

Findings from Updated Site Comparison Report

*City Council Presentation
September 26, 2017*

[Link to WRF Site Video](#)

Recommendations

Staff recommends the following:

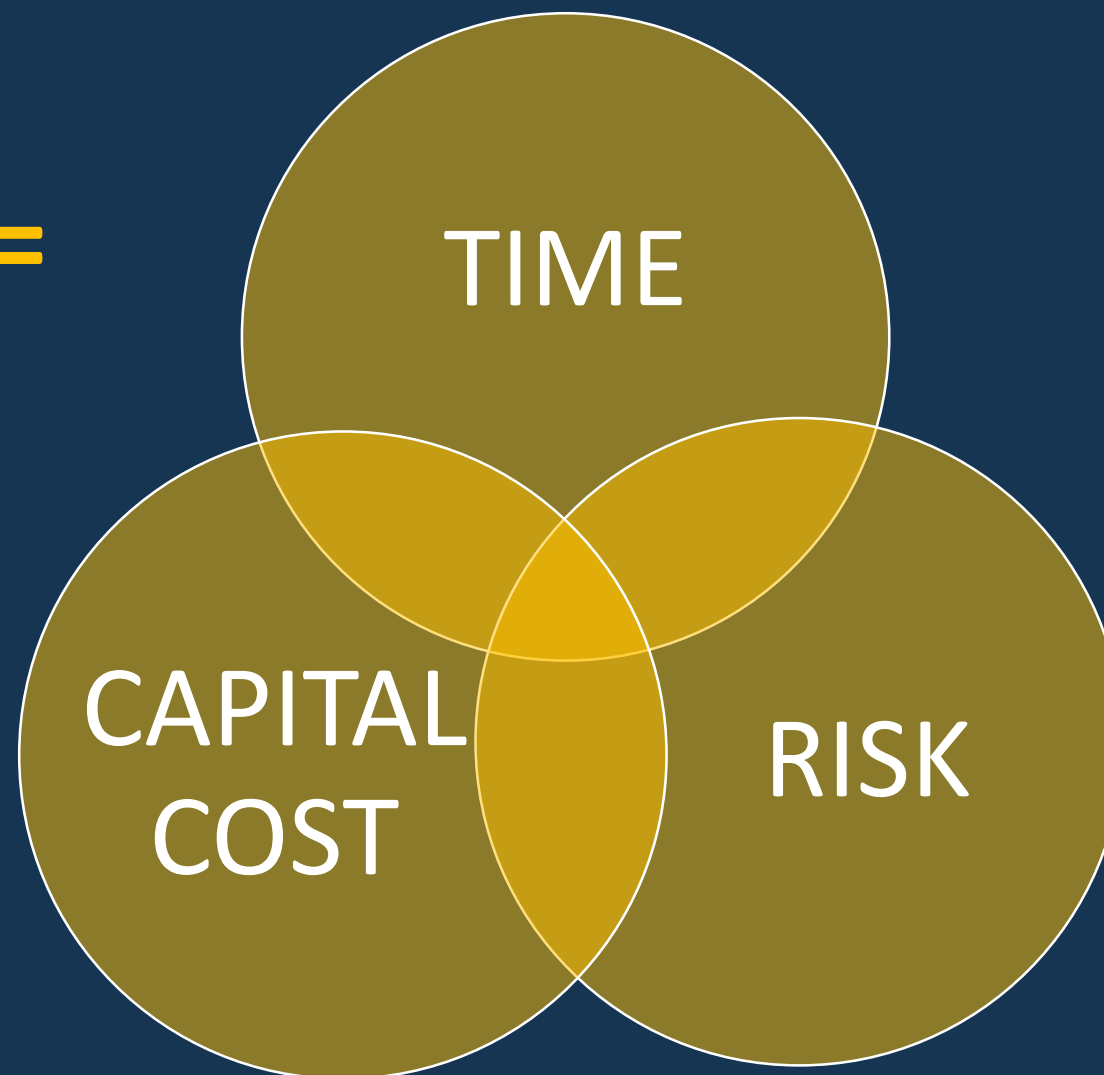
- **City Council consider the status report of the Water Reclamation Facility (WRF) program, specifically related to the City Council direction from the July 11, 2017 meeting**
- **Provide direction as necessary. Options include directing staff to:**
 - **Proceed with planning and permitting at a preferred site;**
 - **Conduct additional community outreach; and/or**
 - **Provide additional information on one or more sites; and/or**
 - **Provide other direction as deemed appropriate by a majority of the Council**

Presentation Overview



- Recommendations
- Background
- Updated Site Comparison Report
- Refined Cost Opinions
- Update on Outreach Efforts
- Next Steps
- Q&A

Costs =



Background

- At July 11, 2017 City Council meeting, the following direction regarding the WRF Project was provided:
 - Direct staff to begin discussion with CCC and RWQCB to determine feasibility of constructing a WWTP/WRF west of Highway 1, at or near existing WWTP site.
 - Staff should begin evaluating costs and feasibility of constructing WRF including recycled water at the Giannini site, Righetti site, and a site west of Highway 1 at or near the existing WWTP. Report back within 60 days.

Background

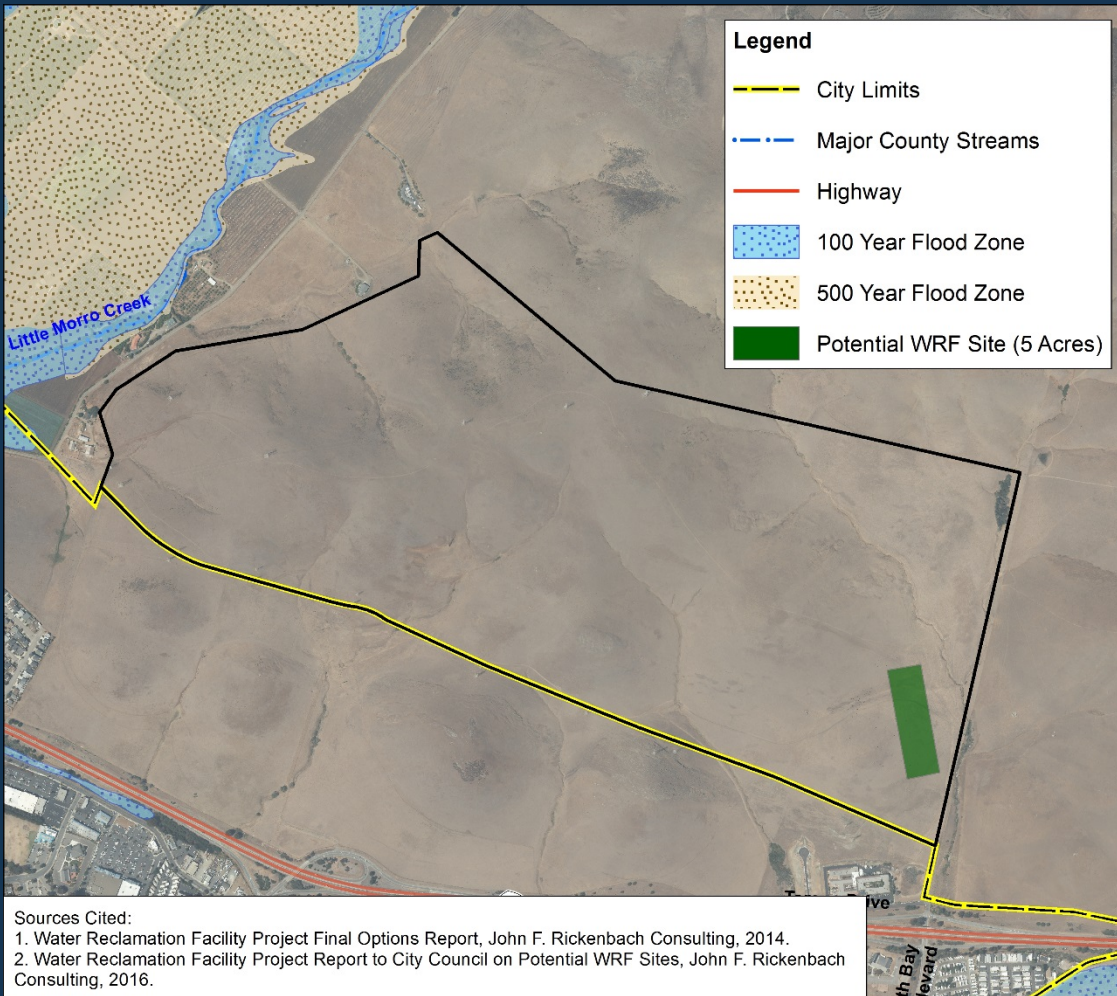
- Direct staff to report on RFP process for a Design-Build project. (completed August 8)
- Evaluate all outreach options and prepare for further discussions with community on results of the City Council requested items. Return to City Council with a recommended process.

Updated Site Comparison Report



- Potential WRF sites examined:
 - Based on Council direction
 - South Bay Boulevard
 - Righetti
 - Giannini
 - Hanson/RV storage
 - Dynegy Tank Farm
- Comparison based on:
 - Capital costs
 - Operating costs
 - Regulatory challenges
 - Potential constraints
 - Potential opportunities

Site 1: South Bay Boulevard



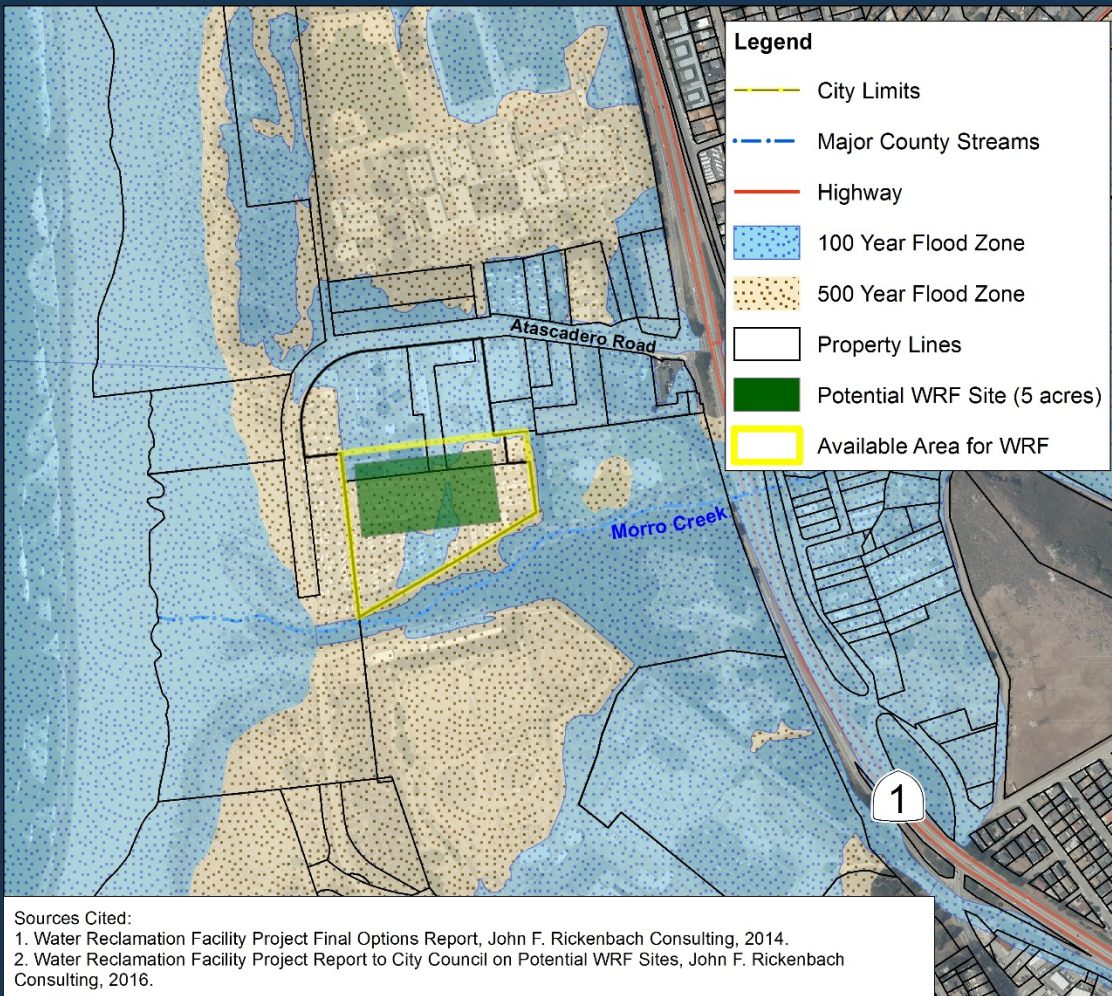
Key Constraints:

- Relatively higher cost
- Farther from most reclamation opportunities
- Farther from City's existing wastewater collection system

Key Opportunities:

- Lower Risk (time and cost control)
- Far from existing residential uses
- Large site provides design flexibility
- Relatively free of Coastal Commission resource concerns
- Site acquisition is straightforward
- Potential for land conservation
- Longer pipeline route but mostly in City right-of-way

Site 2: Hanson/RV Storage



Key Constraints:

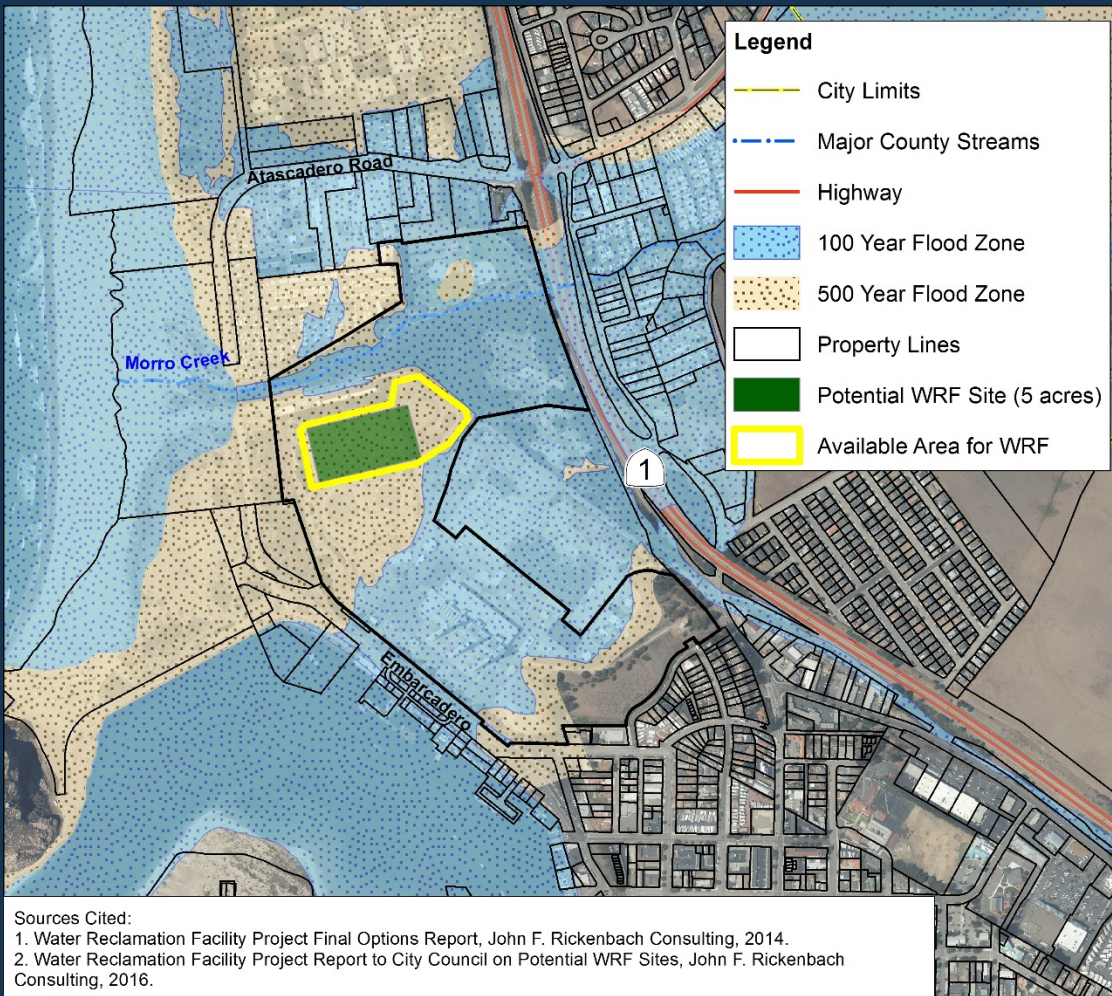
- CCC permitting risk
 - CCC previously denied WWTP Upgrade Permit at adjacent site
 - Long-term relocation condition likely from CCC
 - Permitting process would take longer and cost more
- Tsunami inundation zone
- Partially within 100-year flood zone
- Shoreline erosion and sea level rise
- Liquefaction

- Visual sensitivity
- Cultural resources
- Near Morro Bay High School and residences
- City owns site jointly with CSD

Key Opportunities:

- Lowest cost option
- Close to existing wastewater infrastructure
- Close proximity to reclamation opportunities
- City already owns site (jointly with CSD)

Site 3: Dynegy Tank Farm



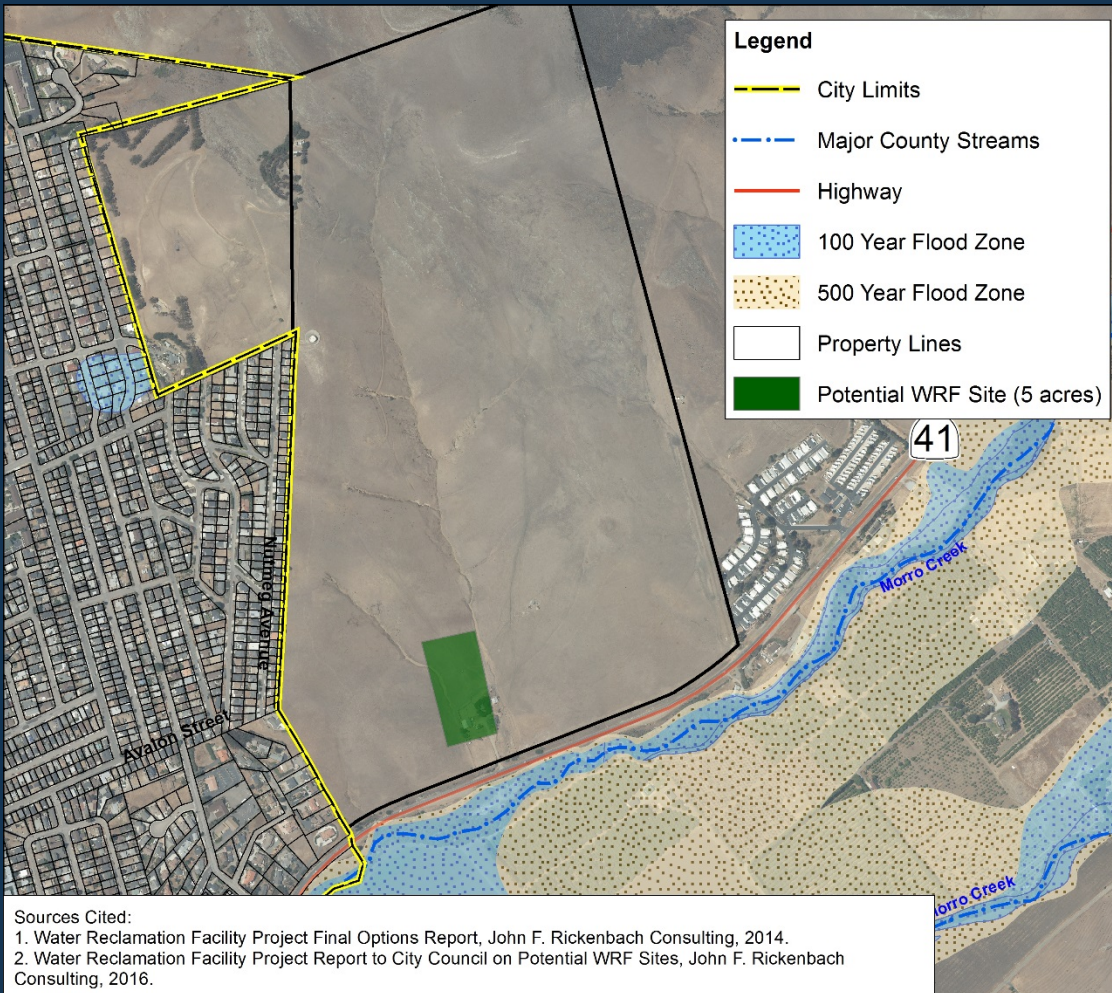
Key Constraints:

- CCC permitting risk
 - CCC previously denied WWTP Upgrade Permit at nearby site
 - Long-term relocation condition likely from CCC
 - Permitting process would take longer and cost more
- Tsunami inundation zone
- Shoreline erosion and sea level rise
- Liquefaction
- Cultural resources
- Acquisition unknowns

Key Opportunities:

- Second lowest cost option
- Close to existing wastewater infrastructure
- Close proximity to reclamation opportunities
- Outside of current 100-year flood zone
- Not visually sensitive

Site 4: Righetti



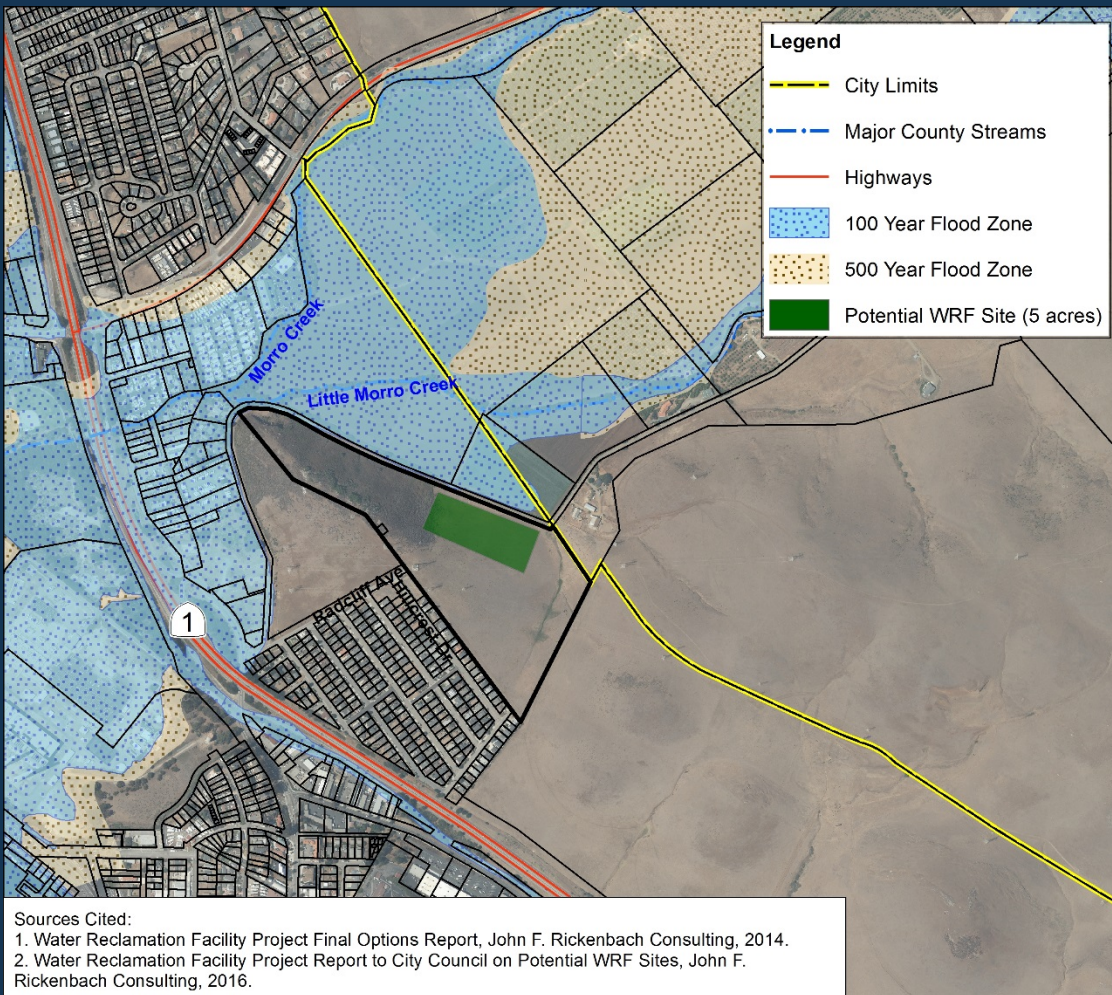
Key Constraints:

- Neighborhood proximity
- Onsite coastal stream
- Cultural resource constraints along pipeline route
- Requires new MOU for property acquisition

Key Opportunities:

- Lower cost than South Bay Boulevard
- Close to existing wastewater infrastructure
- Site at lower elevation than South Bay Boulevard
- Close proximity to reclamation opportunities
- Potential for land conservation
- Potential to eliminate lease cost for Nutmeg water tank

Site 5: Giannini



Key Constraints:

- Neighborhood proximity
- Onsite drainages/Jurisdictional waters
- Property availability
- Cultural resources
- Little Morro Creek Road improvements
- Permitting timeline
- Power line site constraints

Key Opportunities:

- Close to existing wastewater infrastructure
- Site at lower elevation than South Bay Boulevard
- Close proximity to reclamation opportunities
- Lower cost than South Bay Boulevard

Total Program Cost Comparison of Potential Sites



Cost Category	Site 1: South Bay Boulevard	Site 2: Hanson/RV Storage	Site 3: Dynegy Tank Farm	Site 4: Righetti	Site 5: Giannini
WRF Capital Cost	103.5	90.9	93.8	94.8	98.6
Recycled Water Capital Cost	22.7	17.1	16.8	17.4	17.8
Subtotal	126.2	108.0	110.6	112.2	116.4
Construction Contingency	24.2	16.7	20.6	21.5	22.3
Total Program Cost Opinion	150.4	124.7	131.2	133.7	138.7

Cost opinions presented are September 2017 Million Dollars

Key Findings

3 related factors for successful project: Cost, Permitting, and Timing

- Timely site selection needed: *Time = Money*
 - To meet City's 5-year goal (and RWQCB direction)
 - To avoid jeopardizing potential WIFIA funding source—which could drive up cost
 - To minimize cost increases through inflation
- Construction cost differences could be largely offset by risk of schedule delays
- WIFIA Loan (low-interest funding for up to 49%) – cost savings
 - Application deadline: 7/17/2018
 - Sufficient CEQA analysis is needed to allow EPA to complete NEPA
 - Full reclamation will be required

Key Findings

- COSTS
 - Range of capital at the 5 sites: \$125M to 150M
 - Highest cost = SBB (\$150M)
 - Lowest cost = Hanson (\$125M)
 - Lowest cost east of Hwy 1 = Righetti (\$133M)
 - Main reason for difference in costs is distance of pipeline & size of pump station
 - Long term operation and maintenance costs relatively similar among sites
 - Extended permitting timeframe will increase costs

Key Findings

- PERMITTING
 - Letter received from CCC Deputy Director Dan Carl (September 22, 2017)
 - Most straightforward permitting path = SBB
 - Next most straightforward = Righetti, although neighborhood concerns previously expressed
 - Most uncertain permitting path = Hanson/RV storage & Dynegy Tank Farm
 - Coastal issues
 - CCC staff estimates permitting could take 24 months
 - Unknown conditions could increase cost
 - Permitting delay or denial could jeopardize WIFIA loan
 - Requires an amendment to the City's LCP

Key Findings

- TIMING
 - Shortest timeframe = SBB
 - Fewest regulatory obstacles
 - Clearest permitting path
 - Most technical work completed
 - Potentially longer timeframe = Righetti
 - Previously expressed neighborhood opposition could potentially extend CEQA
 - Potential Coastal Stream and cultural resources issues
 - Most uncertain timeframe = Hanson/RV storage & Dynegy Tank Farm
 - CCC staff estimates permitting to take up to 24 months
 - No certainty of Coastal permit approval because of past history

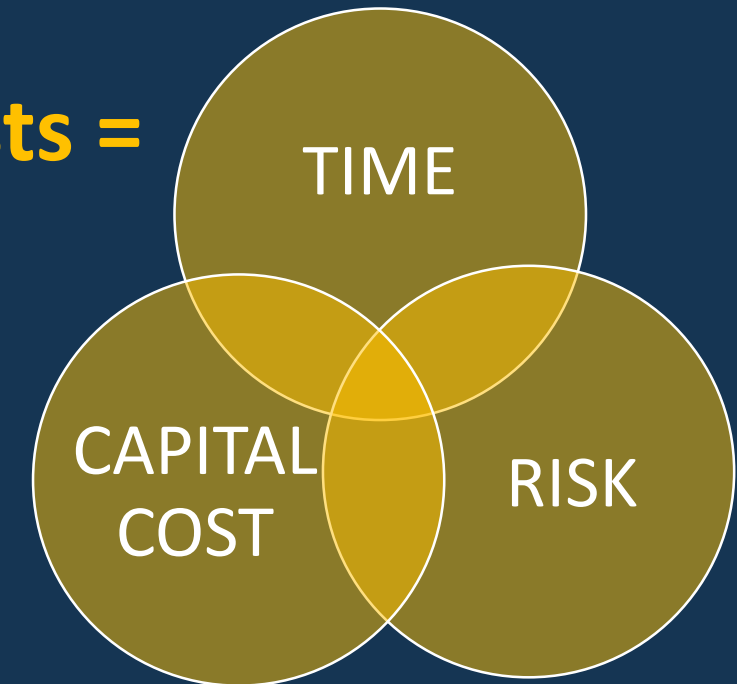
Key Findings

- TIMING
 - Timing at Giannini = likely greater than SBB or Righetti
 - Requires amendment to City's LCP
 - Little technical work completed
 - Potential for neighborhood concerns due to proximity of residences

Cost Reductions - priority

- Time – move quickly
- Reduce permitting risk
- Reduce capital costs through Design Build process
- Implement peer review recommendations
- Pursue grants & low-interest loans
 - Loans: WIFIA (currently at 2.6%) & SRF (currently at 1.8%)
 - Grants:
 - USBR WaterSMART (Up to \$20M)
 - Loan Forgiveness from SRF Green Project Reserve and Water recycling (up to \$4.3M)

Costs =



Next Steps

- City Council selects site
- Rate study expert updates April 2017 Draft Rate Study

To keep the project moving forward:

- Circulate updated Draft Rate Study
- Schedule Proposition 218 protest hearing
- Release RFQ
- Release Draft EIR followed by certification

The schedule for these activities will depend on the site selected by City Council.

Next Steps: Community Outreach



- Potentially refine project goals
- Continue regulatory agency coordination
- Community outreach as appropriate including website updates, informational flyers*
- Property owner outreach

**This step best undertaken if/when City Council updates project goals and selects project site*

Next Steps: Community Outreach



- Focused outreach to neighbors of selected site
- Formal public outreach through CEQA process
- Begin permitting process
- Provide regular updates for City Council and community

Questions and Answers

