$75,000	\$0	Costs reimbursed upon request
USBR - Title XVI	Grant	\$9,310,095	\$0	\$9,310,095	Executed Agreement
IRWM	Grant	\$1,200,000	\$0	\$1,200,000	Recently Executed Agreement
City of Morro Bay	Water/Sewer Fund	\$25,435,848	\$25,435,848	\$0	Subject to loan reimbursement
All Sources Total		\$195,797,917	\$146,980,854	\$48,817,063	

- (1) Abbreviations: SRF – State Revolving Fund; EPA – Environmental Protection Agency; WIFIA – Water Infrastructure Finance & Innovation Act; USBR – United States Bureau of Reclamation; IRWM – Integrated Regional Water Management.

OTHER PROGRAM UPDATES

WWTP Decommissioning

- While the City had intended to complete the Phase 4 (WWTP Decommissioning) archeological investigations at the same time as the Phase 3 (Recycled Water Facilities) investigations in August 2025 to save on mobilization costs, the City was not able to conduct investigations at this time. Consent from Cayucos Sanitary District (CSD) was required to complete these investigations on the jointly-owned property, and CSD did not grant permission at this time, as negotiations regarding the other aspects of decommissioning are still ongoing.
- The new timeline for the archeological investigation is to be determined but is anticipated to be done prior to March 2026. The City is currently coordinating with CSD and the project archeologist to reschedule these investigations.

Extraction Well Siting

- On August 20, 2025 the City received variances from DDW on a potential extraction well location for a sanitary seal depth less than 50-feet and for the 50-foot control zone.
- During this quarter, the City continued to coordinate with property owners on the potential extraction well locations.
- Hydrogeological investigations (Cone Penetration Testing) are scheduled for October 2025 for a potential extraction well locations.

Historical information on the WRF Program and previous quarterly reports are available on the program website: <https://morrobaywrf.com/>.