

October 25, 2018

Katie DiSimone
California Regional Water Quality Control Board - Central Coast Region
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401

Subject: Time Schedule Order No. R3-2018-0019 Third Quarter Progress Report

Dear Ms. DiSimone:

In accordance with Table 3 (Compliance Schedule) of Time Schedule Order No. R3-2018-0019 dated June 27, 2018, the City of Morro Bay (City) is submitting the Second Quarter Progress Report. Per Table 3, the progress report shall include the following:

"The quarterly progress reports shall detail the Discharger's actions implemented towards achieving compliance with Order No. R3-2017-0050, including but not limited to studies, installation/construction progress, evaluation of measures implemented, recommendations for additional measures as necessary to achieve full compliance by the final date of this TSO, completion of any required actions, failures to comply with any action required and related corrective actions. Quarterly progress reports shall also include as attachments any documentation demonstrating compliance, such as RFPs, EIRs, rate studies, contract awards, or hearing agendas. Where such materials are publicly available via the Discharger's website, the Discharger's quarterly report may instead provide web links if approved by Central Coast Water Board staff."

Background

The City currently jointly owns and operates a wastewater treatment plant (WWTP) with the Cayucos Sanitary District (CSD). The WWTP was 1954 and blends primary-treated effluent with secondary-treated effluent when flows exceed 1 million gallons per day (mgd). The City is currently operating under Waste Discharge Requirements Order No. R3-2017-0050 (Order No. R3-2017-0050), which requires the City to discontinue the blending process as part of the planned new water reclamation facility (WRF) project, and all flows will meet at least full secondary treatment standards.

Since 2013, the City has been developing a WRF project through the completion of several key planning milestones including completion of the Draft Water Reclamation Facility Master Plan and Draft Master Water Reclamation Plan. These planning documents along with City Council-adopted goals for the project have outlined a project that includes the following major components:

- Onsite tertiary treatment facility with a capacity of approximately 1 mgd;
- Onsite full advanced treatment facilities capable of meeting the Division of Drinking Water's requirements for potable reuse via groundwater augmentation;
- Offsite recycled potable reuse facilities including pipelines and injection wells necessary for groundwater augmentation in the Morro groundwater basin; and
- Offsite raw wastewater conveyance facilities including pipelines and pump station(s) to convey raw wastewater, tertiary-treated wastewater, and brine between the existing WWTP site and the City's preferred site located at Highway 1 and South Bay Boulevard.

Summary of Recent Activities

Since delivery of the last quarterly update on July 31, 2018, the City has continued to make major strides in moving the WRF program towards achieving full compliance with Order No. R3-2017-0050 by February 23, 2023. These milestones include certification of the Final Environmental Impact Report (EIR) by the City Council, completion of the Proposition 218 process and adoption of new water and sewer rates, award of a contract for additional hydrogeological work needed to support design of the potable reuse component of the project, and award of an agreement to Filanc/Black & Veatch for design and construction of the WRF onsite facilities. A summary of major milestones, dates of their completion, and critical supporting documentation is also identified in the table below.

Activity	Completion Date	Supporting Documentation	Links to WRF Website or Attached
WRF Onsite Design-Build Request for Proposals	January 24, 2018	RFP	http://morrobaywrf.com/request-proposals-design-build-services-wrf-onsite-improvements/
Release of Public Draft Environmental Impact Report (EIR)	March 30, 2018	Draft EIR	http://www.morrobayca.gov/DocumentCenter/View/11684/WRF-Draft-EIR---All-Chapters-Combined
City Council Selection of the Preferred WRF Onsite Design-Build Team	June 13, 2018	Agenda	http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4648
Final EIR	July 03, 2018	Final EIR	http://www.morrobayca.gov/DocumentCenter/View/11985/WRF-Final-EIR
Recommendation to Certify Final EIR by Planning Commission/WRFCAC	July 03, 2018	Agenda	http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4682
Draft Financial Plan and Rate Analysis	July 05, 2018	Draft Report	http://morrobaywrf.com/site/wp-content/uploads/Morro-Bay-WRF-Financing-Plan-Rates-Draft-7-5-18.pdf
City Council Approval of Proposition 218 Notice	July 10, 2018	Agenda	http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4685
Submission of the EPA WIFIA Application	July 13, 2018	Application	http://morrobaywrf.com/site/wp-content/uploads/WIFIA-Loan-Application-main-July-2018.pdf
City Council Certification of the Final EIR	August 14, 2018	Resolution	Attachment 1

Activity	Completion Date	Supporting Documentation	Links to WRF Website or Attached
Adoption of New Rates to Support the WRF Program	September 11, 2018	Resolution	Attachment 2
Award Contract for the Next Phase of the Hydrogeological Work	September 25, 2018	Staff Report	Attachment 3
Award of the WRF Onsite Improvements Design-Build Contract	October 23, 2018	Staff Report	Attachment 4

Summary of Planned, Near-Term Activities

In addition to continuing to progress the preliminary design of both the WRF onsite improvements and the offsite lift station(s) and pipelines, the City is planning to complete the following major activities before the end of the fourth quarter of 2018:

Planned Activity	Proposed Date
Progress Update Meeting with the Regional Water Quality Control Board	November 01, 2018
Submit the Notice to Proceed to Filanc/Black & Veatch to begin design of the WRF onsite improvements	November 05, 2018
Submit the Notice to Proceed to GSI to initiate the next phase of hydrogeological work to finalize injection quantity, well location, and well design criteria	November 15, 2018
Submit the Final Clean Water State Revolving Fund Program	December 31, 2018
Submit a Conditional Use Permit Application to San Luis Obispo County	December 31, 2018

Conformance with the Compliance Schedule

Table 3 in the TSO identifies the final and intermediate required actions that must be satisfied to demonstrate full compliance with the TSO. The table below lists the required actions, compliance due dates, actual completion dates for those actions already completed, and planned completion dates for those not yet completed.

Required Actions	Compliance Due Dates	Actual Completion Date	Planned Completion Date
Release of Public Draft EIR	March 30, 2018	March 30, 2018	March 30, 2018
Release of Updated Rate Study	June 30, 2018	July 05, 2018	June 30, 2018

Proposition 218 Hearing	August 30, 2018	September 11, 2018	September 11, 2018
Certification of Final EIR	June 30, 2018	August 14, 2018	August 14, 2018
Award of Contract for WRF Onsite Improvements	September 30, 2018	October 23, 2018	September 25, 2018
Develop, Implement, and Submit Pollution Prevention Plan	December 01, 2018	-	December 01, 2018
Award of Contract for Construction of Lift Station and Offsite Pipelines	November 30, 2019	-	November 30, 2018
Completion of WRF Improvements with Completion Report	December 30, 2022	-	December 30, 2022
Full Compliance with Final Effluent Limits	February 28, 2023	-	February 28, 2023
Quarterly Progress Reports on TSO Compliance	1st Quarter: May 01, 2018 2nd Quarter: August 01, 2018 3rd Quarter: November 01, 2018 4th Quarter: February 01, 2019	NA August 01, 2018 November 01, 2018 -	NA - November 01, 2018 February 01, 2018

The City will continue to work diligently to come into compliance with Order No. R3-2017-0050 by February 23, 2023 and meet the intermediate actions in Table 3. If you have questions about this progress report or need assistance accessing any of the supporting documentation, please do not hesitate call or email at your earliest convenience.

Sincerely,

CAROLLO ENGINEERS, INC.



Eric Casares, P.E.
WRF Program Manager

ETC:sm

Enclosures:

Attachment 1

City Council Certification of the Final EIR

RESOLUTION NO. 61-18

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, CERTIFYING THE MORRO BAY WATER RECLAMATION FACILITY (WRF) FINAL ENVIRONMENTAL IMPACT REPORT, ADOPTING ENVIRONMENTAL FINDINGS OF FACT, A MITIGATION MONITORING AND REPORTING PROGRAM AND STATEMENT OF OVERRIDING CONSIDERATIONS, APPROVING THE WRF PROJECT AND DIRECTING STAFF TO PROCEED WITH OBTAINING ALL NECESSARY GOVERNMENTAL PERMITS, REAL PROPERTY INTERESTS AND FINANCING FOR THE WRF PROJECT

THE CITY COUNCIL City of Morro Bay, California

WHEREAS, on August 8, 2016, the City issued a Notice of Preparation of an Environmental Impact Report (EIR) for a water reclamation facility to be constructed for the City of Morro Bay (Project), which provided for a 30-day project scoping period, from August 8, 2016, through September 7, 2016;

WHEREAS, a public scoping meeting was held on August 8, 2016 at the Veterans Memorial Building at 209 Surf Street in Morro Bay;

WHEREAS, on April 3, 2018, a Notice of Availability of the Draft EIR (SCH# 2016081027) for the Morro Bay Water Reclamation Facility (DEIR) was posted with the Clerk-Recorder for the County of San Luis Obispo. It was also circulated to federal, state and local agencies and interested parties requesting a copy. Copies of the Draft EIR were also made available to the public at the following locations:

- City of Morro Bay WRF Web Site (<http://morrobaywrf.com>)
- Morro Bay Public Library (625 Harbor Street, Morro Bay)
- Cayucos Public Library (310 B Street, Cayucos)
- Morro Bay Public Services Department (955 Shasta Avenue, Morro Bay)
- Wastewater Treatment office (160 Atascadero Road, Morro Bay);

WHEREAS, from April 3, 2018 through May 18, 2018, the DEIR, which analyzed the significant adverse environmental impacts that may result from the proposed Water Reclamation Facility (WRF);

WHEREAS, during that period, the City held one CEQA public meeting to provide interested persons with an opportunity to comment orally or in writing on the Draft EIR and the proposed project. That public meeting was an item on the agenda at the Water Reclamation Facility Citizens Advisory Committee (WRFCAC) meeting held at the Veterans Memorial Hall in Morro Bay on May 1, 2018;

WHEREAS, on June 25, 2018, (i) the responses to public agencies', private organizations' and individuals' comments on the Draft EIR were provided to those who filed written comments on the DEIR with the City and (ii) a Final EIR for the Morro Bay Water Reclamation Facility (SCH# 2016081027) (FEIR), which incorporates the DEIR and responses to written comments on the DEIR, was completed and released for public review;

WHEREAS, on July 3, 2018, the City's Planning Commission and WRFCAC reviewed the FEIR and recommended the City Council certify it as being in compliance with the California Environmental Quality Act (California Public Resources Code, section 21000 *et seq.* and State CEQA Guidelines (14 California Code Regulations, section 15000 *et seq.*) (collectively, CEQA);

WHEREAS, on August 14, 2018, the City Council held a duly noticed public meeting to consider the written and oral staff report, public testimony on the FEIR and the Project, and whether the FEIR should be certified and whether the Project should be approved;

WHEREAS, the written staff report regarding the FEIR and the Project are found to be true and accurate in all respects and is incorporated herein by this reference;

WHEREAS, prior to the final consideration and any possible approval of any and all physical aspects of the proposed Project, as analyzed by the FEIR, the City Council and all City legislative bodies involved with the proposed Project will consider the FEIR and the City Council recommends all other governmental agencies and legislative bodies that must review or approve, if at all, the proposed Project do the same; and

WHEREAS, the City Council has completed review of the FEIR and related materials.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, as follows:

SECTION 1: The foregoing recitals are true and correct and incorporated herein.

SECTION 2: Based on substantial evidence, both written and oral, from the public meeting and in the record of proceedings, and the City Council's independent judgment, the City Council makes the following findings and takes the following actions with respect to the FEIR:

- A. The City Council has independently reviewed and considered the FEIR, including the comments received on the FEIR during the public review, and the responses to those comments.
- B. The FEIR reflects the City's and the City Council's independent judgment and is found and determined to have been completed in compliance with CEQA, and is adequate for the proposed Project.
- C. The FEIR is found and determined to have demonstrated, with implementation of the mitigation measures described in the FEIR, the proposed Project, if approved by the City Council and all other required governmental agencies and legislative bodies, will have no significant effect on the environment, except as discussed in Section 2. F., below.

- D. The FEIR is found and determined to have satisfied the requirements of CEQA and a Mitigation Monitoring and Reporting Program (MMRP) has been prepared to ensure effective implementation and enforcement of all adopted mitigation measures for the proposed Project.
- E. The MMRP for the proposed Project is hereby adopted, in order to mitigate or avoid significant effects on the environment, and further, the City Council:
 - 1. commits the MMRP will be included, as conditions of approval, expressly or by reference, for all approvals, if any, of the proposed Project by the Morro Bay City Council, Planning Commission and other City legislative bodies and staff and
 - 2. recommends all other governmental agencies and legislative bodies that must review, approve, or issue permits for, the proposed Project do so as well.
- F. As analyzed and determined in the FEIR, construction of conveyance pipelines and indirect potable reuse injection and monitoring wells, which are part of the proposed Project, would result in significant and unavoidable impacts to historic and archaeological resources and human remains that would not be reduced to less than significant levels even with mitigation. Based on that analysis, as required by CEQA section 15093, a statement of overriding considerations (SOC) has been prepared.

SECTION 3: The documents and other materials that constitute the record of proceedings upon which adoption of this Resolution is based, are in the custody of the City of Morro Bay, Community Development Department, Planning Division, 955 Shasta Avenue, Morro Bay, CA 93442. The custodian of those documents is Scot Graham, Community Development Director.

SECTION 4: Based upon all the foregoing, pursuant to CEQA, the City Council adopts

- A. the CEQA Findings of Fact, attached hereto as Exhibit A and incorporated herein by this reference,
- B. the MMRP, attached hereto as Exhibit B and incorporated herein by this reference, and
- C. the SOC, attached hereto as Exhibit C and incorporated herein by this reference.

SECTION 5: Based upon all the foregoing, the City Council hereby certifies the FEIR.

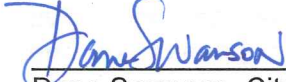
SECTION 6: Based upon all the foregoing, the City Council hereby approves the Project and directs staff to pursue obtaining all necessary governmental permits, real property interests, financing, design, construction activities, and other related actions for the Project.

SECTION 7: This resolution will become effective immediately upon adoption.

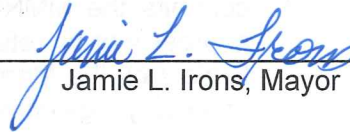
PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 14th day of August, 2018 on the following vote:

AYES: Irons, Davis, Headding, Makowetski, McPherson
NOES: None
ABSENT: None

ATTEST:



Dana Swanson, City Clerk



Jamie L. Irons, Mayor

Attachments: Exhibit A – Findings of Fact
Exhibit B – Mitigation Monitoring and Reporting Program
Exhibit C – Statement of Overriding Considerations

Attachment 2

Adoption of New Rates to Support the WRF Program

RESOLUTION NO. 71-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
ESTABLISHING USER SURCHARGE RATES FOR
A NEW WASTEWATER RECLAMATION FACILITY TO PROVIDE SAFE
WATER AND SEWER (WASTEWATER) SERVICE**

**THE CITY COUNCIL
City of Morro Bay, California**

WHEREAS, the City of Morro Bay's existing wastewater treatment plant was originally built in 1953, has reached the end of its useful life and needs to be rebuilt due to age and condition, as well as to meet current regulatory requirements; and

WHEREAS, the Regional Water Quality Control Board recently issued a Time Schedule Order (TSO) that gives the City a maximum of five years to build a new facility to meet the new, more stringent, permit requirements and failure to meet the deadline would put the City at risk for substantial fines; and

WHEREAS, in 2013, the California Coastal Commission unanimously denied the City's permit to build a new treatment plant near the existing site and locations near the existing facility site are also inconsistent with Coastal Commission policy and provisions of the Coastal Act and Local Coastal Program; and

WHEREAS, the community of Morro Bay seeks to replace its 65-year-old wastewater treatment plant with a new water reclamation facility (WRF) at the preferred site near the intersection of South Bay Boulevard and Highway 1, roughly one mile east of downtown Morro Bay; and

WHEREAS, the WRF Project represents the culmination of a 5-year public process that included identification of community goals, evaluation of project and site alternatives, and input from a number of professional and community-advisory groups; and

WHEREAS, in 2015, the City adopted 5 years of water and sewer rate increases designed to meet its contractual obligations, fund the cost of providing utility service and help fund capital improvements to the City's aging water and sewer systems; and

WHEREAS, the previously-adopted rates substantially strengthened the financial health of the City's water and sewer utilities, but do not provide adequate funding to support each utility's share of costs for the WRF Project; and

WHEREAS, The WRF Project surcharges were developed by an independent rate consultant with input from City staff, the City's engineering consultants, City Council, various citizen-advisory groups, and the City's Blue Ribbon Commission – a group of Morro Bay residents with substantial financial and business experience that was established to provide independent review and input regarding WRF Project costs and the proposed rate surcharges; and

WHEREAS, the proposed surcharge rates reflect the funding needed to pay the capital and financing costs for the WRF Project to provide service to all customers through the apportionment of costs based on customer, capacity, and demand characteristics; and

WHEREAS, it has been determined the recommended surcharge rates do not exceed the reasonable cost of providing water or sewer services and, as such, the proposed surcharge rates are not levied for general revenue purposes; and

WHEREAS, in accordance with Government Code section 50076, "As used in this article, "special tax" shall not include any fee which does not exceed the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is not levied for general revenue purposes;" and

WHEREAS, notices of the public hearing regarding the proposed changes to the water and sewer surcharge rates were mailed to each rate payer and property owner not less than forty-five days prior to the public hearing, in compliance with Section 6 of Article XIII-D of the Constitution of the State of California; and

WHEREAS, that public hearing was held before the City Council on September 11, 2018; and

WHEREAS, during general public comment and at the public hearing on September 11, 2018, 9 persons were present and spoke in opposition to the surcharge rates and 13 persons were present and spoke in support of the surcharge rates; and

WHEREAS, on September 11, 2018, the City Clerk advised the Council 2,151 written protests of the surcharge rates and 5 written requests to withdraw their protest were received prior to the commencement of the public hearing; and

WHEREAS, on September 11, 2018, the City Council received 12 written protests against the surcharge rates that were submitted prior to the closing of the public hearing; and

WHEREAS, at the conclusion of the public hearing, the City Clerk tabulated the number of written protests received and reported there was not a majority protest of the proposed water or sewer surcharge rates by owners, customers of record or authorized representatives of identified parcels receiving such services; and

WHEREAS, based on the information presented, including the staff reports and comments from the members of the public, the City Council of the City finds the following:

- A. The purposes of the updated water rates established pursuant to this Resolution are to:
 - support funding for the sewer utility's share of costs for the new wastewater treatment plant and conveyance facilities, and
 - Help fund recycled water components of the WRF Project.
- B. The updated water and sewer service rates established pursuant to this Resolution are not levied for general revenue purposes.

- C. The primary purpose for the surcharges set forth in this Resolution are to help fund the WRF Project, whose significant environmental impacts were analyzed in that certain Final Environmental Impact Report (FEIR) for Morro Bay Water Reclamation Facility, which was certified by the City Council through Resolution No. 61-18, adopted on August 14, 2018 I (FEIR) and the Council has considered the impacts analyzed in the FEIR prior to adoption of this Resolution;

WHEREAS, in adopting the rates set forth in this Resolution, the City Council of the City of Morro Bay is exercising its powers under California Constitution Article XI, Section 7, which states: "A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws"; and

WHEREAS, the procedures followed and the rates adopted are in compliance with California Constitution Article XIII D, "Property-Related Fees and Charges"; and

WHEREAS, there is not a protest of the proposed water or sewer service rate increases by a majority of the owners, customers of record or authorized representatives, of identified parcels receiving such services; and

WHEREAS, rates shall apply to and be paid by the City customers at the times, and in the amounts and otherwise apply and be administered with the rates as prescribed in this Resolution to be effective July 1, 2019 and the July 1 of each fiscal year during which the debt incurred to finance the WRF Project remains due and payable; and

WHEREAS, the rates and all portions of this Resolution are severable and should any of the rates or any portion of this Resolution be proven to be invalid and unenforceable by a body of competent jurisdiction, then the remaining rates and/or Resolution portions shall be and continue in full force and effect except for those rates and/or Resolution that have been judged to be invalid; and

WHEREAS, this Resolution will become effective immediately upon adoption.

NOW, THEREFORE, the City Council of the City of Morro Bay hereby resolves the following:

SECTION 1: FINDINGS. The City Council hereby adopts all the above recitations as findings and conclusions, which are based on substantial evidence presented to the City Council through staff reports, professional studies and oral and written testimony received and considered by the City Council during the process of considering the rates and issues regarding the subject matter of this Resolution (the "Record of Proceedings").

SECTION 2: DETERMINATION. Based upon the findings and conclusions set forth above, the City Council determines: the Record of Proceedings establishes the costs listed Exhibit A, as those incurred by the City for installation of the WRF Project to provide water and sewer services to City customers are reasonable estimates of the costs of providing such infrastructure and services, to allocate such costs among City property owners/customers so they bear a fair and reasonable relationship to customers and to secure the financial stability of the City water or sewer systems in accordance with the analysis conducted in current and prior staff reports. There was no majority protest of the proposed water or sewer surcharge rates. Therefore, the surcharge rates as set forth in Exhibit A are approved and adopted and, effective July 1, 2019

and the July 1 of each fiscal year during which the debt incurred to finance the WRF Project remains due and payable.

SECTION 3: COLLECTION. The City Council hereby directs the surcharge rates established by this Resolution shall be billed and collected together with charges for other utility services rendered by the City of Morro Bay.

SECTION 4: ENFORCEMENT. In the enforcement of the collection of the surcharge rates established herein, the City of Morro Bay may use any available remedy at law or in equity; provided, however, that said rates and charges shall not be collected by means of the San Luis Obispo County Assessor's roll of real property taxes, nor shall any delinquent rates or charges be enforced by means of a lien on real property.

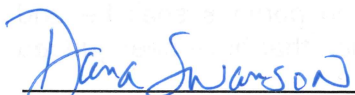
PASSED AND ADOPTED by the Morro Bay City Council at a regular meeting thereof held on the 11th day of September 2018 by the following vote:

AYES: Irons, Davis, Headding, Makowetski, McPherson
NOES: None
ABSENT: None
ABSTAIN: None



JAMIE L. IRONS, Mayor

ATTEST:



DANA SWANSON, City Clerk

Attachment 3

Award Contract for the Next Phase of the Hydrogeological Work

WRF Sewer Surcharges

The WRF Sewer Surcharges as shown on the adjacent table support funding for the sewer utility's share of costs for the new wastewater treatment plant and conveyance facilities. WRF Sewer Surcharges for residential customers are fixed monthly surcharges billed per residential dwelling unit. WRF Sewer Surcharges for non-residential customers vary by customer class and wastewater strength and are billed based on metered water use, subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.

Proposed WRF Sewer Surcharges	
Residential WRF Sewer Surcharges	
<i>Fixed monthly surcharge per residential dwelling unit</i>	
Single Family Home	\$25.00
Multi-Family/Condominium Unit	20.00
Non-Residential WRF Sewer Surcharges	
<i>Volumetric surcharge per hcf of metered water use</i>	
Class A - Low Strength	\$3.43
Class B - Domestic Strength	4.10
Class C - Moderate Strength	4.77
Class D - Mod-High Strength	5.43
Class E - High Strength	6.77
<i>Minimum Monthly Charge</i>	20.00

Class A - Low Strength includes schools, laundromats, carwashes, city and public facilities, & water softener accounts.

Class B - Domestic Strength includes professional offices, retail stores, mobile home parks, and all other standard-strength commercial accounts.

Class C - Moderate Strength includes motels, retirement homes with dining facilities, and mortuaries.

Class D - Mod-High Strength includes hotels with dining rooms or restaurants, and mixed-use accounts where high-strength sewage accounts for between an estimated 25% to 75% of total wastewater flow.

Class E - High Strength includes restaurants, bakeries, and seafood processors.

Note: The City reserves the right to estimate wastewater strength and assign customer class.

WRF Water Surcharges

The WRF Water Surcharges as shown on the adjacent table help fund recycled water components of the WRF Project. WRF Water Surcharges for residential customers are fixed monthly surcharges billed per dwelling unit. WRF Water Surcharges for non-residential customers are volumetric surcharges billed based on metered water use subject to a minimum monthly charge. As proposed, the surcharges would be levied starting July 1, 2019 and would remain in effect until debt issued to finance the WRF Project is paid off. The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing.

Proposed WRF Water Surcharges	
Residential WRF Water Surcharges	
<i>Fixed monthly surcharge per residential dwelling unit</i>	
Single Family Home	\$16.00
Multi-Family/Condominium Unit	12.80
Non-Residential WRF Water Surcharges	
<i>Volumetric surcharge per hcf of metered water use</i>	
Surcharge per hcf of water use	\$3.64
<i>Minimum Monthly Charge</i>	12.80

1 hcf = 100 hundred cubic feet = 748 gallons

Impacts on Monthly Utility Bills

Total WRF Water & Sewer Rate Surcharges for a single-family home will not exceed \$41 per month including a \$25 WRF Sewer Surcharge of and a \$16 WRF Water Surcharge. Combined surcharges per multi-family or condominium dwelling unit will not exceed \$32.80 per month. Surcharges for commercial and other non-residential customers vary based on customer class and water use and will not exceed the levels shown on the tables above.

With full implementation of the previously-adopted water and sewer rates and the proposed WRF Surcharges, the total combined monthly utility bill for a typical single-family home with 5 units ((i.e. 500 cubic feet per month which is the equivalent of 125 gallons per day) of monthly water use would not exceed \$191 accounting for all monthly utility rates and WRF Surcharges. Approximately two-thirds of single-family residential bills are at or below this level of use. Customer bills will vary based on level of water use.



AGENDA NO: C-4

MEETING DATE: September 25, 2018

Staff Report

TO: Honorable Mayor and City Council **DATE:** September 18, 2018

FROM: Eric Casares, Carollo Engineering – WRF Program Manager
Rob Livick, PE/PLS – Public Works Director/City Engineer

SUBJECT: Consideration of Proposal from and Approval of Contract to GSI Water Solutions for Groundwater Flow Modeling and Injection Testing for Future Indirect Potable Reuse in Morro Valley

RECOMMENDATION

Staff recommends the City Council:

1. Review the recommendation from staff to award a contract to GSI Water Solutions for groundwater flow modeling of lower Morro Valley Basin and injection testing for future indirect potable reuse in lower Morro Valley Basin; and
2. Authorize the Public Works Director to execute an agreement for the amount of \$351,000, with a fifteen percent contingency for a total authorization of \$403,650.

ALTERNATIVES

Review the proposed scope, budget, and schedule and provide any direction to staff for revision.

FISCAL IMPACT

GSI Water Solutions proposes to complete all work under the contract on a time and materials basis with a budget that will not be exceeded without receiving written authorization from the City. That amount is \$351,000 with a contingency in place of 15%, for a total authorization of \$403,650.

The City budgeted \$120,000 in FY 2017/18 to initiate groundwater modeling services and pilot injection testing as part of the Water Reclamation Facility (WRF) Capital Project Budget. The attached GSI proposal includes that budgeted work, as well as future phases that were planned to be performed in FY 2018/19. A total of \$9,353,776 has been budgeted in FY 2018/19 for the overall WRF program and as of the end of August 2018, \$94,588.37 has been expended.

In addition to the work outlined in this report, the City will need to construct monitoring wells for use in the pilot study. The construction of those wells will be procured under the City's procedures for Public Works construction projects; and it has been estimated the construction of the monitoring wells will cost approximately \$150,000 (which is in addition to the proposed amount to be authorized for GSI to perform the work identified in this report). The pilot well construction project will be competitively bid and is subject to paying prevailing wage rates as stipulated in the California Public Contracts Code as a public project. Once

Prepared By: EC/RL

Dept Review: _____

City Manager Review: _SC_

City Attorney Review: _JWP_

installed, GSI Water Solutions will operate the monitoring wells to determine the amount of treatment that would be needed at the WRF treatment facility, as well as the design of the permanent injection wells.

The proposed outcomes from the work outlined in this report will help the City determine the amount of treated effluent that should undergo advanced treatment at the WRF. That determination will allow the City to right-size those facilities and potentially reduce the overall costs for the WRF program.

BACKGROUND/DISCUSSION

The WRF project includes the construction of a new advanced treatment facility at the South Bay Boulevard site, which was selected as the preferred site for planning and permitting at the September 26, 2017, City Council meeting, and a lift station and pipeline to transport wastewater from the City's collection system to the new WRF.

One of Council's goals for the WRF project is to provide a drought resistant secure water supply to enable water security and reduce the City's reliance on the State Water Project particularly in the face of repetitive and ongoing drought conditions in California. To facilitate the goal of water security the WRF project includes a recycled water pipeline and injection wells in the lower Morro Valley to use the highly treated water to replenish the groundwater basin, and a discharge pipe, which would connect to the existing ocean outfall for discharge of brine from the advanced treatment system and/or treated effluent during high flow events or when the advanced treatment system would be offline.

As presented in past reports, the Morro Valley was chosen for groundwater recharge and the resultant water supply benefit over the Chorro Valley for a variety of reasons including:

- better production wells,
- the Morro Valley below the "Narrows" has no other users, as opposed to the Chorro Valley where there are many riparian users, and, therefore, all the injected water is available to the City; and
- proximity to the water treatment and distribution systems resulting in more available water at a lower cost.

GSI Water Solutions previously completed a screening-level groundwater flow model of the lower Morro Valley groundwater basin, which assessed the feasibility of using injection and subsequent recovery of recycled water (indirect potable reuse) to augment the City's water supply. That work was documented in the May 16, 2017, report titled *Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility*. Two possible injection and extraction well layouts were evaluated. The analysis from the report concluded:

1. It is likely feasible for the aquifer to accept the recycled water available for injection;
2. A minimum of four injection wells would likely be needed to achieve the desired recycled water injection capacity;
3. Depending on the injection well locations, up to approximately 1,200 acre-feet-per-year (AFY) of groundwater could potentially be produced for potable water supply without the model indicating seawater intrusion would occur (the City currently uses between 900 and 1000 AFY of potable water); and
4. The 2-month minimum subsurface recycled water response retention time required under Title 22 will likely be met.

Based on the screening evaluation, the following tasks were recommended in the May 2017 report:

1. Conduct a preliminary consultation with the California State Water Board Division of Drinking Water regarding permitting considerations; and
2. Implement a pilot injection program, including construction of pilot injection well and monitoring wells, baseline groundwater monitoring and long-term injection pilot tests. The purpose of the pilot test program would be to validate the screening modeling results and provide a design basis for the full-scale project and permitting.

The City released a request for proposals for groundwater modeling and pilot injection well testing services on March 30, 2018 with proposals due on April 20, 2018. The City received two proposals, one from GSI Water Solutions, and one from Geoscience. City staff reviewed each proposal in depth. The proposed scopes were similar, following the RFP and varying in places by approach and emphasis. The fees were also similar, with Geoscience about ten percent higher than GSI Water Solutions. While both firms displayed good technical ability and related experience, the proposal from GSI Water Solutions reveals a long-standing history and knowledge of the project and the area. The two proposals also differed in their approach to refining the groundwater model. GSI Water's proposal included physical testing to gather additional aquifer data to update and calibrate the existing groundwater model, while Geoscience proposed to construct a new 3D hydraulic model. For those reasons, staff recommends contracting with GSI Water Solutions for this work.

The main tasks are summarized below and proposed to be completed on a time and materials basis with a budget not to exceed \$351,000 without written authorization. The proposed scope of work consists of the following tasks:

1. Groundwater modeling of Lower Morro Basin
 - a. Investigate pumping of the City's full permitted allotment of 581 AFY without contribution of recycled water.
 - b. Analysis of possible groundwater nitrate levels under different injection scenarios.
 - c. Analysis of potential changes in groundwater chemistry due to potential salt water intrusion.
2. Pilot Injection Testing
 - a. Prepare test well design and permitting
 - b. Evaluate two potential injection well locations and recommend preferred area for testing
 - c. Secure permitting for injection testing
 - d. Conduct pilot injection testing
 - e. Update groundwater model
 - f. Perform travel time analysis and clogging analysis
 - g. Perform seawater intrusion monitoring
 - h. Perform groundwater level monitoring

The work tasks described herein will take place over the next three annual budget cycles, a period of 21 months, from the issuance of the Notice to Proceed. The results from the first phase of this work will be used to inform the design of the injection wells, which will be completed six months after the notice to proceed. This schedule will coordinate well with the design phase of the design-build contract for the WRF onsite improvements. The work contemplated in GSI's proposal will be used to meet the permitting requirements of the State Water Board Division of Drinking Water. Additionally, that work will help staff determine

whether groundwater extracted from the Morro Valley aquifer will need treatment through the city's existing water treatment plant prior to being distributed to customers.

Installation of pilot injection wells is not included in this contract but will be required to complete this scope of work. The well installation will not take place for six months after this proposal is authorized and will be authorized as a construction contract. In their proposal, GSI Water Solutions has estimated the well construction to cost \$150,000. Well construction costs can vary depending on prevailing bid climate (including amount of other similar projects competing for attention from bidders, availability of local well drillers, and cost of materials) at the time the work is performed. The construction will be competitively bid later this fiscal year and contracted directly with the City.

CONCLUSION

Staff recommends award of a contract to GSI Water Solutions for groundwater flow modeling and injection testing for possible future indirect potable reuse in the Morro Valley.

ATTACHMENTS

1. Proposal for Groundwater Modeling and Injection Testing, including Scope and Budget from GSI Water Solutions, Inc.
2. [Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility \(Report\)](#)

Attachment 4

Award of the WRF Onsite Improvements Design-Build Contract



AGENDA NO: C-1

MEETING DATE: October 23, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: October 18, 2018

FROM: Rob Livick, PE/PLS – Public Works Director/City Engineer
Eric Casares, PE - WRF Program Manager

SUBJECT: Approval of Contract with Filanc/Black & Veatch for Design and Construction of the New Water Reclamation Facility

RECOMMENDATION

Staff recommends the City Council award a contract to the Filanc/Black & Veatch team for design and construction of the new water reclamation facility (WRF) and authorize the Mayor to execute an agreement in the amount of \$67,234,512.

FISCAL IMPACT

Filanc/Black & Veatch will complete all work under the contract and be compensated for their actual costs plus their overhead and profit (cost plus basis) up to the guaranteed not to exceed cost of \$67,234,512. While staff does not anticipate costs exceeding the maximum contract amount; should that occur, prior authorization by the Council in the form of a contract amendment would be required. Based on the WRF Surcharges approved by the City Council via Resolution No. 71-18, the City has a reserve for the overall WRF project in the amount of \$9.5 Million. That reserve is built into the WRF Surcharges that were approved on September 11, 2018, by City Council via Resolution No. 71-18.

BACKGROUND/DISCUSSION

The full WRF Program will include several components or projects; including the construction of a new Water Reclamation Facility (WRF) with advanced treatment at the South Bay Boulevard site, which was selected as the preferred site for planning and permitting at the September 26, 2017, City Council meeting. The other components of the WRF Program include a lift station and pipeline to transport wastewater from the City's collection system to the new WRF, and the pipeline and injection wells need to inject purified water into the Lower Morro Valley Groundwater Basin. The latter two components will be delivered using the design-bid-build process.

In order to expedite the project schedule and gain cost assurance at an earlier stage in the WRF project, the City made the decision to deliver the onsite facilities for the WRF Program using a fixed price design-build procurement model. That procurement utilized a two-stage process consisting of a request for qualifications (RFQ) followed by a request for proposals (RFP). On October 27, 2017, the City issued the RFQ, and received statements of qualifications (SOQs) from the following four teams on December 07, 2017:

- AECOM/W.M. Lyles
- Filanc/Black & Veatch
- Sundt/Parsons
- Kiewit/Tetra Tech

Prepared By: EC/RL

Dept Review: _____

City Manager Review: SC

City Attorney Review: JWP

After the reviewing the four SOQs, the City decided to shortlist all teams and invite them to submit a proposal. The City issued the RFP on January 24, 2018, to the four firms listed above. The RFP requested the following information be included in the proposals:

- Background technical information
- Project scope of work
- Project technical requirements
- Proposal submittal requirements
- Proposal evaluation criteria and selection process

The City received two proposals on May 8, 2018, shortly after the selection of the City's new WRF Program Manager, Carollo Engineers, Inc. (Carollo). Since taking over program management duties, Carollo's top priority has been to evaluate the proposals and help the City select the best team to complete the project and negotiate the most favorable design-build agreement. Proposals were received from the following teams:

- AECOM/W.M. Lyles
- Filanc/Black & Veatch

After the receiving the proposals, the City and Program Manager evaluated them in strict accordance with the RFP. Early in the review process, the City and Program Manager met with members of a WRFCAC Subcommittee, consisting of Paul Donnelly, Valerie Levulett and Steve Shively, and provided them with the technical content of the proposals. The proposals were initially reviewed by this WRFCAC subcommittee, City staff, and the Program Manager for compliance with the RFP and technical accuracy.

Based on the review of the two proposals, both design-build teams were invited to participate in 1.5-hour interviews held at the Fire Station Training Room on June 1, 2018. Following the interviews, the members of the evaluation team met as a group to discuss the proposal review and interviews, and evaluate each against the selection criteria and weights established in the RFP.

As a result of the proposal evaluation and interviews, the team unanimously identified Filanc/Black & Veatch as the preferred proposer. Some of the key differentiators of the selected team included:

- Cohesive and balanced team among design and construction
- Early project completion (approximately 6 months)
- Thoughtful, effective approach to project sequencing
- Conducted thorough due diligence for cost certainty
- Focused on co-location of design-build team in City
- Incorporated City's ideas from one-on-one meetings
- High level of design detail provided
- Better process design for operations
- Better design for short- and long-term flexibility
- Innovative design solution for peak flows

At the June 13, 2018, City Council meeting, the City Council took action and selected the Filanc/Black & Veatch team as the preferred proposer and directed staff to begin negotiations. Since that meeting, the City and Program Manager have been working with the Filanc/Black & Veatch team to clarify aspects of the technical approach and develop agreement terms acceptable to both the design-builder and the City. For example, the City and Program Manager met with key members of the design-build team to discuss the technical elements of the project with the goal of finalizing the scope of work that will become the technical basis of the agreement. That intensive discussion occurred at two workshops

held on August 21 and 22, 2018. In addition to those meetings, City staff, the City Attorney, and Program Manager have had numerous conference calls and meetings to discuss agreement terms. Those negotiations have resulted in no changes between the guaranteed maximum price (GMP) in the Filanc/Black & Veatch proposal of \$67,234,512 included in the agreement attached to this report. That amount is \$28 Million less than the engineer's opinion of probable costs prepared for the [UPDATED SITE COMPARISON REPORT](#), MKN Associates, September 2017 and prior to the Design-Build process.

As the anchor project for the WRF Program, signing a contract with the design-builder for the onsite WRF facilities is a key milestone. Through the procurement process, the City has selected the most qualified design-build team. Through the contract negotiations held over the last several months, the City has developed contract terms that mitigate risk and ensure the City gets a reliable, permittable, and technologically advanced treatment facility capable to producing highly-purified water that will be used to strengthen the community's future potable water supply at the end of the project.

If the City Council chooses to accept staff's recommendations, then the WRF Program will enter into the implementation phase. Over the next six to nine months, City staff and Program Manager will work with the design-build team to further refine the WRF design concept in the Filanc/Black & Veatch team's proposal with the goal of identifying ways to reduce the overall cost of the facility and minimize the financial impact to the City's rate payers.

CONCLUSION

Staff recommends award of the contract for design and construction of the WRF to the Filanc/Black & Veatch team.

ATTACHMENT

1. Proposed agreement with Overland Contracting Inc. (i.e., Black & Veatch) and Filanc Construction Company, Inc.