



City of Morro Bay Water Reclamation Facility Program



QUARTERLY REPORT

APRIL 1, 2026 THROUGH JUNE 30, 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 \$147.57 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 (April 1, 2026 – June 30, 2026)

- **Environmental/Permitting**
 - Ongoing activities and upcoming timelines
 - On June 29, 2026 the City submitted a letter to Environmental Protection Agency (EPA) and State Historic Preservation Office (SHPO). The letter included the Phase 3 Report Addendum, which includes details on the negative results from the additional archeological testing completed in August 2025 for the proposed recycled water pipeline. The letter also included mitigation measures for the anticipated adverse affects associated with monitoring well construction. The City is coordinating with the EPA and SHPO on the proposed mitigation approach of additional data recovery.
- **Recycled Water Permitting**
 - Activities completed
 - On April 20, 2026, the Project Team met with the Division of Drinking Water (DDW) to discuss the NDMA/scavenging demand and operator certification requirements.
 - During this quarter, the City continued to coordinate with the Regional Water Quality Control Board (RWQCB) and DDW on the Aquifer Storage and Recovery (ASR) Permit, Groundwater Replenishment Reuse Project (GRRP) Permit, and Engineering Report.
 - Ongoing activities and upcoming timelines
 - On May 11, 2026, the City met with the California Coastal Commission (CCC) to discuss the City's Agricultural Mitigation requirements for the WRF Project and the potential to fulfil those requirements through the Chorro Levee Project. Following

this meeting, the City requested that CCC provide a minimum dollar amount that the City would be required to contribute toward a project to satisfy its agricultural mitigation requirements. CCC determined the City must provide between \$200,000 - \$250,000 towards a project to satisfy the requirement. The City is coordinating with the Coastal San Luis Resource Conservation District (RCD) on next steps.

- During this quarter, the project hydrogeologist submitted the ASR permit application for the Interim Injection Test planned for the next phase of injection wells. The RWCQB provided feedback and requested additional information. The project hydrogeologist is preparing the additional information requested.

- **Hydrogeologic Analysis and Engineering Design**

- Ongoing activities and upcoming timelines

- During this quarter, the City continued to work towards obtaining the modified easements for the additional two or three injection wells and monitoring wells to be included in the initial implementation phase of the project. In April 2026, the Project Team finalized the appraisal documentation for the easement swap and provided the property owner (Vistra) an offer. This offer was accepted in April 2026, and the City is currently in the process of negotiating terms of the agreement/deed.
 - On May 1, 2026, the bid packages (including bid docs, front ends, specs, and plans) for the drilling of the monitoring and injection wells were circulated for internal review by the Project Team. The Project Team continued to finalize the bid docs throughout the quarter and are anticipating release of the monitoring well bid docs in August 2026 and the injection well drilling bid docs in September 2026.

- **Funding/Financing**

- 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.
 - The City continued to prepare grant funding match and disbursement packages for the Title XVI grant.

RECYCLED WATER PROJECT SCHEDULE

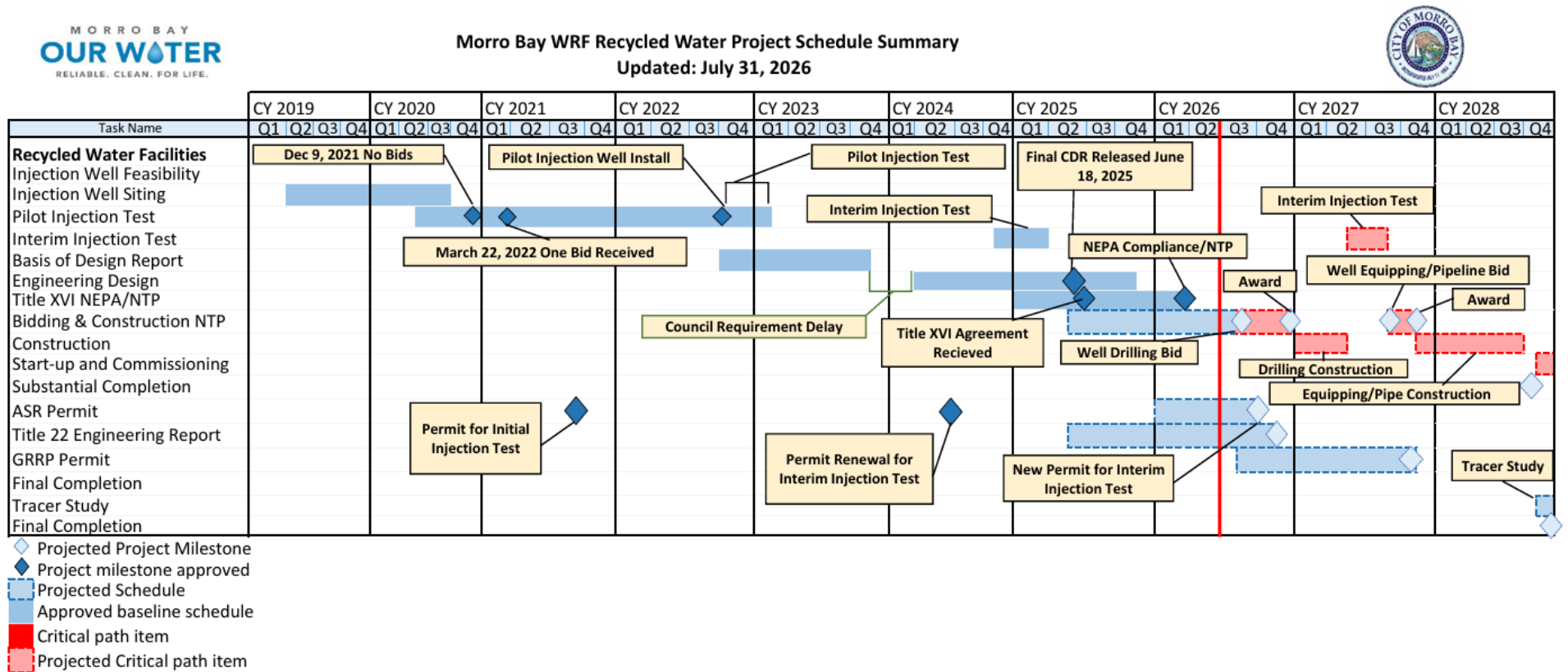


Figure 1. Recycled Water Summary Schedule

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	\$3,550,888	\$61,617	\$3,612,505	\$9,424,174	38%
General Project	\$25,070,830	\$75,502	\$25,146,332	\$30,968,609	81%
WRC Plant	\$77,895,236	\$0	\$77,895,236	\$79,123,216	98%
Conveyance	\$40,918,622	\$0	\$40,918,622	\$40,324,350	101%
Total	\$147,435,576	\$137,119	\$147,572,695	\$159,840,349	92%

(1) April-June 2026 total expenditures as tallied on the Accounts Payable Report run on July 6, 2026, including all invoices accrued through June 30, 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](#).

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	\$26,027,687	\$26,027,687	\$0	May be eligible for loan reimbursement within program deadlines.
All Sources Total		\$196,389,756	\$147,572,693	\$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.

- The City intended to complete the Phase 4 (WWTP Decommissioning) archeological investigations in August 2025 at the same time as the Phase 3 (Recycled Water Facilities) investigations to save on mobilization costs. However, the City was not able to conduct the Phase 4 investigations at this time because consent from Cayucos Sanitary District was required on the jointly-owned property and permission was not granted as other aspects of dissolution of the Joint Powers Authority Agreement were still ongoing.
- The City has negotiated with Cayucos Sanitary District, co-owner of the facilities and property, to buy out their share of the property. Escrow ended on July 2, 2026. The purchase of the property allows the City to move forward with archeological investigations and other demolition activities. The Phase 4 archeological investigations were completed in early July 2026 with negative results for archeological resources.

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.
- The property owner of the preferred extraction well site is exercising their right to complete their own appraisal for the proposed easement. The City is waiting for completion of this appraisal prior to negotiations.

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