



City of Morro Bay Water Reclamation Facility Program



QUARTERLY REPORT

APRIL 1, 2025 THROUGH JUNE 30, 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 Fall 2026. This quarterly report includes updates on project status, schedule, program funding, and program budget. The current program budget is \$159.84 million and \$146.49 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:

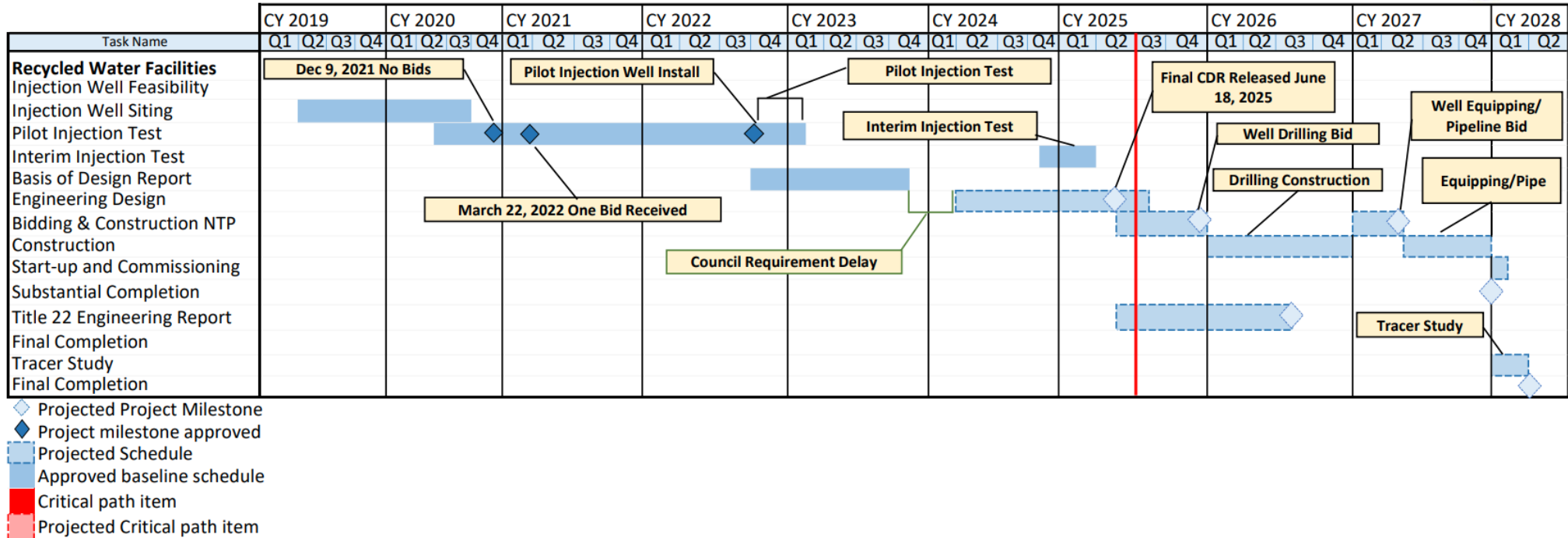
Recycled Water Project Status Update (April 1, 2025 – June 30, 2025)

- **Environmental/Permitting**
 - Activities completed
 - On April 24, 2025 the Draft Environmental Impacts Report (EIR) Addendum #2 was released for public comment. The document was posted the Our Water Program website, the City website, the County Clerk of San Luis Obispo, the State Clearinghouse ([SCH #2016081027](#)), and the April 24th edition of the New Times. Physical notices were posted at the City's kiosk at City Hall, the Library and, the SLO County Clerk's office.
 - On May 21, 2025, the public comment period for the Draft EIR Addendum #2 closed.
 - On May 21, 2025, City Staff brought a Recycled Water Program Update to the Public Works Advisory Board (PWAB), the Draft EIR Addendum #2 and consultant contract amendment for archaeological surveying.
 - In May 2025, the Project Biologist completed an additional survey of the Morro Creek Lagoon to determine the presence or absence of southwestern pond turtle in the study area. The City's biologist has confirmed the presence of one southwestern pond turtle and is coordinating with the EPA on an amendment request for the EPA's section 7 consultation with USFWS.
 - On June 24, 2025, City Council approved several Recycled Water Project items including the EIR Addendum #2. The NOD was filed with the County Clerk and the State Clearinghouse on June 27, 2025.

- Ongoing activities and upcoming timelines
 - The City is waiting to receive feedback from USBR on the National Environmental Policy Act (NEPA) Environmental Assessment (EA) and is anticipating it will be circulated for public review in 2025.
- **Recycled Water Permitting**
 - Activities completed
 - On April 23, 2025 the City met with Coastal Commission to discuss a potential project replacement on the Agricultural Mitigation Plan (CDP Permit Special Condition 5) and injection well siting.
 - On May 12, 2025 the City met with DDW to discuss backflow prevention regulations and potential modifications to the City's Advanced Water Treatment Facility.
 - Ongoing activities and upcoming timelines
 - The Basis of Design Report (BOD), attached to the Draft Title 22 Engineering Report, will continue to be updated as more hydrogeologic data becomes available throughout the project.
 - City staff and the Recycled Water Program Team are continuing to prepare the Draft Report of Waste Discharge (ROWD) Application.
 - During this quarter, City staff and the Recycled Water Program Team continued to coordinate with DDW on their review of the Engineering Report.
- **Engineering Design**
 - Activities completed
 - On April 10 and April 16, 2025 the City pressure tested the existing portion of the Indirect Potable Reuse (IPR) pipeline and the abandoned desal pipeline respectively, to verify their capability for conveying Advanced Purified Recycled Water.
 - On May 16, 2025 the City released the Draft Conceptual Design Report (CDR).
 - On May 21, 2025, City Staff brought a Recycled Water Program Update to the Public Works Advisory Board (PWAB) which included the Draft Conceptual Design Report and an updated Recycled Water Implementation Strategy Recommendation.
 - On June 24, 2025, City Council approved several Recycled Water Project items including consultant contracts for program management services and additional archeological services for Phase 3 pipeline investigations, and the new Recycled Water Implementation Strategy, where one or two wells will be drilled/injection tested at a time to ensure travel time requirements are met.
 - Ongoing activities and upcoming timelines
 - During this period, the project design engineer continued to prepare the recycled water pipeline and injection well equipping design.
- **Hydrogeologic Analysis and Design**
 - Activities completed
 - On April 9, 2025, the City conducted a backflush test on IW 1 to compare pump vs. airlift backflush methods.
 - On May 21, 2025, City Staff brought a Recycled Water Program Update to the Public Works Advisory Board (PWAB), which included a consultant contract amendments for hydrogeologic services.

- On June 24, 2025, City Council approved several Recycled Water Project items including a consultant contract for additional hydrogeological services.
 - During this quarter, the project hydrogeologists continued to update the groundwater model and the Basis of Design Report to incorporate the new data collected from the Extraction Well Capacity testing (June 2025), geophysical surveys (late 2024-early 2025), and archeological/hydrogeological investigative borings (June 2024).
- 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 preparing the design of the downhole components of the injection wells.
- **Funding/Financing**
 - Activities completed
 - 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 has received the executed Title XVI Grant Agreement from the Bureau of Reclamation.
 - Ongoing activities and upcoming timelines
 - The IRWM grant agreement has been executed by the City and is in the process of being executed by the San Luis Obispo County Flood Control and Water Conservation District.
 - 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 is preparing to submit for reimbursements for eligible costs utilizing the Title XVI grant.

Morro Bay WRF Recycled Water Project Schedule Summary
Updated: July 1, 2025



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	April-June 2025 Expenditures ⁽¹⁾	Total Expenditures To Date	FY 24/25 Budget ⁽²⁾	Percent Budget Expended
RWF	\$2,805,057	\$147,539	\$2,952,596	\$9,424,174	31%
General Project	\$24,677,922	\$63,563	\$24,741,485	\$30,968,609	80%
WRC Plant	\$77,895,236	\$0	\$77,895,236	\$79,123,216	98%
Conveyance	\$40,898,736	\$11,679 ⁽³⁾	\$40,910,415	\$40,324,350	101%
Total	\$146,276,951	\$222,781	\$146,499,732	\$159,840,349	92%

(1) April-June 2025 total expenditures as tallied on the Accounts Payable Report run on July 8, 2025, including all invoices accrued through June 30, 2025.

(2) [FY 24/25 Budget adopted by Council](#).

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

PROGRAM FUNDING

Table 2. WRF Program Funding Sources

Funding Agency ⁽¹⁾	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	Recently Executed Agreement
City of Morro Bay	Water/Sewer Fund	\$24,954,726	\$24,954,726	\$0	Subject to loan reimbursement
Executed Funding Sources Total		\$194,116,795	\$146,499,732	\$47,617,063	
IRWM	Grant (pending)	\$1,200,000	\$0	\$1,200,000	Agreement in execution process
All Sources Total		\$195,316,795	\$146,499,732	\$48,817,063	

(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

N/A

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