



City of Morro Bay  
Water Reclamation Facility Program



## QUARTERLY REPORT

### OCT 1, 2025 THROUGH DEC 31, 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 \$147.21 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 (Oct 1, 2025 – Dec 31, 2025)

- **Environmental/Permitting**
  - Ongoing activities and upcoming timelines
    - The project archeologist is preparing the Phase 3 Report Addendum for the EPA/SHPO to incorporate the additional Phase 3 testing results.
    - During this quarter, the City continued to coordinate with the Environmental Protection Agency (EPA) regarding the expanded project area that was not previously included in the original BO.
    - During this quarter, the City coordinated with the United States Bureau of Reclamation (USBR) the EPA to add USBR as a signatory to the City's existing Programmatic Agreement (PA) with the EPA. Becoming an added signatory to this agreement will allow USBR to utilize the Environmental Assessment (EA) and Biological Opinion (BO) prepared under the PA to fulfil Morro Bay's National Environmental Policy Act (NEPA) requirements for their organization. This process is anticipated to be completed in early March 2026 and will allow the City to access the grant funding for reimbursement. In order for the City to ensure grant eligibility for new construction, the Bureau must complete their process to demonstrate compliance with NEPA requirements and issue a Notice to Proceed.
- **Recycled Water Permitting**
  - Activities completed
    - On October 6, 2025, the Project Team received feedback from the Division of Drinking Water (DDW) on the Draft Title 22 Engineering Report. The City began

- preparing responses to DDW’s feedback and revisions to the Engineering Report. The City is anticipating providing responses to DDW in the next quarter.
- 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 continued to work towards selecting the sites for the additional two or three injection wells to be included in the initial phase of the project.
      - During this quarter, the project design engineer and hydrogeologist progressed toward completion of design plans for injection well drilling and well construction.
      - During this quarter, the project design engineer progressed toward completion of design plans for injection well equipping and recycled water pipelines.
      - During this quarter, the City received a draft appraisal for the easement values for the proposed injection and monitoring wells. The Project Team is in the process of finalizing the appraisal documentation and preparing an offer for the property owner.
  - **Hydrogeologic Analysis and Design**
    - Activities completed
      - On October 16, 2025, the City completed Cone-Penetration (CPT) corings as part of the hydrogeological investigations in the Fisherman’s storage area/Harbor area on Vistra property for the injection well siting.
      - During this quarter, the project hydrogeologist proposed recycled water monitoring well sites to DDW for their consideration. DDW has provided preliminary approval of these sites and stated DDW will provide additional review and comment upon receipt of the final, confirmed locations and screen intervals of all injection, monitoring, and extraction wells.
      - During this quarter, the combined quarterly/annual reports required under the City’s Aquifer Storage and Recovery (ASR) permit were submitted (available on [GeoTracker](#)).
    - 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 preparation of the design of the downhole components of the injection wells.
  - **Funding/Financing**
    - Activities completed
      - On November 24, 2025 the City met with SRF to provide a project timeline update and discussed how to move forward with the schedule change.
      - 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.

# RECYCLED WATER PROJECT SCHEDULE



## Morro Bay WRF Recycled Water Project Schedule Summary Updated: February 5, 2026

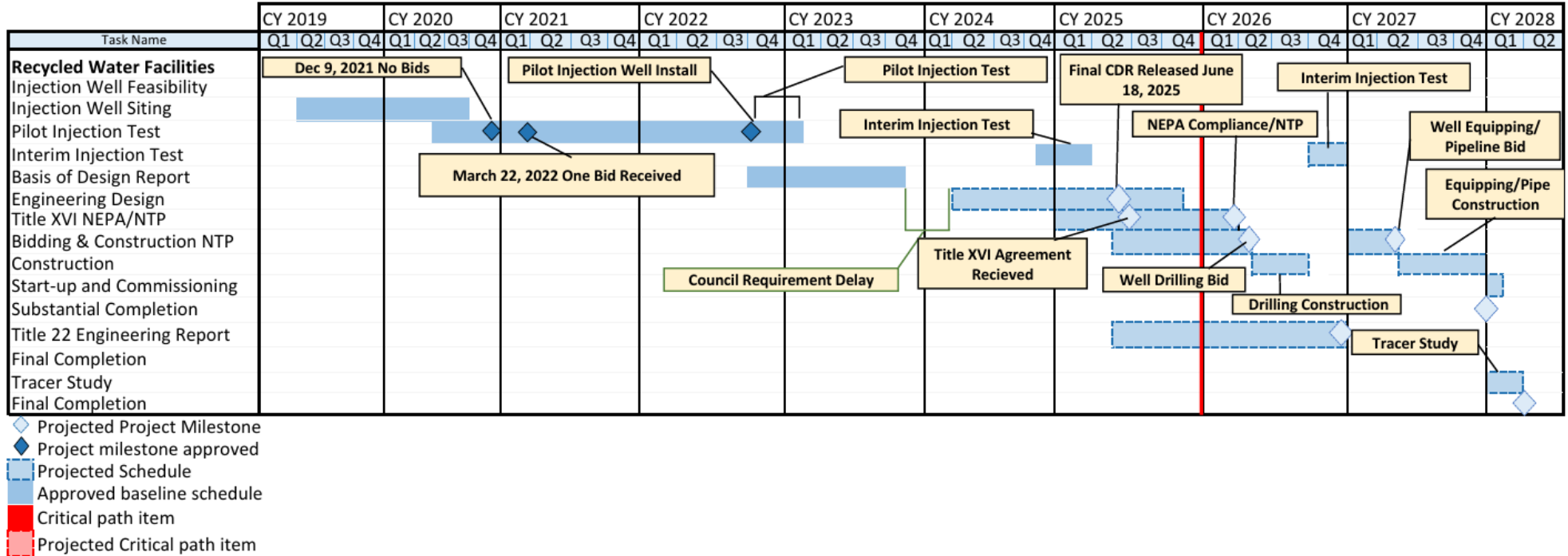


Figure 1. Recycled Water Summary Schedule

## 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 <sup>(1)</sup>	Total Expenditures To Date	FY 25/26 Budget <sup>(2)</sup>	Percent Budget Expended
RWF	\$3,311,042	\$153,943.72	\$3,464,986	\$9,424,174	37%
General Project	\$24,861,953	\$70,293	\$24,932,246	\$30,968,609	81%
WRC Plant	\$77,895,236	\$0	\$77,895,236	\$79,123,216	98%
Conveyance	\$40,912,624	\$4,730	\$40,917,354	\$40,324,350	101%
<b>Total</b>	<b>\$146,980,855</b>	<b>\$228,966.75</b>	<b>\$147,209,822</b>	<b>\$159,840,349</b>	<b>92%</b>

- (1) Oct-Dec 2025 total expenditures as tallied on the Accounts Payable Report run on Jan 7, 2026, including all invoices accrued through Dec 31, 2025.
- (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 <sup>(1)</sup>	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	Executed Agreement
City of Morro Bay	Water/Sewer Fund	\$25,664,815	\$25,664,815	\$0	Subject to loan reimbursement
<b>All Sources Total</b>		<b>\$196,026,884</b>	<b>\$147,209,821</b>	<b>\$48,817,063</b>	

- (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

- 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 investigations at this time. Consent from Cayucos Sanitary District was required to complete these investigations on the jointly-owned property, and Cayucos Sanitary District 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 Cayucos Sanitary District and the project archeologist to reschedule these investigations.

### Extraction Well Siting

- The Extraction Well Project is funded through the Water/Sewer Fund and is separate from the WRF Project.
- On October 17, 2025, the City conducted hydrogeological investigations (Cone Penetration Testing) at a potential extraction well location. The drill rig hit refusal at 43ft due to a large cobble, so the City was unable to obtain data between 43ft below surface and bedrock.
- On December 22-23, 2025, the City conducted hydrogeological and archeological investigations (sonic coring) at two potential extraction well locations. The sonic drill rig was selected for this investigation to avoid refusal issues seen with the CPT testing, as well as to provide samples for archeological investigations. The City was able to successfully complete coring to bedrock.
- During this quarter, the City continued to coordinate with property owners on the potential extraction well locations.
- During this period, the City received a draft appraisal for the easement values of one of the proposed extraction well locations. The Project Team is in the process of finalizing the appraisal documentation and preparing an offer for the property owner.

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