



CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

Mission Statement

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

AGENDA
TUESDAY, JULY 16, 2019
VETERANS MEMORIAL HALL – 3:30 PM
209 SURF ST., MORRO BAY, CA

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD - Members of the audience wishing to address the Committee on business matters may do so at this time.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chairperson, please come forward to the podium, and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to the Committee, as a whole, and not to any individual member thereof.
- The Committee respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commissioner, committee member and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Committee to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Committee meetings is welcome, and your courtesy will be appreciated.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE MAY 21, 2019, CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

Recommendation: Receive and File.

B. BUSINESS ITEMS

1. BRIEF FINANCE UPDATE, (FINANCE DIRECTOR)

2. REVIEW OF FY 2018/19 PRELIMINARY YEAR-END BUDGET PERFORMANCE REPORT FOR THE TWELVE-MONTH PERIOD ENDING JUNE 30, 2019; (FINANCE DIRECTOR)

Recommendation: Receive the draft FY 2018/19 Preliminary Year-End Budget Performance and Status Report for the Twelve-Month Period ending June 30, 2019 and provide input.

3. REVIEW OF WRF CAPITAL PROJECT MONTHLY UPDATE REPORT; (FINANCE DIRECTOR)

Recommendation: Receive WRF Capital Project Monthly Update Report.

4. DISCUSS CITIZEN FRIENDLY BUDGET DOCUMENT

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

August 20, 2019

E. ADJOURNMENT

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS, OR CALL CITY HALL AT 772-6201 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE COMMITTEE AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET DURING NORMAL BUSINESS HOURS.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 72 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

**MINUTES – CITIZENS OVERSIGHT/ FINANCE
ADVISORY COMMITTEE
REGULAR MEETING – MAY 21, 2019
VETERANS MEMORIAL HALL – 3:30 P.M.**

MEMBERS PRESENT:	Barbara Spagnola	Chair
	John Martin	Vice-Chair
	Lois Johnson	Member
	David Betonte	Member
	Homer Alexander	Member
	Bart Beckman	Member
	Bill Bowes	Member
STAFF PRESENT:	Jennifer Callaway	Finance Director
	Sandra Martin	Budget/Accounting Manager
	Tracy McConnell	Account Clerk III

ESTABLISH A QUORUM AND CALL TO ORDER

Chair Spagnola called the meeting to order at 3:30 p.m., with 7 members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

Chair Spagnola requested notes summarizing general discussions that take place at the meetings be included in the record. Staff responses to questions raised regarding this item have been published on the City website as an addendum to the May 21, 2019 agenda packet.

STAFF ANNOUNCEMENTS

No staff announcements were made.

PUBLIC COMMENT PERIOD

Morro Bay resident Mimi Goldberg addressed the committee in regard to trash cans at Morro Rock.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE APRIL 24, 2019 CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING.
https://youtu.be/JO5W_kMxOC0?t=12m51s

MOTION: Member Martin moved to approve A-1. Member Johnson seconded, and the motion carried 7-0.

B. BUSINESS ITEMS

1. DISCUSSION AND INPUT ON THE PROPOSED FY 2019/20 OPERATING AND CAPITAL BUDGET.
https://youtu.be/JO5W_kMxOC0?t=13m52s

Finance Director Callaway gave an overview of the proposed budget items that have been provided to the committee. Questions from committee members were answered by both Finance Director Callaway and Public Works Director Livick. All items reviewed, in general, and recommendations made were supported by the committee.

MOTION: Member Martin moved that the age, income, employment, those types of things that have an economic impact and can be discussed in the body of this document should be included, but race and ethnicity have nothing to do with budget or City income, or any such thing and that type of date should be removed.

Motion failed due to lack of a second.

Director Callaway expressed revisions to the report could be made.

2. REVIEW OF THIRD QUARTER INVESTMENT REPORT. (Period Ending March 31, 2019) FOR FISCAL YEAR 2018/19; (Finance Director)
https://youtu.be/JO5W_kMxOC0?t=1h24m32s

Finance Director Callaway recommended a holding period until more solid WRF numbers come in and possible grants get awarded.

3. REVIEW OF WRF CAPITAL PROJECT UPDATE REPORT
https://youtu.be/JO5W_kMxOC0?t=1h30m3s

Finance Director Callaway answered committee member questions. Committee members made recommendations regarding the monthly report formatting.

MOTION: Member Bowes moved to have a sub-committee of the CFAC work with staff to see if there are ways that we can work on reducing the cost of the WRF program.

After discussion Member Bowes pulled this motion.

Recommendation was made that CFAC & WRFCAC members meet with the City Manager.

- C. FUTURE AGENDA ITEMS
https://youtu.be/JO5W_kMxOC0?t=2h8m56s

3rd Quarter Budget Report FY 2019/20
WRF Report for May 2019

- D. SCHEDULE NEXT MEETING

The next Regular Meeting of the Citizens Finance Advisory Committee is scheduled for June 18, 2019 at 3:30 pm.

D. ADJOURNMENT

The meeting adjourned at 5:50 pm

Recorded by:
Tracy McConnell

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Staff Report

TO: Chairman and Committee Members

DATE: July 10, 2019

FROM: Jennifer Callaway, Finance Director

SUBJECT: Receive Fiscal Year 2018/19 Preliminary Year-End Budget Performance and Status Report for the Twelve-Month Period Ending June 30, 2019

RECOMMENDATION

Receive the draft Fiscal Year 2018/19 Preliminary Year-End Budget Performance and Status Report for the twelve-month period ending June 30, 2019 and provide input.

DISCUSSION

The City's fiscal year closes on June 30th of each year. The annual year-end process includes keeping the City's financial books open for 60 days after June 30th to properly record all revenues and expenditures in the appropriate fiscal year. Following the 60 days, staff works to complete year-end journal entries and completes a final year-end budget status report requesting final budget adjustments and carryforwards for unfinished projects.

In FY 2018/19 the City did not complete a third quarter budget update due to workload capacity with developing the FY 2019/20 budget. As such, staff has prepared a very preliminary year-end report, identifying revenues and expenditures that have been recorded against FY 2018/19 as of July 8, 2019 and has included preliminary budget adjustments for the Committee's consideration that are known at this time. There are typically a substantial amount of revenues and expenditures recorded during the 60-day waiting period so a final year-end report will be provided in late September which will more accurately reflect the City's year-end 2018/19 position.

With the preliminary data reviewed, staff projects to close the general fund financials with a surplus of approximately \$60,000. Again, staff would note that this estimate could change significantly as year-end receipts are being recorded.

The overtime category being over budget by 124% is consistent with prior years, due to Fire Department mutual aid for out of area wildfire assistance that will be billed for reimbursement.

City of Morro Bay
Preliminary Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended June 30, 2019

	FY18/19 Adopted Budget	FY18/19 Preliminary YE Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues				
Property Tax	\$ 4,322,326	\$ 4,378,082	101%	\$ 4,378,082
Other Taxes	\$ 228,683	\$ 243,363	106%	\$ 243,363
Transient Occupancy Tax	\$ 3,524,835	\$ 3,116,380	88%	\$ 3,524,835
Sales Tax	\$ 1,853,490	\$ 1,690,408	91%	\$ 1,853,490
Franchise Fees	\$ 531,799	\$ 444,729	84%	\$ 531,799
Licenses & Permits	\$ 92,859	\$ 129,054	139%	\$ 129,054
Business Tax	\$ 370,000	\$ 376,276	102%	\$ 376,276
Charges for Services	\$ 1,662,764	\$ 1,771,851	107%	\$ 1,652,138
Fines & Forfeitures	\$ 12,000	\$ 18,896	157%	\$ 18,896
Intergovernmental	\$ 41,663	\$ 26,554	64%	\$ 26,554
Other Sources	\$ 14,736	\$ 55,123	374%	\$ 55,123
Use of Money & Property	\$ 379,200	\$ 128,473	34%	\$ 324,200
Fund Transfers	\$ 1,605,795	\$ 1,009,372	63%	\$ 1,605,795
Total Revenues	14,640,150	13,388,561	91%	14,719,604
Expenditures				
City Council	150,550	119,242	79%	\$ 135,000
City Manager	359,343	294,233	82%	\$ 359,343
City Attorney	409,376	279,845	68%	\$ 409,376
Contract Services	646,176	646,658	100%	\$ 646,176
City Clerk/HR/Elections	409,880	360,037	88%	\$ 409,880
Deputy City Manager	-	-		\$ -
Accounting & Treasury	629,073	600,467	95%	\$ 629,073
Police Department	3,166,165	3,053,586	96%	\$ 3,125,515
Support Services	233,099	231,365	99%	\$ 233,099
Fire Department	2,758,023	2,672,196	97%	\$ 2,758,023
Emergency Operations Center	11,967	6,442	54%	\$ 6,442
Community Development	1,161,133	898,677	77%	\$ 1,111,133
Public Works	729,629	457,207	63%	\$ 572,207
Consolidated Maintenance	866,162	909,596	105%	\$ 925,596
Vehicle, Parks, Facilities	127,231	128,845	101%	\$ 140,328
Streets, Street Trees, Storm Drains/Creeks	870,390	735,356	84%	\$ 820,390
Street lighting	122,000	60,419	50%	\$ 97,500
Curbside Recycling	26,280	-	0%	\$ 26,280
Recreation Services - Administration	324,961	295,089	91%	\$ 324,961
Recreation Services - Dance 39+	10,000	11,278	113%	\$ 11,278
Recreation Services - Sports	406,811	425,785	105%	\$ 450,785
Recreation Services - Youth Services	294,432	287,953	98%	\$ 325,432
Recreation Services - Teen Programs	51,100	34,069	67%	\$ 51,100
Recreation Services - Community Pool	147,862	99,448	67%	\$ 147,862
Electricity	60,000	65,398	109%	\$ 70,190
Total Expenditures	\$ 13,971,643	\$ 12,673,189	91%	\$ 13,786,968
Transfers In/Out	631,730	218,852	35%	864,701
Total Operating Expenditures	\$ 14,603,373	\$ 12,892,042	88%	\$ 14,651,670
Net Surplus or (Use) of Reserves	\$ 36,777	\$ 496,519		\$ 67,934

City of Morro Bay
Preliminary Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended June 30, 2019

	FY18/19 Adopted Budget	FY18/19 Preliminary YE Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues				
Property Tax	\$ 4,322,326	\$ 4,378,082	101%	\$ 4,378,082
Other Taxes	228,683	243,363	106%	\$ 243,363
Transient Occupancy Tax	3,524,835	3,116,380	88%	\$ 3,524,835
Sales Tax	1,853,490	1,690,408	91%	\$ 1,853,490
Franchise Fees	531,799	444,729	84%	\$ 531,799
Licenses & Permits	92,859	129,054	139%	\$ 129,054
Business Tax	370,000	376,276	102%	\$ 376,276
Charges for Services	1,662,764	1,771,851	107%	\$ 1,652,138
Fines & Forfeitures	12,000	18,896	157%	\$ 18,896
Intergovernmental	41,663	26,554	64%	\$ 26,554
Other Sources	14,736	55,123	374%	\$ 55,123
Use of Money & Property	379,200	128,473	34%	\$ 324,200
Fund Transfers	1,605,795	1,009,372	63%	\$ 1,605,795
Total Revenues	14,640,150	13,388,561	91%	14,719,604
Expenditures				
Salaries	5,242,753	5,003,117	95%	\$ 5,242,753
Overtime	377,040	466,295	124%	\$ 475,295
Part-time	903,092	781,498	87%	\$ 850,498
Other Salaries	325,391	301,143	93%	\$ 325,391
Labor Costs Applied	26,280	8,050	31%	\$ 26,280
Benefits	2,549,737	2,500,663	98%	\$ 2,721,021
Unfunded Accrued Liability	1,070,706	869,087	81%	\$ 869,087
Supplies, Materials and Services	2,815,732	2,189,104	78%	\$ 2,615,732
Utilities	434,222	373,348	86%	\$ 434,222
Insurance	160,974	123,128	76%	\$ 160,974
Debt Service	35,190	35,189	100%	\$ 35,190
Payment to other Agencies	30,525	22,567	74%	\$ 30,525
Total Expenditures	\$ 13,971,642	\$ 12,673,189	91%	\$ 13,786,968
Transfers In/Out	631,730	218,852	35%	864,701
Total Operating Expenditures	\$ 14,603,372	\$ 12,892,041	88%	\$ 14,651,669
Net Surplus or (Use) of Reserves	\$ 36,778	\$ 496,520		\$ 67,935

The requested preliminary budget adjustments at this time are described below:

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Administrative Citations - Police: A budget augmentation of \$2,795 is recommended due to higher receipts in the fiscal year compared to budget.
- Fingerprinting Fees - Police: A budget augmentation of \$4,691 is recommended due to higher receipts in the fiscal year compared to budget.
- Refunds/Adjustments/Restitutions – Police and EOC: A budget augmentation of \$17,819 is recommended due to higher receipts in the fiscal year compared to budget (Police - \$11,966 and EOC \$5,853).
- Other Misc. Revenues: A budget augmentation of \$6,394 is recommended due to higher receipts in the fiscal year compared to budget.
- Nuclear Planning Assist: A budget reduction of (\$9,000) is recommended due to the City not being awarded anticipated grant funds.
- Processing Fees - Recreation: A (\$14,764) budget reduction is being recommended due to increased processing fees for recreation programs.
- Notification Fees: A \$11,899 budget adjustment is recommended due to higher receipts in the fiscal year compared to budget.
- IT Service Fee: A (\$110,000) budget reduction is recommended as these funds will be transferred to the IT Fund to support IT services from the General Fund Department Community Services.
- LaserFisch Fee: A (\$14,334) budget reduction is recommend as these funds will be transferred to the IT Fund to support laserfische services.
- Property Tax Current Secured: A \$25,000 budget increase is recommended due actual receipts thus far.
- Property Tax In-Lieu VLF: A budget augementation of \$6,295 is recommended due to actual receipts thus far.

General Fund Revenues				
Fund	Prog	Acct	Description	Adjustment
001	4110	3615	Administrative Citations - Police	2,795
001	4110	3461	Fingerprinting Fees - Police	4,691
001	4110	3922	Refunds/Adjustments/Restitution - Police	11,966
001	4110	3990	Other Misc Revenues - Police	6,394
001	4220	3922	Refunds/Adjustments/Restitution - EOC	5,853
001	4210	3393	Nuclear Planning Assist	(9,000)
001	6110	3501	Processing Fees - Recreation	(14,764)
001	7105	3920	Notification Fees	11,899
001	7105	3407	IT Service Fees	(110,000)
001	7105	3406	Laserfisch Fees	(14,334)
001	3510	3011	Property Tax - Secured	25,000
001	3510	3021	Property Tax In Lieu - VLF	6,295
Total General Fund				(73,205)

Expenditures:

- Transfer Out: A budget augmentation of \$91,388 is recommended to transfer unused economic development strategic plan implementation funds in Community Development to a new Economic Development fund.
- Transfer Out: A budget augmentation of \$114,552 is recommended to transfer IT service and Laserfish fees collected in Community Development permitting process to the IT Fund to support these services.
- Transfer Out: A budget augmentation of \$38,194 is recommended to transfer FY 2017/18 cash to the General Fund Emergency Reserve Fund.
- Transfer Out: A budget reduction of \$11,163 is recommended to true-up general fund contribution to TBID with actual Transient Occupancy Tax (TOT) received in FY 2017/18.

General Fund Expenditures				
Fund	Prog	Acct	Description	Adjustment
001	7710	8501	Transfer Out - Economic Development	91,388
001	7710	8501	Transfer Out - IT Services	114,552
001	7710	8501	Transfer Out - GFER	38,194
001	7710	8530	Transfer Out - Tourism	(11,163)
Total General Fund				232,971

Enterprise Funds

Revenues:

- Sewer Equipment Replacement Fund – Auction Property: A budget augmentation of \$32,301 is recommended due to the sale of the old vac truck and other smaller auctioned property.
- WRF Capital Project – SRF Loan Draws: A budget augmentation of \$217,441 is recommended to account for the City’s drawdown of the SRF planning loan.
- WRF Litigation Project – Transfer In: A budget augmentation of \$18,995 is recommended to fund the WRF litigation costs.

Enterprise Funds Revenues				
054		3919	Auctioned Property - Sewer Equipment Replacement	32,301
922	8312	3925	SRF Loan Draws - WRF Project	217,441
922	8326	3802	Transfer In	18,995
Total Other Funds				268,737

Expenditures:

- Water Accumulation Fund Interfund Transfer: A budget augmentation of \$8,700 is recommended to transfer out of the water accumulation fund and into the WRF litigation fund to fund waters 29% share of the WRF litigation costs.
- Sewer Accumulation Fund Interfund Transfer: A budget augmentation of \$21,300 is recommended to transfer out of the sewer accumulation fund and into the WRF litigation fund to fund sewers 71% share of the WRF litigation costs.
- Harbor Equipment Replacement Fund: A budget augmentation of \$911 is recommended to support budget overage in purchase of two new rescue watercraft.

Enterprise Funds Expenditures				
952	7710	8410	Intrafund Transfer - To WRF Litigation	21,300
951	7710	8410	Intrafund Transfer - To WRF Litigation	8,700
055	6510	7205	Vessles - Harbor Equipment Replacement	911
Total Other Funds				30,911

Other Funds

Revenues:

- Transfers In – TBID: Staff recommends a reduction in the general fund contribution to TBID of \$11,163 to agree with the funding calculation approved by City Council.
- Transfer In – Economic Development Fund: Staff recommends a budget augmentation of \$91,388 to transfer unspent Economic Development implementation plan funds budgeted for in the General Fund (Community Development Department budget) to a newly established economic development fund.
- Transfer In – General Fund Emergency Reserve: Staff recommends a budget augmentation of \$38,194 to appropriate the transfer in of FY 2017/18 General Fund cash reserves to the General Fund Emergency Reserve.
- Other Miscellaneous Revenues – Community Benefit Fund: Staff recommends a budget augmentation of \$250,000 to budget the receipt of Community Benefit funds from Castle Wind for wind energy.
- Rental Income – Triangle lot: Staff recommends a budget adjustment of \$3,515 to account for rental income received from rental of the triangle lot.

Other Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
907	7710	3801	Transfers In	91,388
007	7710	3801	Transfer In - TBID	(11,163)
051	7710	3802	Intrafund Transfer In - GFER	38,194
906	1111	3990	Other Misc. Revenues - Community Benefit	250,000
925	1111	3730	Rental Income - Triangle Lot	3,515
Total Other Funds				371,934

Expenditures:

- Triangle Lot Expenditures: A budget augmentation of \$4,733 is recommended to account for staff time and expenses in opening and administering the triangle lot boat parking storage space.
- Economic Development: A budget adjustment of \$12,000 is recommended to account for expenditures at year-end for wayfinding implementation.

Other Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
907	7105	6105	Consulting Services	12,000
925	1111	4910-6107	Triangle Lot	4,733
Total Other Funds				16,733

Capital Projects

Expenditures:

- WRF Litigation – A budget augmentation of \$30,000 is recommended to fund the litigation costs the City has incurred thus far related to the WRF projet.

Capital Projects Expenditures				
922	8326	4910-6914	WRF Litigation	30,000
			Total Other Funds	30,000

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AGENDA NO: B-3

MEETING DATE: July 16, 2019

Staff Report

TO: Chairman and Committee Members **DATE:** July 11, 2019
FROM: Jennifer Callaway, Finance Director
SUBJECT: Review WRF Capital Project Monthly Update Report

RECOMMENDATION

Receive WRF Capital Project Monthly Update Report.

DISCUSSION

Provided as Attachment 1 & 2 is the Monthly Water Reclamation Facility Project Report for May 2019 and June 2019 respectively. The May report is provided as reference as the Committee has not yet seen this report due to the June CFAC meeting cancellation. The June report is scheduled to be presented to the City Council in August 2019 and as such is being presented to the CFAC committee for review in advance.

Attachments:

1. City of Morro Bay Water Reclamation Facility Project Monthly Report May 2019
2. City of Morro Bay Water Reclamation Facility Project Quarterly Report June 2019

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City of Morro Bay
Water Reclamation Facility Project

MONTHLY REPORT MAY 2019

FINAL | June 2019





City of Morro Bay
Water Reclamation Facility Project

MONTHLY REPORT MAY 2019

FINAL | June 2019

This document is released for the purpose of information exchange review and planning only under the authority of
Eric T. Casares,
June 2019,
State of California, PE.73351

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Section 1

PROJECT OVERVIEW

1.1 General Project Status Update

All components of the Water Reclamation Facility Project (Project) are currently in progress. City staff and the Program Manager (Carollo) are actively working with the design-build team and the pipeline designer to advance the design of the Water Reclamation Facility (WRF) and Conveyance Facilities, respectively. In May 2019, City staff and the Program Manager presented seventeen (17) potential change orders with a total value of \$1.9 million for the WRF to WRFCAC and the City Council. The City Council approved these PCOs and authorized City staff to update the design-build team's contract and associated guaranteed maximum price (GMP). The design-build team, City staff, and Carollo are also working to finalize the procurement packages that will be used to procure the major process equipment for the WRF. It is anticipated that the first four (4) procurement packages will be advertised to prospective equipment manufacturers in July 2019.

For the last several months, accessing properties owned by Vistra Energy Corporation (Vistra) and PG&E to complete necessary field work for design of the Conveyance Facilities has been a challenge. The result has been a delay in the schedule for this component of the Project by several months. However, in May 2019, access requirements with these two entities were successfully negotiated and field work was started. Last month, historical archeologists, biologists, archeologists, and surveyors completed the field work necessary to advance the Final Environmental Impact Report (EIR) addendum and the 60 percent design of the Conveyance Facilities. The Program Manager will be working with Water Works Engineers (WWE), the designer for this portion of the Project, to expedite the final design schedule and recover schedule time lost over the last several months.

The hydrogeologist (GSI) recently completed the Draft Groundwater Modeling Technical Memorandum (TM) also referred to as the "Phase 1" hydrogeological work. The TM evaluated the impacts of injection and extraction on the nitrate concentration in the groundwater and the basin's susceptibility to seawater intrusion during periods of sustained pumping. The results from this TM include the following:

- Pumping the City's permitted allotment of 581 acre feet per year (AFY) without injection would put the Lower Morro Valley Groundwater Basin at risk of seawater intrusion over time
- Injection at 825 AFY coupled with extraction at 581 AFY would reduce the total dissolved solids (TDS) concentration in the extracted water below 1,000 milligrams per liter (mg/L) or the drinking water secondary maximum contaminant level (MCL)

- Injection at 825 AFY coupled with extraction at 581 AFY would reduce the nitrate concentration in the extracted water below 45 mg/L or the primary drinking water MCL

During May 2019, the City and Program Manager worked with GSI to develop a work plan for activities that need to be completed on the property owned by Vistra to characterize the West injection location. Based on the current schedule, the necessary field testing to identify the preferred injection location, better define injection and extraction volumes, and confirm the groundwater travel time will commence in July 2019.

Table 1 summarizes some of the key accomplishments and critical challenges identified for the Project in May 2019.

Table 1 **Project Accomplishments and Challenges**

Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Gained access to Vistra and PG&E property to complete historical architecture, archeological, and biological field work necessary to complete the Final EIR addendum			
	Continued working with California Coastal Commission (CCC) staff to complete the Coastal Development Permit (CDP) application			
Water Reclamation Facility	Seventeen (17) potential change orders (PCOs) approved by City Council			
Conveyance Facilities	Continued development of the 60 Percent Design Submittal			
		Schedule recovery due to issues access Vistra and PG&E property	Work with WWE to expedite the final design schedule (options could include eliminating some intermediate deliverables)	Without expediting the schedule, delayed construction completion could impact the schedule for start-up of the WRF
Recycled Water Facilities		Schedule recovery due to issues access Vistra and PG&E property	Work with GSI to expedite the completion of the Phase 2 hydrogeology work	Without expediting the schedule, the completion of the injection wells could be delayed (does not impact compliance with the TSO)

Section 2

PROJECT COSTS

2.1 Performance Measures

A set of five (5) Key Performance Indicators (KPIs) were established to readily measure the progress of the Project. These KPIs represent various success factors associated with the WRF project management and delivery that were established by the Program Manager and City staff and are summarized as Table 1. The Project's performance is also illustrated graphically in Figures 1 and Figure 2.

Table 2 WRF Project Performance Measures

Performance Measure	Data	Target	Current	Delta	Status	Ⓞ	Ⓢ	Ⓡ
1: Total Project Costs	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 3/31/19)	\$125.9 M	\$124.5 M	-1.2%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.1: WRF Costs	On Site WRF Projected Cost at Completion versus the Baseline Budget (budget as of 3/31/19)	\$77.1 M	\$77.9 M	1.0%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.2: Conveyance Facilities Costs1	Conveyance Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 3/31/19)	\$26.3 M	\$29.5 M	11.8%	Ⓡ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.3: Recycled Water Facilities Costs1	Off Site Injection Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 3/31/19)	\$12.1 M	\$5.7 M	-52.9%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.4: General Project Costs2	General Project Projected Cost at Completion versus the Baseline Budget (budget as of 3/31/19)	\$10.5 M	\$11.5 M	9.5%	Ⓢ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
2: Program Manager Earned Value	Ratio of Program Manager Earned Value to Actual Invoiced Cost-to-Date (as of 5/31/19)	1.00	1.06	0.06	Ⓞ	>= 1.00	0.99 to 0.90	< 0.90
3: Schedule Performance Index	Ratio of Planned Percent Complete to Actual Percent Complete (as of 5/31/19)	1.00	0.83	-0.17	Ⓢ	>=1.00	0.99 to 0.80	<0.80
4: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (thru 5/31/19)	18,500 LF	0.0 LF	0.0%	Ⓞ	<= 5%	> 5% and <=7.5%	> 7.5%
5: Compliance Date Countdown	Days Remaining to Compliance Date (as of 5/31/19)	1,369 days	970 days	-399 days	Ⓞ	<= 365 days	364 days and 180 days	> 179 days

Notes:
 (1) The cost of the potable reuse pipeline (assumed East injection location) was moved from the Recycled Water Facilities Project to the Conveyance Facilities Project following completion of the baseline cost estimate in May 2018.
 (2) General Project Costs include Program Management, funding, permitting, etc. Costs from other project components were reclassified as General Project Costs following development of the baseline cost estimate in May 2018.
 (3) Delays associated with access to Vistra and PG&E property have resulted in schedule delays impacting hydrogeology work and completion of the Conveyance Facilities final design.

Section 3

PROJECT COSTS

3.1 Project Budget

The overall budget status for the Project is summarized in Table 3. The top half of the table provides a summary of total estimated Project costs, including original and current estimated costs for the entire Project. The bottom half of Table 3 shows the total amount of work currently under contract and provides a summary of total charges.

Table 3 WRF Project Overall Budget Status (thru May 2019)

Summary of Total WRF Project Cost	
Original Baseline WRF Project Budget ⁽¹⁾	\$125,938,000
Current WRF Project Budget (as of 3/31/19)	\$124,438,000
Budget Percent Change (Current versus Baseline)	-1.2%
Total Expenditures for May 2019	\$633,907
Total Expenditures to Date (thru 5/31/19 invoices)	\$10,104,888
Percent of Current WRF Project Budget Expended	8.1%
Summary of Contracted Work	
Total Contracted Amount	\$75,339,249
Percent of Current WRF Project Budget Contracted	60.5%
Total Contracted Amount Expended	\$8,600,079
Percent of Contracted Amount Expended	11.4%
Remaining WRF Project Contracted Amount	\$66,739,170

Notes:
(1) Developed in the spring of 2018 as the basis of the approved rate surcharge that will take effect in July 2019.

3.2 Project Cash Flow

Presented in Figure 1 are the projected and actual expenditures for the Project through May 2019 compared to the baseline budget developed in 2018 as the basis for the rate surcharge. The line graph shows the cumulative values for the Project and the bars show the discrete monthly values. Actual and budgeted expenditures from 2013 to the end of Fiscal Year 2017/2018 have been combined to improve readability. Milestones have been added to the cumulative baseline budget and cumulative forecasted expenditures to show changes in the Project schedule that have occurred between development of the baseline budget in May 2018 and the re-baselined budget developed at the end of March 2019. The milestone corresponds to the substantial completion of the WRF, which coincides with the City being in compliance with the time schedule order (TSO) issued by the Regional Water Quality Control Board (RWQCB) in June 2018.

Estimated Cash Flow Projection FY 2012-2023

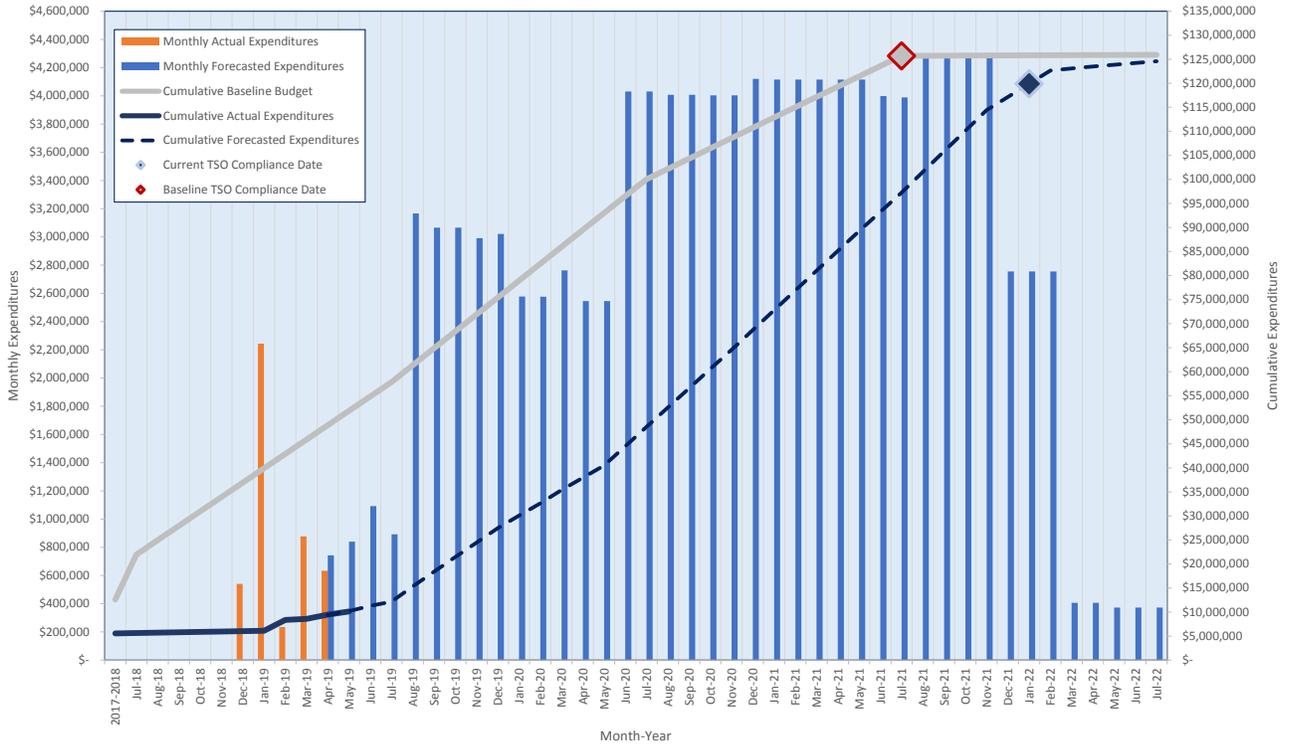


Figure 1 Project Cash Flow Projections and Actual Expenditures

Section 4

PROJECT SCHEDULE

A summary of the Project schedule is presented in Figure 2. The light blue bars for each major task represent the planned progress based on the re-baselined schedule developed at the end of March 2019. The dark blue bars represent the current actual progress as of May 2019. For each major line item, the schedule performance index (SPI) has been provided as well as an overall SPI for the entire Project. The SPI is a ratio of the planned percent complete versus the actual percent complete. A SPI of greater than 1.00 indicates that the Project is on or ahead of schedule and a SPI of less than 1.00 indicates the Project is behind schedule.

4.1 Project Milestones

In June 2018, the City received a TSO from the RWQCB. The TSO requires the City to comply with a time schedule that will, within five years of adoption, allow the City to achieve full compliance with biochemical oxygen demand (BOD) and total suspended solids (TSS) final effluent limitations in Order No. R3-2017-0050. In addition to the final compliance date, a number of intermediate milestones are provided in Table 3 (Compliance Schedule) of the TSO. Presented in Table 4 are the milestones in the TSO.

Table 4 Project Construction Milestones

Required Actions	Compliance Due Date	Planned Compliance Date	Actual Compliance Date
Release of Public Draft EIR	March 30, 2018	-	March 30, 2018
Release of Updated Rate Study	June 30, 2018	-	July 05, 2018
Proposition 218 Hearing	August 30, 2018	-	September 11, 2018
Certification of Final EIR	June 30, 2018	-	August 14, 2018
Award of Contract for WRF	September 30, 2018	-	October 23, 2018
Develop, Implement, and Submit Pollution Prevention Plan (PPP) for BOD and TSS	December 01, 2018	TBD ¹	-
Award of Contract for Construction of Conveyance Facilities	November 30, 2019	May 08, 2020	-
Completion of WRF Improvements with Completion Report	December 30, 2022	January 25, 2022	-
Full compliance with final effluent limitations	February 29, 2023	January 25, 2022	-

Notes:

- (1) The City and Program Manager have noted this requirement in the previous quarterly progress reports sent to the RWQCB (as required by the TSO). The City has requested that the Enhanced Source Control Program (ESCP) required as part of the Title 22 Engineer's Report be considered acceptable for this requirement in lieu of the PPP identified in the TSO.

Task No.	Task Name	SPI	% Complete	2013												2014												2015												2016												2017												2018												2019												2020												2021												2022																																																																																			
				N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D																																																										
1	Program Planning	0.99	99%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																																																																																			
2	Project Controls	1.00	27%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																																															
3	Hydrogeological Support	0.43	9%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																																			
4	Environmental Documentation	0.97	97%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																																			
5	General Permitting	0.39	29%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																							
6	Potable Reuse Permitting	1.08	12%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																							
7	Funding	0.89	82%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																							
9	Conveyance Facilities Project	1.06	39%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																							
9	Recycled Water Facilities	1.00	0%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]											
10	WRF Onsite Improvements	1.18	51%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]																							
11	Conformance with Time Schedule Order	1.00	0%	[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]												[Progress bar]											

Project SPI: 0.83
Program % Complete: 54%

Figure 2 Project Milestone Summary

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City of Morro Bay
Water Reclamation Facility Project

QUARTERLY REPORT JUNE 2019

FINAL | July 2019





City of Morro Bay
Water Reclamation Facility Project

QUARTERLY REPORT JUNE 2019

FINAL | July 2019

This document is released for the
purpose of information exchange review
and planning only under the authority of
Eric T. Casares,
July 2019,
State of California, PE.73351

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Abbreviations

APE	Area of Potential Effect
BDR	Basis of Design Report
BOD	Biochemical Oxygen Demand
CCC	California Coastal Commission
CDP	Coastal Development Permit
CDR	Concept Design Report
CEQA	California Environmental Quality Act
CPT	Cone Penetration Test
CWSRF	Clean Water State Revolving Fund
DDW	Division of Drinking Water
EPA	Environmental Protection Agency
ESCP	Enhanced Source Control Program
FEIR	Final Environmental Impact Report
GMP	Guaranteed Maximum Price
IPR	Indirect Potable Reuse
IUP	Intended Use Plan
IWS	Industrial Waste Survey
KPI	Key Performance Indicator
MBPFC	Morro Bay Public Facilities Corporation
MBR	Membrane Bioreactor
NEPA	National Environmental Policy Act
NPDES	National Pollution Discharge Elimination System
PCO	Potential Change Order
PPP	Pollution Prevention Program
RWQCB	Regional Water Quality Control Board
SHPO	State Historic Preservation Office
SPI	Schedule Performance Index
TSO	Time Schedule Order
TSS	Total Suspended Solids
USACE	United States Army Corps of Engineers
USBR	United States Bureau of Reclamation
UVAOP	Ultraviolet Advanced Oxidation Process
WRF	Water Reclamation Facility
WRFCAC	Water Reclamation Facility Citizens Advisory Committee
WWE	Water Works Engineers

Section 1

PROJECT OVERVIEW

1.1 General Project Status Update

All components of the Water Reclamation Facility Project (Project) are currently in progress. City staff and Carollo (Program Manager) are actively working with the design-build team and the pipeline designer to advance the design of the Water Reclamation Facility (WRF) and Conveyance Facilities, respectively.

City staff and the Program Manager have been working closely with the Environmental Protection Agency's (EPA's) Water Infrastructure Finance and Innovation Act (WIFIA) and Clean Water State Revolving Fund (CWSRF) staff to meet the requirements necessary to begin construction of the WRF. For WIFIA, the City must have a signed loan agreement and purchase the Tri-W property prior to starting construction. In order to meet WIFIA's requirements, the City has been required to create a corporation that can manage the funding of the Project, finalize the loan terms, and facilitate completion of the environmental and technical reviews. To satisfy CWSRF, their environmental review must be completed. The City made great strides in reaching these milestones in June. Resolution No. 56-19 was adopted by the City Council on June 25th, which includes the articles of incorporation for the Morro Bay Public Facilities Corporation (MBPFC). The City received word from the State Historic Preservation Office (SHPO) that they concurred with the City's proposed approach to utilize a programmatic agreement. The City also received word from the United States Army Corps of Engineers (USACE) regarding impacts to jurisdictional waterways near the WRF site. The City will continue to coordinate with the SHPO to complete the programmatic agreement and is awaiting confirmation from the USACE that the construction methods being employed for the crossing of Morro Creek and Willow Camp Creek will not impact those jurisdictional waterways.

The City and Program Manager began reviewing the draft procurement documents from the design-build team for the membrane bioreactor (MBR), headworks, reverse osmosis (RO), and ultraviolet advanced oxidation process (UVAOP) equipment in June. Both the MBR and headworks equipment packages are currently being advertised, and proposals from the listed manufacturers will be received on July 22nd and July 31st, respectively. The design-build team will also be delivering the 60 percent design submittal to the City and Program Manager for review at the end of July.

This past month, the City's hydrogeological consultant, GSI Water Solutions, Inc. (GSI), constructed a piezometer and performed pump testing on an inactive well on Errol Street near the Silver City Resort. The pump test provided vital information on the Lower Morro Groundwater Basin, and is necessary for GSI to refine their model and determine the optimal injection location for indirect potable reuse (IPR). For the past several months, the City and Program Manager along with GSI have been working with Vistra Energy (Vistra) to conduct similar tests on the west side of Highway 1 on either an existing inactive Morro Bay Mutual Water Company well or construct a new test well near the City's bike path. The City delivered a work plan to Vistra in May, and will likely be able to begin performing this testing after it receives a Coastal Development Permit (CDP) for the Project.

On June 18th, the State Water Resources Control Board (State Board) adopted the Draft Intended Use Plan (IUP) for the CWSRF. This IUP included funding for the Project up to \$105 million including \$5 million in grants. With adoption of the IUP, the City anticipates it could be using a combination of cash on hand, WIFIA low-interest loans, and CWSRF low-interest loans and grants to fund the Project. In order to develop the most favorable combination of funding sources balancing funding availability, construction schedule, and the goal of minimizing the financial impacts on the community, the City is executing an amendment with Bartle Wells Associates (Bartle Wells). This amendment will extend their scope of work from development of the rate study (July 2018) to analyzing various funding scenarios to help the City finalize funding agreements with WIFIA and CWSRF.

Table 1 summarizes some of the key accomplishments and critical challenges identified for the Project in June 2019.

Table 1 Project Accomplishments and Challenges

Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Nearing completion of the Draft Final Environmental Impact Report (FEIR) Addendum for circulation			
	Continued working with California Coastal Commission (CCC) staff to complete the CDP application			
	Added to the fundable list in the adopted IUP for CWSRF			
Water Reclamation Facility	Continued development of the 60 Percent Design Submittal			
	Continued development of the Grading Design Submittal			
		Meeting WIFIA and CWSRF requirements in order to start construction	Expedite the development of necessary materials for consultation with the SHPO	Delivery of documentation to WIFIA and CWSRF in early July 2019 should allow construction to start in September 2019
Conveyance Facilities	Continued development of the 60 Percent Design Submittal			
		Schedule recovery due to issues access Vistra and PG&E property	Work with WWE to expedite the final design schedule (options could include eliminating some intermediate deliverables)	Without expediting the schedule, delayed construction completion could impact the schedule for start-up of the WRF
Recycled Water Facilities		Schedule recovery due to issues access Vistra and PG&E property	Work with GSI to expedite the completion of the Phase 2 hydrogeology work	The completion of the injection wells could be delayed (does not impact compliance with the time schedule order [TSO])

1.2 Quarterly Budget Revision

The budget for the Project is reconciled on a quarterly basis and is re-baselined on an annual basis. The original \$126 million baseline budget was developed in June 2018 and was used as the basis for the rate study prepared by Bartle Wells. The annual re-baselined budget will become the new baseline budget used during the upcoming fiscal year 2019/2020. A summary of the baseline, quarterly reconciled, and annual re-baselined budgets are summarized in Table 2. Subsequent budget reconciliations (quarterly) and re-baselined budgets (annual) will also be presented in this table.

Table 2 Budget Revision Summary

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Annual Re-Baselined (Q4 FY 18/19)
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000
General Program	\$24,403,000	\$11,614,000	\$11,801,000
Construction Contingency(1)	\$9,444,000	\$6,450,000	\$7,132,000
Total	\$125,941,000	\$124,597,000	\$125,938,000

Notes:

(1) Increase in construction contingency due to use of only \$1.9 million of the budgeted \$2.5 million (budgeted in the Q3 FY 18/19 budget reconciliation) intended to be used for the initial round of potential changes orders (PCOs) for the WRF.

Increases to the Project budget since the budget reconciliation in Q3 Fiscal Year 2018/2019 can be attributed to the following:

- Addition of a trenchless crossing to the design of the Conveyance Facilities along the bike path at Willow Camp Creek following completion of the wetland delineation as part of the supplementary biological report prepared by Kevin Merk (approximately \$1 million)
- Additional potholing for design of the Conveyance Facilities necessary to identify utility locations and avoid construction change orders (approximately \$150,000)
- Additional land acquisition costs for purchase of the Tri-W property following initial estimates from the appraiser (approximately \$300,000).

Section 2

PROJECT COSTS

2.1 Performance Measures

A set of five (5) Key Performance Indicators (KPIs) were established to readily measure the progress of the Project. These KPIs represent various success factors associated with the WRF project management and delivery that were established by the Program Manager and City staff and are summarized as Table 3. The Project's performance is also illustrated graphically in Figures 1 and Figure 2.

Table 3 WRF Project Performance Measures

Performance Measure	Data	Baseline (Q4FY 17/18)	Current (Q4 FY 18/19)	Delta	Status	Ⓞ	Ⓢ	Ⓡ
1: Total Project Costs	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 6/30/19)	\$125.9 M	\$125.9 M	0.0%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.1: WRF Costs	On Site WRF Projected Cost at Completion versus the Baseline Budget (budget as of 6/30/19)	\$77.1 M	\$77.3 M	0.0%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.2: Conveyance Facilities Costs^{(1), (2)}	Conveyance Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 6/30/19)	\$26.3 M	\$31.3 M	19.0%	Ⓡ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.3: Recycled Water Facilities Costs⁽¹⁾	Off Site Injection Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 6/30/19)	\$12.1 M	\$5.6 M	-116%	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.4: General Project Costs⁽²⁾	General Project Projected Cost at Completion versus the Baseline Budget (budget as of 6/30/19)	\$10.5 M	\$11.8 M	12.4%	Ⓡ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
2: Program Manager Earned Value	Ratio of Program Manager Earned Value to Actual Invoiced Cost-to-Date (as of 6/30/19)	1.00	1.01	0.01	Ⓞ	>= 1.00	0.99 to 0.90	< 0.90
3: Schedule Performance Index⁽³⁾	Ratio of Planned Percent Complete to Actual Percent Complete (as of 6/30/19)	1.00	0.86	-0.14	Ⓢ	>=1.00	0.99 to 0.80	<0.80
4: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (thru 6/30/19)	18,500 LF	0.0 LF	0.0%	Ⓞ	<= 5%	> 5% and <=7.5%	> 7.5%
5: Compliance Date Countdown	Days Remaining to Compliance Date (as of 6/30/19)	1,339 days	884 days	-455 days	Ⓞ	<= 365 days	364 days and 180 days	> 179 days

Notes:

- (1) The cost of the potable reuse pipeline (assumed East injection location) was moved from the Recycled Water Facilities Project to the Conveyance Facilities Project following completion of the baseline cost estimate in May 2018.
- (2) The cost for a new trenchless crossing to avoid a jurisdictional waterway (i.e., wetland) at Willow Camp Creek was added to this project component.
- (3) Delays associated with access to Vistra and PG&E property have resulted in schedule delays impacting hydrogeology work and completion of the Conveyance Facilities final design.

Section 3

PROJECT COSTS

3.1 Project Budget

The overall budget status for the Project is summarized in Table 4. The top half of the table provides a summary of total estimated Project costs, including original and current estimated costs for the entire Project. The bottom half of Table 4 shows the total amount of work currently under contract and provides a summary of total charges.

Table 4 WRF Project Overall Budget Status (thru June 2019)

Summary of Total WRF Project Cost	
Baseline WRF Project Budget ⁽¹⁾	\$125,938,000
Current WRF Project Budget (as of 6/30/19)	\$125,900,000
Budget Percent Change (Current versus Re-Baseline)	0.0%
Total Expenditures for June 2019	\$962,742
Total Expenditures to Date (thru 6/30/19 invoices)	\$11,067,630
Percent of Current WRF Project Budget Expended	8.8%
Summary of Contracted Work	
Total Contracted Amount	\$77,239,207
Percent of Current WRF Project Budget Contracted	62.1%
Total Contracted Amount Expended	\$9,357,455
Percent of Contracted Amount Expended	12.1%
Remaining WRF Project Contracted Amount	\$67,881,751

Notes:

(1) Developed in the spring of 2018 as the basis of the approved rate surcharge that will take effect in July 2019.

3.2 Project Cash Flow

Figure 1 presents the projected and actual expenditures for the Project through June 2019 compared to the baseline budget developed in 2018 as the basis for the rate surcharge. The line graph shows the cumulative values for the Project and the bars show the discrete monthly values. Actual and budgeted expenditures from 2013 to the end of Fiscal Year 2017/2018 have been combined to improve readability. Milestones have been added to the cumulative baseline budget and cumulative forecasted expenditures to show changes in the Project schedule that have occurred between development of the baseline budget in May 2018 and the re-baselined budget developed at the end of March 2019. The milestone corresponds to the substantial completion of the WRF, which coincides with the City being in compliance with the TSO issued by the Regional Water Quality Control Board (RWQCB) in June 2018.

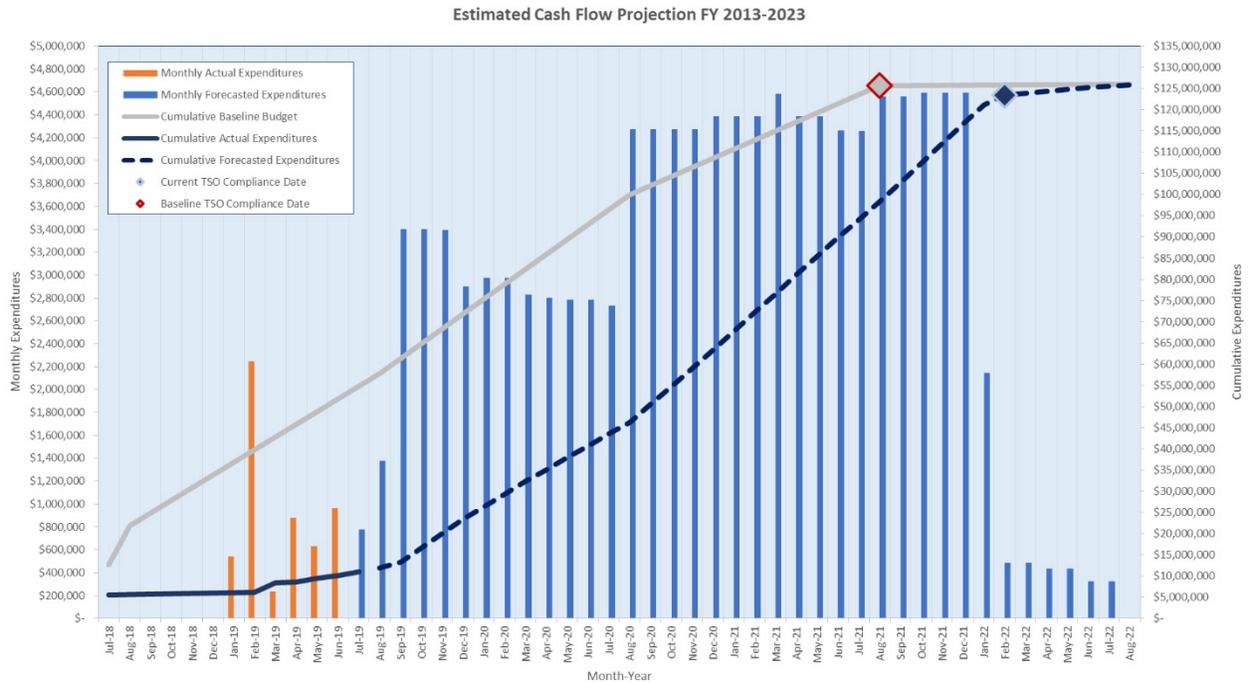


Figure 1 Project Cash Flow Projections and Actual Expenditures

3.3 Project Cost Summary

Table 5 summarizes the cost-to-date and contracted amounts for each of the elements of the Project. This table also provides the current cost estimate for each project. Detailed information on the individual elements of the Project is provided in Section 7 of this Report.

Table 5 WRF Project Cost Summary (through June 2019)

Project	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.) ⁽¹⁾	Cost Expended to Date (%)
General Project	\$5,274,586	\$6,425,172	82.1%	\$11,800,000	44.7%
WRF	\$3,163,060	\$69,102,470	4.5%	\$77,300,000	4.1%
Conveyance Facilities	\$744,502	\$1,360,564	54.7%	\$31,300,000	2.4%
Recycled Water Facilities	\$175,307	\$351,000	50.0%	\$5,500,000	3.2%
Total	\$9,357,455	\$77,239,207	12.1%	\$125,900,000	7.4%

Notes:

(1) Cost includes the total anticipated cost for each element of the Project.

3.4 Detailed Project Costs

The following tables show the detailed costs to date for active contracts for each element of the Project.

Table 6 General Project Activities Cost Summary (through June 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
ESA	\$383,260	\$408,858	93.7%
Far Western	\$100,220	\$124,644	80.4%
Kestrel	\$181,497	\$219,872	82.5%
JoAnn Head Land Surveying	\$96,568	\$102,644	94.1%
JSP Automation	\$21,777	\$63,500	34.3%
Carollo Engineers, Inc.	\$1,127,157	\$1,898,844	59.4%
Total	\$1,910,479	\$2,818,362	67.8%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 7 WRF Cost Summary (through June 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
Overland Contracting	\$3,163,060	\$69,102,470	4.6%
Total	\$3,163,060	\$69,102,470	4.6%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 8 Conveyance Facilities Cost Summary (through June 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
Water Works Engineers (WWE)	\$744,502	\$1,360,565	54.7%
Total	\$744,502	\$1,360,565	54.7%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 9 Recycled Water Facilities Cost Summary (through June 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
GSI	\$175,307	\$351,000	49.9%
Total	\$175,307	\$351,000	49.9%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

3.5 Change Orders

In May 2019, City staff and the Program Manager presented seventeen (17) potential change orders (PCOs) with a total value of \$1.9 million for the WRF to the Water Reclamation Facility Citizens Advisory Committee (WRFAC) and the City Council. The City Council approved these PCOs and authorized City staff to update the design-build team's contract and associated guaranteed maximum price (GMP). The seventeen (17) change orders are summarized in Table 10.

Table 10 Summary of Approved Change Orders

Contract	Change Order No.	Description	Value
WRF	01	New Sodium Hypochlorite Feed for Plant Water	\$78,576
WRF	02	Change Architecture of Operations Building	\$(21,623)
WRF	03	Headworks Odor Control	\$18,422
WRF	04	Remove Canopy and Monorail at MBR	\$(185,434)
WRF	05	Consolidate Chemical Facilities	\$218,978
WRF	06	Modify Chemical Piping	\$(15,856)
WRF	07	Remove Solids Dumpster Lid	\$14,543
WRF	08	Add SAFE Equalization Tank	\$504,116
WRF	09	Instrumentation and Control Changes	\$75,266
WRF	10	Revise Maintenance Building Layout and Size	\$748,431
WRF	11	Influent Piping and Metering	\$411,766
WRF	12	Install Outdoor-Rated Positive Displacement Blowers at BNR Facility	\$(58,210)
WRF	13	Remove Bypass of Coarse Screens	\$(37,137)
WRF	14	SAFE Diversion Box Additions	\$58,304
WRF	15	Size Dewatering as a Building in the Future	\$30,983
WRF	16	Stairs for the Coarse Screens and Grit Basins (total of 4)	\$52,870
WRF	17	IPR Product Water Tank Bypass	\$(26,087)
Total			\$1,867,907

3.6 Reimbursement from Funding Agencies

In 2017, the City was awarded a \$10.3 million planning loan from the CWSRF. To date, the City has only applied for a single reimbursement request. A summary of these requests are summarized in Table 11.

Table 11 Summary of Reimbursement Requests

Agency	Description	Date	Value
State	CWSRF Planning Loan	December 2018	\$217,441
Total			\$217,441

Section 4

PROJECT SCHEDULE

A summary of the Project schedule is presented in Figure 2. The light blue bars for each major task represent the planned progress based on the re-baselined schedule developed at the end of March 2019. The dark blue bars represent the current actual progress as of June 2019. For each major line item, the schedule performance index (SPI) has been provided as well as an overall SPI for the entire Project. The SPI is a ratio of the planned percent complete versus the current actual percent complete. A SPI of greater than 1.00 indicates that the Project is on or ahead of schedule and a SPI of less than 1.00 indicates the Project is running behind the planned schedule.

4.1 Project Milestones

In June 2018, the City received a TSO from the RWQCB. The TSO requires the City to comply with a time schedule that will, within five years of adoption, allow the City to achieve full compliance with biochemical oxygen demand (BOD) and total suspended solids (TSS) final effluent limitations established in Order No. R3-2017-0050. In addition to the final compliance date, a number of intermediate milestones are provided in Table 3 (Compliance Schedule) of the TSO. Presented in Table 12 are the milestones in the TSO.

Table 12 Project Construction Milestones

Required Actions	Compliance Due Date	Planned Compliance Date	Actual Compliance Date
Release of Public Draft EIR	March 30, 2018	-	March 30, 2018
Release of Updated Rate Study	June 30, 2018	-	July 05, 2018
Proposition 218 Hearing	August 30, 2018	-	September 11, 2018
Certification of Final EIR	June 30, 2018	-	August 14, 2018
Award of Contract for WRF	September 30, 2018	-	October 23, 2018
Develop, Implement, and Submit Pollution Prevention Plan (PPP) for BOD and TSS	December 01, 2018	TBD ⁽¹⁾	-
Award of Contract for Construction of Conveyance Facilities	November 30, 2019	July 22, 2020	-
Completion of WRF Improvements with Completion Report	December 30, 2022	November 30, 2021	-
Full compliance with final effluent limitations	February 29, 2023	November 30, 2021	-

Notes:

- (1) The City and Program Manager have noted this requirement in the previous quarterly progress reports sent to the RWQCB (as required by the TSO). The City has requested that the Enhanced Source Control Program required as part of the Title 22 Engineer's Report be considered acceptable for this requirement in lieu of the PPP identified in the TSO.

Section 5

DESIGN AND PROCUREMENT

5.1 Design Status

No new design contracts for the Project were executed in Q4 Fiscal Year 2018/2019. A summary of the existing design contracts is included in Table 13 below.

Table 13 Procurement Status (through June 2019)

Project Name	Initial Contract Amount	Amount Expended	30%	60%	90%	Final
WRF	\$4,821,229	\$3,163,060	✓			
Conveyance Facilities	\$1,170,894	\$744,502	✓			
Recycled Water Facilities	\$0	\$0				

5.2 Procurement

No design or design-build contract procurements were performed in Q4 FY 18/19. Table 14 presents a summary of the procurement activity for the Project.

Table 14 Procurement Status (through June 2019)

Project Name	Circulate Request for Proposals	Proposal Opening Date	Council Award Date	Notice to Proceed Date	Consultant
WRF	January 24, 2018	May 08, 2018	October 23, 2018	November 01, 2018	Overland Contracting (Filanc-Black & Veatch)
Conveyance Facilities	January 31, 2017	March 08, 2017	November 14, 2017	November 15, 2017	Water Works Engineers
Recycled Water Facilities	Design Engineer to be Selected in Winter 2019				

Section 6

CONSTRUCTION STATUS

6.1 Construction Summary

During Q4 Fiscal Year 2018/2019, design activities were started for the design-build component of the Project. However, construction for the WR is not anticipated until August/September 2019. Table 15 presents a summary of project construction progress and costs through June 2019.

Table 15 Project Construction Costs

Project Name	Amount Expended	Initial Contract Amount	Current Contract Amount	% Change in Contract Amount
WRF	\$0	\$62,413,335	\$64,281,242	3.0%
Conveyance Facilities	\$0	\$0	\$0	0%
Recycled Water Facilities	\$0	\$0	\$0	0%
Construction Total	\$0	\$62,413,335	\$64,281,242	3.0%

6.2 Upcoming Traffic Control

6.2.1 Planned Impacted Areas

6.2.2 Hours of Planned Lane/Road Closures

6.3 Construction Safety

The Project safety goal is zero reportable incidents. There have been a total of zero reported incidents through June 2019.

Section 7

OTHER PROGRAM ACTIVITIES

7.1 Public Outreach

Current public outreach activities include:

- Continued re-branding activities.
- Prepared material to accompany the June and July water and wastewater utilities bills prior to the rate increases taking affect for July usage (receipt in early August).
- Developed a rate calculator to allow both residential and commercial customers to evaluate their new water and wastewater rates.
- Completed miscellaneous updates to the Project website.

7.2 Permitting Activities

Permit compliance is an important aspect of the Project. The current permitting activities include:

- Began developing the Enhanced Source Control Program (ESCP) required by the Division of Drinking Water (DDW) for potable reuse projects.
 - Completed the Industrial Waste Survey (IWS) and sent it to approximately 200 local businesses.
- Consultation with SHPO is needed for compliance with the National Environmental Policy Act (NEPA) required to secure WIFIA and CWSRF funding.
 - Completed the necessary additional architectural and archeological field work within the area of potential effect (APE) are currently being planned.
- In order to capture changes to the project identified since the certification of the FEIR, ESA continued development of the addendum.
 - While not required by the California Environmental Quality Act (CEQA), the FEIR Addendum will be circulated, per direction from CWSRF staff, and will go to City Council in August 2019.
- The Project CDP is on the July 11, 2019 CCC meeting agenda in San Luis Obispo.

7.3 Funding Status

- Coordination with WIFIA staff to facilitate the environmental review and finalize loan terms.
- Continued coordination with Kestrel and the United States Bureau of Reclamation (USBR) regarding the draft crosswalk document for the Title XVI Grant Program previously delivered in early 2018.

7.4 City Operations Activity

The current City Operations activities include:

- Significant City Operations activities are not anticipated until start-up of the WRF begins in June 2021.

Section 8

PROJECT DETAILS

8.1 Water Reclamation Facility

8.1.1 Design/Build

In October 2018, the City executed a contract with Overland Contracting consisting of a joint venture of Filanc and Black & Veatch (i.e., design-build team) for design and construction of the WRF located at the South Bay Boulevard site. The WRF will be delivered using the design-build process.

8.1.2 Project Scope

The scope of this element of the Project includes a preliminary, secondary, and advanced treatment facilities. The secondary treatment processes will consist of a MBR and have the ability to exceed the anticipated discharge requirements for the City's new National Pollution Discharge Elimination System (NPDES) permit. The advanced treatment facilities include RO and UVAOP. Purified water from the advanced treatment facilities will be injected into the Lower Morro Groundwater Basin.

8.1.3 Current Progress

The design-build team delivered an internal draft of the Basis of Design Report (BDR) in February 2019. The Draft BDR was presented to the WRFCAC and City Council in May 2019. In addition to the Draft BDR review, City staff and the Program Manager presented seventeen (17) PCOs to WRFCAC and City Council that increased the GMP by approximately \$1.9 million.

8.1.4 Upcoming Activities

The next step in the design-build process is procurement and the start of construction. In addition to these items, the design-build team is continuing to advance the design and is planning to deliver the 60 percent submittal in late July 2019.

8.1.5 Project Challenges

The goal is to move this element of the Project into construction as soon as possible. At this time, two items are on the critical path for WRF construction. These include issuance of a CDP by the CCC (anticipated July 2019) and completion of the SHPO consultation process.

Table 16 WRF Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	\$62.4M	\$64.3M	
Change Order Cost	\$6.2M	\$4.3M	

Notes:

(1) Project budget and current contract amount (≤5% over target = Yellow, >5% over target = Red).

Table 17 WRF Construction Summary

Schedule					
Request for Bid / Bid Advertisement	January 24, 2018				
Bid Opening Date	May 08, 2018				
Contract Award / Council Award Date	October 23, 2018				
Notice to Proceed for Construction	NA				
Original Final Completion Date	June 09, 2022				
Original Duration (Non-Working Days)	1,316				
Days Changed by Change Order	0				
Actual Final Completion Date (including Non-Working Days)	June 28, 2022				
Schedule Percent Complete	19%				
Budget					
Engineer's Estimate (Construction Cost + 10% Construction Contingency)	\$68,654,668				
Award Amount (excludes Design Cost)	\$62,413,335				
Change Order Total	\$1,867,907				
Current Contract Value	\$64,281,242				
Percent Change	3.0%				
Work Completed					
Actual Cost -to-Date	\$0				
Percent Complete (Percent Expended)	0%				
Construction Management Statistics					
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	30	17	0
Total Responded To	0	0	17	17	0
Total Pending	0	0	1	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Acronym List:
 (1) RFI – Request for Information
 (2) PCO – Proposed Change Order
 (3) CO – Change Order
 (4) NOPC – Notice of Potential Claim

8.2 Conveyance Facilities

8.2.1 Designer

In November 2017, the City executed a contract with Water Works Engineers (WWE) for design and engineering support for the facilities necessary to connect the existing WWTP and the new WRF.

8.2.2 Contractor

This element of the Project is being delivered via a conventional design-bid-build procurement process. The Conveyance Facilities are currently under design and will begin construction in the summer of 2020.

8.2.3 Project Scope

The Conveyance Facilities originally included the design of approximately 3.5 miles of pipelines and a lift station located near the existing WWTP. The pipelines include two raw wastewater forcemains and a wet weather/brine discharge forcemain. Several changes to the Conveyance Facilities have occurred since the contract was executed with WWE including the addition of a second, smaller lift station near the intersection of Main Street and Highway 1 and the addition of the potable reuse forcemain to either the east or west injection site.

8.2.4 Current Progress

WWE, City staff, and Carollo presented the preferred lift station orientation (dual) and the recommended pipeline alignment (west of Highway 1 along Quintana Road) to WRFCAC and the City Council in December 2018 and January 2019, respectively. An internal draft of the Concept Design Report (CDR) was also delivered to staff in February 2019. In June 2019, WWE, City staff, and the Program Manager presented the Final-Draft CDR to both WRFCAC and City Council. WWE has started the development of the 60 percent design submittal at this time.

8.2.5 Upcoming Activities

WWE has been working to complete the field work necessary to complete the 60 percent design submittal over the last several months. These activities include surveying and geotechnical investigations. These activities must be completed before the 60 percent design submittal can be completed in late August 2019.

8.2.6 Project Challenges

Access to private property has caused delays in this element of the property. Over the past several months, access to the PG&E and Vistra properties has been possible and much of the field work needed to advance the design of the Conveyance Facilities has been completed.

Table 18 Conveyance Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	\$0.0M	\$0.0M	
Change Order Cost	\$0.0M	\$0.0M	
Number of Feet of Pipelines Constructed	18,500 LF	0 LF	
Number of Days of Full Road Closures	0 Days	0 Days	
Number of Hours of Night Work	0 Hours	0 Hours	

Notes:

(1) Project budget and current contract amount - (≤5% over target = Yellow, >5% over target = Red)

Table 19 Conveyance Facilities Summary

Schedule					
Request for Bid / Bid Advertisement	NA				
Bid Opening Date	NA				
Contract Award / Council Award Date	NA				
Notice to Proceed for Construction	NA				
Original Final Completion Date	NA				
Original Duration (Non-Working Days)	NA				
Days Changed by Change Order	0				
Actual Final Completion Date (including Non-Working Days)	NA				
Schedule Percent Complete	0%				
Budget					
Engineer's Estimate (Construction Cost + 10% Construction Contingency)	\$27,036,635				
Award Amount	\$0				
Change Order Total	\$0				
Current Contract Value	\$0				
Percent Change	0%				
Work Completed					
Actual Cost -to-Date	\$0				
Percent Complete (Percent Expended)	0%				
Length of Pipe Installed (actual to date / planned total)	0 LF / 18,500 LF				
Construction Management Statistics					
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	0	0	0
Total Responded To	0	0	0	0	0
Total Pending	0	0	0	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Acronym List:

- (1) RFI – Request for Information
- (2) PCO – Proposed Change Order
- (3) CO – Change Order
- (4) NOPC – Notice of Potential Claim

8.3 Recycled Water Facilities

8.3.1 Designer

Procurement activities for the designer for the Recycled Water Facilities have not yet been started, but it is anticipated that design will begin in early 2020 following completion of the Phase 1, Phase 2, and Phase 3 hydrogeological work by GSI.

8.3.2 Contractor

This element of the Project is being delivered via a conventional design-bid-build procurement process. The Recycled Water Facilities are currently under design and will begin construction in the spring of 2020.

8.3.3 Project Scope

Since the potable reuse pipeline from the WRF to the selected injection site was moved into WWE's scope for design of the Conveyance Facilities, this element of the Project consists primarily of full-scale injection wells at either the west or east injection sites.

8.3.4 Current Progress

Phase 1 of GSI's hydrogeological was completed and presented to WRFCAC and City Council in May 2019. GSI is in the process of completing the Phase 2 work which consists of identifying the preferred injection location (west and/or east) and refining the groundwater travel time to the existing Morro wellfield. During the last several months, GSI completed the cone penetration tests (CPTs) at Silver City Resort and pump testing at an existing well on Errol Street in order to characterize the east injection location.

8.3.5 Upcoming Activities

GSI is currently working on Phase 2 and City staff and the Program Manager are working to provide access to the Vistra property to facilitate siting of the pilot injection wells or using the existing Morro Bay Mutual Water Company wells for pump testing.

8.3.6 Project Challenges

As mentioned previously, access challenges for the Vistra property are also preventing the Recycled Water Facilities from advancing through Phase 3. A work plan was submitted to Vistra in May 2019, and it is anticipated that characterization of the west injection area will begin shortly after receipt of the CDP for the Project.

Table 20 Recycled Water Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost (1)	\$0.0M	\$0.0M	
Change Order Cost	\$0.0M	\$0.0M	
Selection of the Injection Site	October 15, 2019	NA	

Notes:

(1) Project budget and current contract amount - ($\leq 5\%$ over target = Yellow, $> 5\%$ over target = Red)

Table 21 Recycled Water Facilities Summary

Schedule					
Request for Bid / Bid Advertisement	NA				
Bid Opening Date	NA				
Contract Award / Council Award Date	NA				
Notice to Proceed for Construction	NA				
Original Final Completion Date	NA				
Original Duration (Non-Working Days)	NA				
Days Changed by Change Order	0				
Actual Final Completion Date (including Non-Working Days)	NA				
Schedule Percent Complete	0%				
Budget					
Engineer's Estimate (Construction Cost + 10% Construction Contingency)	\$3,300,000				
Award Amount	\$0				
Change Order Total	\$0				
Current Contract Value	\$0				
Percent Change	0%				
Work Completed					
Actual Cost -to-Date	\$0				
Percent Complete (Percent Expended)	0%				
Work Completed					
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	0	0	0
Total Responded To	0	0	0	0	0
Total Pending	0	0	0	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Acronym List:

- (1) RFI – Request for Information
- (2) PCO – Proposed Change Order
- (3) CO – Change Order
- (4) NOPC - Notice of Potential Claim