



City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
(805) 772-6205
Online: morrobayca.gov

PRESS RELEASE

Contact: Scott Collins, City Manager
Email: scollins@morrobayca.gov

June 13, 2018

Morro Bay Sewer Project Costs Refined

Morro Bay, CA – The City’s Wastewater Reclamation Facility (WRF) has reached a key milestone. The City received two proposals from qualified design-build teams on May 8 and has selected a proposal with a construction cost of approximately \$69 million, for the largest component of the project (onsite improvements). With that information, the City is progressing with a rate study that uses a revised total project cost of \$128.5 million (this is the total costs for the project, which includes the onsite improvements, pipeline, lift station(s), injection wells and decommissioning of the existing plant).

Extensive review process to identify a preferred proposer and cut costs

Costs for the latest iteration of the WRF Program were first introduced to the community in April 2017 with the completion of the Facility Master Plan and Master Reclamation Plan. The total cost for the program at that time was \$167 million. These costs were driven by goals that were developed by the community, vetted by City Council, and reflected in these critical planning documents.

In response to community concern about costs, Council directed staff on April 25, 2017 to convene a panel of local public works professionals to peer review the project and identify potential cost savings. As a result of the peer review, the costs for the WRF Program were revised to \$150 million. The cost savings were attributed to reduced earthwork costs, eliminating non-critical project elements, and optimizing key processes.

The cost for the WRF Program is now estimated at approximately \$128.5 million. Commenting on why the proposed cost has dropped so significantly, City Manager Scott Collins said, “The process of refining the project components, encouraging competition among qualified proposers, and rigorously reviewing with project team and citizen advisors yielded a lower cost estimate.”

The recommendation to the City Council follows months of work to identify and select a preferred proposer for the WRF. This work began in September 2017 following the City Council’s selection of the South Bay Boulevard location as the preferred site for the WRF. The City identified qualified proposers, established criteria for evaluation, and obtained two qualified proposals.

The scoring process weighted 60% on price and life-cycle cost and 40% on technical aspects of the proposals. The staff report for the June 13 Council meeting on the WRF update and actions provides the scoring and the rationale for recommending Filanc/Black & Veatch.

Working to meet funding deadlines for low-interest federal and state loans

The City Council has encouraged thoughtful but deliberate action on the project to gain eligibility for low-interest EPA Water Infrastructure Finance and Innovation Act (WIFIA). The City is targeting the WIFIA loan because its interest rates are lower than municipal bonds. The potable reuse component of this project played a major role in the City being selected for this loan (1 of only 12 agencies in the U.S. to be selected). The reduced interest rates associated with this funding provides an offset of the cost for the City to secure this new water source as a hedge against future droughts.

Utility Discount Program and rate reviews to soften impact on utility bills

At its June 13 meeting, the Council also will consider recommended actions to amend the Utility Discount Program for easier access and to establish a formal rate review policy. “The City wants the Utility Discount Program to serve as many qualified persons as possible,” commented Collins. “The Proposition 218 rate process establishes a cap on what can be charged. The recommended annual rate view policy will enable the City to target just what’s needed within that cap.”