



City of Morro Bay Water Reclamation Facility Program



QUARTERLY REPORT

Jan 1, 2026 THROUGH MAR 31, 2026

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 \$147.43 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 (Jan 1, 2026 – Mar 31, 2026)

- **Environmental/Permitting**
 - Ongoing activities and upcoming timelines
 - On February 24, 2026, City Council approved the following contract amendments:
 - Rincon WRF Contract Amendment #2 – no cost amendment to extend contract date until Dec 31, 2026
 - KMA WRF Contract Amendment #5 – \$39,500 amendment for biological support services and extend contract date until Dec 31, 2026
 - During this quarter, the United States Bureau of Reclamation (USBR) was added as a signatory to the City's existing Programmatic Agreement (PA) with the Environmental Protection Agency (EPA) and the State Historic Preservation Office (SHPO). Becoming an added signatory allows USBR to utilize the PA prepared for the WRF Program to fulfill USBR's Section 106 historical/archeological preservation requirements for the ~\$9.3M Title XVI Recycled Water Program Grant.
 - On March 4, 2026, the City received the Finding of No Significant Impact (FONSI). This is an official determination by USBR that the project will not have significant environmental impacts based on the findings of the Environmental Assessment (EA) completed under the EPA's PA. With this determination, no further environmental studies are required by USBR.
 - On March 10, 2026, the City received the Determination of NEPA Adequacy (DNA) from USBR. This is an official determination from USBR that all relevant information raised in the NEPA process has been considered and the NEPA

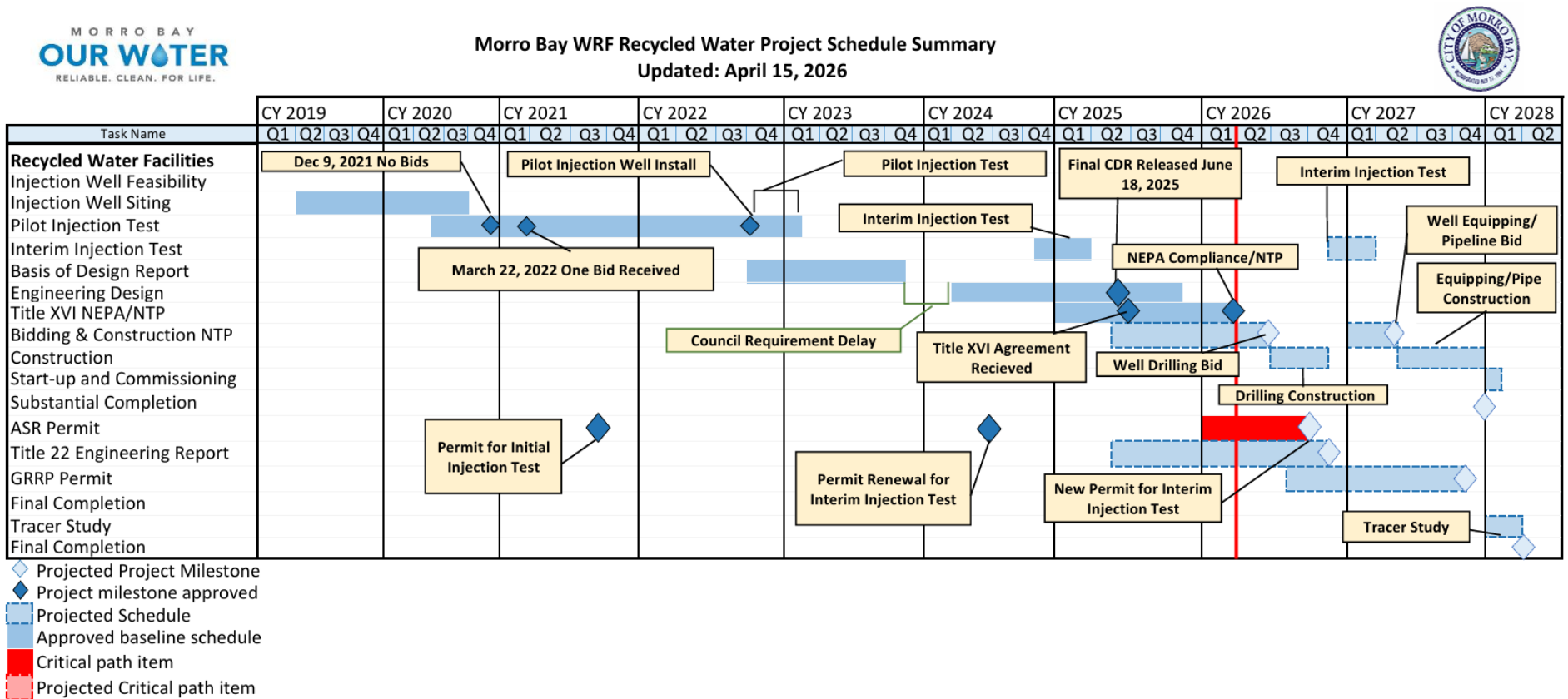
process has been concluded. USBR reviewed the City's relevant information (the EPA's PA and USBR's FONSI) and determined that the City is compliant with their requirements for NEPA compliance.

- During this quarter, the project archeologist continued to prepare the Phase 3 Report Addendum for the EPA/SHPO to incorporate the additional Phase 3 testing results.
- **Recycled Water Permitting**
 - Activities completed
 - On January 15, 2026, the City met with Regional Water Quality Control Board (RWQCB) to coordinate on the Aquifer Storage and Recharge (ASR) Permit, Groundwater Replenishment Permit (GRRP), and Engineering Report. The City is continuing to coordinate with Division of Drinking Water (DDW) to complete these items.
 - Ongoing activities and upcoming timelines
 - During this quarter, the City continued to coordinate with the Coastal San Luis Resource Conservation District (CSLRCD) and California Coastal Commission (CCC) on the Chorro Levee Project and on the Agricultural Mitigation Program update.
- **Engineering Design**
 - Ongoing activities and upcoming timelines
 - During this quarter, the City received a draft appraisal for the easements for the proposed injection and monitoring wells. The Project Team finalized the appraisal documentation for the easement swap and provided the property owner an offer in April 2026.
 - During this quarter, the project design engineer and hydrogeologist progressed toward completion of design plans and bid docs for injection and monitoring well drilling and well construction.
 - During this quarter, the project design engineer progressed toward completion of design plans and bid docs for injection well equipping and recycled water pipelines.
- **Hydrogeologic Analysis and Design**
 - Activities completed
 - On January 15, 2026 the City met with RWCQB to coordinate on the ASR Permit, GRRP Permit, and Engineering Report. The City is continuing to coordinate with DDW to complete these items.
 - On February 24, 2026, City Council approved the following contract amendment:
 - GSI Contract Amendment #6 – \$44,000 amendment for preparation of an ASR permit application and compliance reports for the next interim tracer study.
 - During this quarter, the project hydrogeologist prepared a draft ASR permit application for the Interim Injection Test planned for the next phase of injection wells. Currently, the application has been submitted to the RWQCB for review.
 - Ongoing activities and upcoming timelines
 - During this period, the project hydrogeologist preparation of the design of the downhole components of the injection wells.
- **Funding/Financing**
 - Activities completed

- On March 11, 2026, the City was issued the Environmental Notice to Proceed (NTP) from USBR for construction of the Recycled Water Facilities. Since the environmental requirements have been fulfilled and the NTP has been issued, the City is eligible to begin seeking grant disbursements. The City is in the process of preparing grant funding match and disbursement packages.
- 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.
- The City continued to prepare a funding/financing strategy for the remainder of the Project.
- Ongoing activities and upcoming timelines
 - City Staff and the Recycled Water Program Team are coordinating with the funding financing agencies to provide quarterly reports, disbursement packages, environmental documentation, and other required materials.

RECYCLED WATER PROJECT SCHEDULE

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	Jan-Mar 2026 Expenditures ⁽¹⁾	Total Expenditures To Date	FY 25/26 Budget ⁽²⁾	Percent Budget Expended
RWF	\$3,464,986	\$85,902	\$3,550,888	\$9,424,174	38%
General Project	\$24,932,246	\$138,584	\$25,070,830	\$30,968,609	81%
WRC Plant	\$77,895,236	\$0	\$77,895,236	\$79,123,216	98%
Conveyance	\$40,917,354	\$1,268	\$40,918,622	\$40,324,350	101%
Total	\$147,209,822	\$225,754	\$147,435,575	\$159,840,349	92%

(1) Jan-Mar 2026 total expenditures as tallied on the Accounts Payable Report run on April 23, 2026, including all invoices accrued through March 31, 2026.

(2) See page 352 of the [FY 24/25 budget](#) adopted by Council. No additional funds for this project were added with the approval of the [FY 25/26 budget](#).

(3) Although the Conveyance budget has been closed out, invoices for Phase 2 archeological testing (conveyance) sample processing was received this quarter

PROGRAM FUNDING

Table 2. WRF Program Funding Sources

Funding Agency/ Program ⁽¹⁾	Funding Type	Funding Awarded	Spent to Date ⁽²⁾	Funding Available	Notes
SWRCB CWSRF/WRFP	CWSRF Construction Loan	\$61,604,638	\$59,910,849	\$1,693,789	Terms: 0.9%, 30 years
	WRFP Water Recycling Grant	\$5M	\$5M	\$0	
SWRCB CWSRF	Construction Loan Amendment	\$21,172,000	\$0	\$21,172,000	Terms: 0.9%, 30 years
SWRCB CWSRF	Planning Loan	\$10,300,000	\$10,300,000	\$0	Terms: 0.9%, 30 years
EPA WIFIA	Loan	\$61,700,336	\$46,259,157	\$15,441,179	Terms: 0.83%, 35 years
SWRCB WRFP	Recycled Water Planning Grant	\$75,000	\$75,000	\$0	Costs reimbursed upon request
USBR Title XVI	Grant	\$9,310,095	\$0	\$9,310,095	Executed Agreement. Grant amount is subject to a 75% cost share match.
DWR IRWM	Grant	\$1,200,000	\$0	\$1,200,000	Executed Agreement. Grant amount is subject to a \$3.74M non-State cost share and a \$1.78M cost share from any source.
City of Morro Bay	Water/Sewer Fund	\$25,890,569	\$25,890,569	\$0	May be eligible for loan reimbursement within program deadlines.
All Sources Total		\$196,252,638	\$147,435,575	\$48,817,063	

(1) Abbreviations: SWRCB – State Water Resources Control Board; WRFP – Water Recycling Funding Program; WIFIA – Water Infrastructure and Finance Innovation Act; DWR – Department of Water Resources; CWSRF – Clean Water State Revolving Fund; EPA – Environmental Protection Agency; WIFIA – Water Infrastructure Finance & Innovation Act; USBR – United States Bureau of Reclamation; IRWM – Integrated Regional Water Management.

(2) Updated through March 31, 2026.

OTHER PROGRAM UPDATES

WWTP Decommissioning

- Although the WWTP Decommissioning is part of the WRF Project, it is funded separately from

the other phases of the project and is not included in the budget and expenditures listed in the tables above.

- 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 the Phase 4 investigations at that time. Consent from Cayucos Sanitary District was required to complete the Phase 4 investigations on the jointly-owned property, and Cayucos Sanitary District did not grant permission, as negotiations regarding the other aspects of decommissioning are still ongoing.
- The new timeline for the archeological investigation is yet to be determined but is anticipated to be completed in July or August 2026. The City is waiting for escrow to close for the WWTP buyout from Cayucos Sanitary District before scheduling archeological investigations.

Extraction Well Siting

- The Extraction Well Project is funded through the Water Fund and is separate from the WRF Project. The project is not included in the budget and expenditures listed in the tables above.
- During this quarter, the City provided the property owner of the preferred extraction well site with an offer package. The City is awaiting a response from the property owner.

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